

Regulatory initiative	Content	Status	Issues from treasury perspective / EACT position	Actions
European Market Infrastructure Regulation (EMIR)	<p>The Regulation on OTC derivatives, central counterparties and trade repositories (EMIR) was adopted on 4 July 2012 and entered into force on 16 August 2012. EMIR requires the central clearing of all standardised OTC derivatives contracts, margins for non-centrally cleared contracts and the reporting of all derivatives contracts to trade repositories.</p> <p>Timeline of obligations:</p> <ul style="list-style-type: none"> • 15 March 2013 : Notification of non-financial counterparties whose positions in OTC derivatives exceed a specified clearing threshold, confirmations and mark-to-market/model • Q3 2013: Reporting to trade repositories for interest rate and credit derivatives • 15 September 2013 : Portfolio reconciliation, Portfolio compression and dispute resolution • Q4 2013: First CCPs authorised: Clearing member obligations, frontloading periods start 	<ul style="list-style-type: none"> • The EU Official Journal published on 23 February the six Regulatory Technical Standards (RTS) arising from EMIR. • On February 27, the European Commission extended for four months the deadline for ESMA advise on the equivalence between non-EU legal and supervisory frameworks and EMIR. According to the letter from the Commission, ESMA shall now deliver its advice on Japan and the USA by 15 June 2013 and, for the remaining countries specified in the request by 15 July 2013. The original deadline was 15 March 2013. • The Commission adopted a report on the international treatment of central Banks and public entities managing public debt with regard to OTC 		<ul style="list-style-type: none"> • Letter addressed to Commissioner Barnier – awaiting for feedback from Barnier cabinet • Contribution to BIS-IOSCO consultation submitted on 15 March

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	<ul style="list-style-type: none"> • 1 January 2014 : Reporting to trade repositories for other asset classes starts • Summer 2014: First clearing obligations start (3 year phase-in for non-financial counterparties exceeding a clearing threshold) 	derivatives transactions.		
Shadow banking / Money Market Funds (MMFs)	<p>A leaked draft of the forthcoming Regulation on MMFs indicates that the text will impose e.g.:</p> <ul style="list-style-type: none"> • A requirement on CNAV MMFs to have a cash “buffer” equivalent to 3 percent of their assets • binding rules on the types of assets MMFs can invest in • limits on how much business MMFs can do with a single counterparty, and restrictions on short selling <p>The officials have stated (to EACT / Avisa) that they view CNAV MMFs as posing unacceptable systemic risk therefore the legislation would aim at directing the market towards the use of VNAV MMFs.</p>	<p>It is expected that there will be a communication from the Commission at the end of April – beginning of May on shadow banking, including a roadmap in different topics and one legislative proposal, which would most probably be on Money Market Funds. There would be no further consultation on this legislative proposal (as the Green Paper is considered sufficient); the text is now in the last phase of the impact assessment and the EC’s internal procedure before adoption by the College of Commissioners.</p>	<ul style="list-style-type: none"> • Primary concerns are over the impact of regulatory moves on the competitiveness and availability of (CNAV) MMFs • Need also to monitor US initiatives and liaise with counterparts 	
Financial Transaction Tax (FTT)	<p>Council agreed to the “enhanced cooperation” procedure between 11 Member States (Belgium, Germany, Estonia, Greece, Spain, France, Italy,</p>	<p>The procedure for adoption of the FTT requires a unanimity vote by the 11 participating countries. The next working</p>	<ul style="list-style-type: none"> • The Impact of the tax on the overall economy • Hidden cost increases for end-users 	

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	<p>Austria, Portugal, Slovenia and Slovakia) at the end of January.</p> <p>The Commission issued a proposal for a Directive on 14 February 2013 (see also the press release and the Questions & Answers).</p> <p>The new proposal is based on the previous text presented in 2011 with some amendments and to have the following main aspects:</p> <ul style="list-style-type: none"> • The scope of instruments covered is very broad including shares and bonds at 0.1% and derivatives at 0.01%. CFDs, equity derivatives, depository receipts, money market instruments, structured products are also covered. The applicable rates are minimum harmonized rate levels paving the way for individual countries to possibly adopt higher levels. Furthermore, cascade effects could make the effective rate higher as the transactions would be taxed separately from different market participants at different stages. • The FTT would cover the purchase and sale of the financial instrument before nett 	<p>party meeting is scheduled for 16 April. Irish Presidency sources confirmed that the discussions in the Council are still at an early stage and thus far there is no agreement among the 11 participating Member States about what type of FTT they are interested in. There are in fact two parallel processes the formal legal Council discussions among 27 and an informal dialogue among the 11 participating Member States.</p> <p>The proposal states that the Directive would enter into force on 1 January 2014 and that the participating countries would have to adopt their national laws transposing and complying with the FTT Directive by 30 September 2013 at the latest.</p>	<ul style="list-style-type: none"> • Drop in trading activity in the FTT zone (ISDA, for example, expects derivatives activities to drop by between 60-90 percent in countries where the tax is introduced) 	

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	<p>ing and settlement and it would be applied on the basis of a combination of the residence principle and the location of the where the financial instrument is issued.</p> <ul style="list-style-type: none"> • The proposal also provides for implementing acts regarding uniform collection methods of the FTT and the participating countries would have to adopt appropriate measures to prevent tax evasion, avoidance and abuse. • There will be an exemption for primary market transactions (i.e. subscription/issuance). <p>The extra-territorial impact of the FTT could be very wide due to the design of the tax: an FTT Zone financial institution's branches worldwide will be subject to the FTT on all of their transactions and non-FTT Zone financial institutions will be taxed for transactions with parties in the FTT Zone, and whenever they deal in securities issued by an entity established in the FTT Zone.</p>			

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Capital Requirements Directive (CRD) IV – Capital Requirements Regulation (CRR)	<p>An agreement on the text on renewed bank capital requirements was reached between the trilogue partners end of February. The CVA exemption for non-financial counterparties is maintained in the compromise text.</p> <p>The text includes the following (controversial) points:</p> <ul style="list-style-type: none"> • Cap on bankers' bonuses • National governments' additional flexibility to lift the minimum capital requirements for banks in their countries based on economic conditions or rising risk • Obligation for EU banks to report to the European Commission (EC) their paid taxes and profits gain country by country (both inside and outside the EU). 	<p>On 5 March 2013 the Economic and Financial Affairs Council (EcoFIN) agreed to its key terms, confirming a provisional agreement reached with the European Parliament (EP) at the end of February. The legislation now enters its final phases with adoption by the EP plenary on 17 April. That will be followed by a legal/linguist expert review, prior to final adoption by the EcoFIN Council (possibly in May) and publication in the Official Journal.</p> <p>If the text is published by mid-2013 (after some final drafting, legal checks and translations), the provisions could enter into force as of 1 January 2014.</p> <p>EBA is developing level-2 texts.</p>	<p>CVA exemption: Article 372(3a) excludes transactions with non-financial counterparties as defined in EMIR or with non-financial counterparties established in a third country, where those transactions do not exceed the clearing threshold specified in EMIR. The Article further says that EBA shall conduct a review by 1 January 2015 and every two years thereafter, in the light of international regulatory developments and including on potential methodologies on the calibration and thresholds for application of CVA charges to third country non financial counterparties. EBA in co-operation with ESMA shall, within 6 months of the date of the review, develop draft regulatory technical standards to specify the procedures for excluding transactions with non-financial counterparties established outside the Union in a third country from the own funds requirement for CVA risk.</p>	

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Credit Rating Agencies (CRA) Regulation	<p>Main provisions concerning the rating of sovereign debt:</p> <ul style="list-style-type: none"> • CRAs will be required to set up a calendar (at the end of the previous year) for sovereign debt rating which will be limited to three ratings per year for unsolicited sovereign ratings. these ratings could be published only after markets in the EU have closed and at least one hour before they reopen. • sovereign ratings would have to be reviewed at least every six months <p>Rotation requirements (Article 6b):</p> <ul style="list-style-type: none"> • Rotation for CRAs is limited to new re-securitisations: if a CRA is issuing credit ratings on re-securitisations, it shall issue no credit ratings on new re-securitisations with underlying assets from the same originator for a period equal to the duration of the expired contract though not exceeding four years. • But mandatory rotation will not apply to small CRAs, or to issuers employing at least four CRAs each rating more than 	<ul style="list-style-type: none"> • Parliament approved the Regulation text on 16 January 2013 (remains to be published in the Official Journal; entry into force on the twentieth day following its publication except some provisions) • ESMA should establish a European Rating Platform where EU registered and authorised CRAs will have to communicate to ESMA all credit ratings they issue. ESMA will make them available to the public on a website. 		

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	10% of the total number of outstanding rated structured finance instruments			
Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR);	Commission proposed a review of MiFID / MiFIR on 20 October 2011. Presidency compromises on MiFID / MiFIR. European Parliament ECON Committee has adopted their report in October 2012 (see report here). The Council is still working on their negotiation position, see latest Presidency compromise (Directive), Presidency compromise (Regulation).	<ul style="list-style-type: none"> • According to some sources, the MS's positions are getting closer to each other. The access provisions (articles 28-30) continue to be controversial. On the contrary on pre trade transparency and OTFs provisions, the Irish Presidency said that there would not be much further changes. • Council Attachés will meet again on 10 April. This could be the last attachés meeting on MiFID II. • MiFID II-MiFIR is currently on the agenda of 17-18 April COREPER meeting (Ambassadors' level). It could also be moved to the following COREPER meeting on 24-25 April or the subsequent COREPERs in early May. COREPER paves the way/agreement for ECOFIN. 		

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		<ul style="list-style-type: none"> • The Council's General Approach on MIFID II-MIFIR could be agreed at the ECOFIN (EU Finance Ministers) meeting on 14 May. • After the General Approach is agreed trilogue negotiations with the Commission and European Parliament could start for a period of 6 months approx. before the final adoption of the two texts. 		

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<p>Banking Union:</p> <ul style="list-style-type: none"> • Single Supervisory Mechanism (SSM) • Bank Recovery and Resolution • Deposit Guarantee Schemes (DGS) 	<p>The so called 'Banking Union' includes:</p> <p>1) Single Supervisory Mechanism; 2) Bank Recovery Resolution regime; 3) Deposit Guarantee Schemes.</p> <p>1) <u>Single Supervisory Mechanism</u></p> <p>On 12th September 2012 the Commission issued a proposal for a Single Supervisory Mechanism for credit institutions on which negotiations shall be finalized shortly.</p> <p>2&3) <u>Bank Recovery and Resolution & Deposit Guarantee Schemes</u></p> <p>Work on bank recovery and resolution and on deposit and guarantee scheme have already been undertaken prior to the proposal for a Single Supervisory Mechanism. In June-July 2012 the Commission issued two proposals concerning, respectively, bank recovery and resolution and deposit and guarantee schemes.</p> <p>The subsequent work on the 'Banking Union' package is building upon these previous developments with the aim of moving towards increasingly harmonized and centralized recovery and resolution tools and deposit and guarantee schemes.</p>	<p>1) <u>Single Supervisory Mechanism (SSM):</u></p> <p>An <u>agreement</u> was reached on 19 March on SSM. The SSM will put the European Central Bank in charge of a unified oversight of 100-200 biggest euro zone banks. National supervisors will be in charge of the rest but under ECB's orders.</p> <p>2) <u>Bank recovery and Resolution</u></p> <p>The draft foresees the setting up of national resolution authorities and funds with contributions from the banking industry. Some Member States, including UK, resist banks' funding. The Cypriot crisis and the applied levy on large deposits are affecting the discussion on the draft Directive: apparently the EP intends to include compulsory bail-in of large deposits (> 100.000€) in the law.</p>		<p>Monitor</p>

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		<p>Pending negotiation between EP and Council, on 11 March 2013 the European Banking Authority (EBA) launched a public consultation on technical standards for recovery plans (link to the consultation page, deadline: 11 June 2013).</p> <p><u>Next steps:</u></p> <ul style="list-style-type: none"> • Possible ECON Committee vote on bank recovery and resolution: 24 April 2013 • Possible EP plenary vote on bank recovery and resolution: 2 July 2013 <p><u>3) Deposit Guarantee Scheme (DGS)</u></p> <p>The talks on EU DGS are at a stalemate due to the long-standing disagreement between the EP and the Council over the scope of banks' contributions.</p>		

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Interest rate benchmarks	<ul style="list-style-type: none"> Following recent cases of benchmarks manipulation, the Commission proposed an update of its proposal for review of the Market Abuse legislation (MAD-MAR) in order to include benchmarks into the scope of MAD and MAR (see amended proposal for a Regulation and amended proposal for a Directive)The Council reached a General Approach on the topic in December 2012 (text available here). Commissioner Barnier has stated that the Commission will propose further legislation on benchmarks in the second quarter of 2013 to further clarify the framework under which benchmarks should operate (expected to include the power to impose mandatory submissions for systemic benchmarks such as Euribor) 	<p>20 February 2013: published responses to ESMA-EBA public consultation on principles for benchmarks-setting processes in the EU (link to responses).</p> <p>As far as negotiation on the proposed revision is concerned, it appears that the Irish Presidency is willing to prioritize other banking measures before dealing with benchmarks.</p> <p>Concerning further legislative action, Commissioner Barnier declared that the Commission will propose further legislation on benchmarks in Q2 2013 (link to statement). The legislation could entail mandatory banks participation in rate-indexes.</p>	<p>The main issue of concern to treasurers and corporates is the possible modification of LIBOR/EURIBOR setting process which might affect existing (often long-term) contracts negotiated under previous rules.</p>	<p>Monitor and respond to any legislative proposals</p>
Solvency II	<p>A revision of Solvency II, the Solvency II/Omnibus II package, has been proposed to update the legislation with legislative and institutional</p>	<p>On 28 January 2013 EIOPA announced that the result of the study will be released in the second half of June 2013.</p>	<p>Higher counter-cyclical capital buffers imposed by Solvency II-Omnibus II to insurers reduces funding available and</p>	<p>Monitor developments in Solvency II/Omnibus II negotiation and potential spill-over between the</p>

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	<p>developments. Since April 2012 negotiation between the European Parliament (EP) and the Council are deadlocked over the issue of long-term insurance contracts. Life insurance contract do not rely on the prices of options or guarantees. Solvency II-Omnibus II proposes a change towards a market approach, which takes into account the prices of options and guarantees. A study by EIOPA (the European Insurance and Occupational Pensions Authority) has been commissioned in order to unlock the negotiations. The initial expected date for release of the results was March 2013.</p>	<p>This seems push back the implementation date (officially set to 1 January 2014) to 2016. In addition to the assessment of the long-term guarantee issue, EIOPA has been requested by the Commission to reconsider the treatment of long-term investment within the rules to implement Solvency II. Apparently EIOPA plans to present to the Commission a draft outline on the latter rules in the coming weeks. The advice from EIOPA to the Commission on this issue is also due in June 2013. March 2013, EIOPA launched a public consultation on Guidelines related to the preparation for Solvency II (link to the consultation page, deadline: 19 June 2013) <u>Next steps:</u> Second half of June 2013 - EIOPA will release the result of</p>	<p>undermines insurers' ability of investing long-term. This, in turn, makes it more difficult to finance long-term projects and exacerbate financing problems of business, still struggling with the financial crisis. However, the Green Paper on Long-Term Finance published on 25 March 2013 as well as EIOPA's study on long-term investment partially address this issue</p>	<p>two files. Impact of the outcome of EIOPA's study and follow up to the Green Paper on long-term -investment.</p>

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		its studies on Long-Term Guarantee Assessment (LTGA) and on long-term investment.		
Long-term finance	<p>Commission has published on 25 March a Green Paper consultation entitled “Long-term financing of the European economy”- please see the press release and the Green Paper. The Green Paper focuses on how to foster long-term financing and to improve and diversify the system of financial intermediation in Europe. The consultation has quite a large scope and the questions covered include amongst others:</p> <ul style="list-style-type: none"> • the impact of the cumulative effects of ongoing financial reforms (especially prudential rules) on the financial sector’s ability to finance the economy • the capacity of banks / institutional investors to channel financing to long-term investments • the question of whether current tax and accounting rules are appropriate in order to encourage long-term investment • the possible development of specific asset classes and 		To be defined	Respond to Green Paper consultation

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	<p>markets such as covered bonds, securitization and a European project bond market</p> <ul style="list-style-type: none"> • SMEs' access to bank and non-bank finance <p>Deadline for responses is 25 June.</p>			
<p>Liikanen report</p>	<p>The Liikanen report issued in October 2012 proposes to:</p> <ul style="list-style-type: none"> • Ring-fence investment banking from retail banking into a separate entity if a banks' trading activities exceed a certain threshold (this entity would still be part of the same banking group but would have to hold its own capital) • Banks should maintain recovery and resolution plans; if authorities consider some of the a bank's trading activities too risky, the ring-fence could be widened • Use of designated bail-in instruments in order to ensure that a bank's private creditors share some of the losses in case of a bank's failure • European Commission to assess whether the proposed amendments to capital 	<ul style="list-style-type: none"> • A regulatory text will probably be presented in September this year on which there will be a consultation. However the text would most probably not be adopted during this legislature. • ECON is drafting an own initiative report on this subject 		

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	<p>requirements would be sufficient to keep both investment and retail banks safe and sound; according to the report banks' techniques for assessing how much capital they needed to hold against their trading positions were outdated</p> <ul style="list-style-type: none"> • Strengthen the governance and control of banks in order to rein in excessive risk-taking <p>Both Germany and France – mirroring the Volcker rule in the US - have ongoing initiatives at national level to separate proprietary trading activities; trades executed on behalf of clients would remain within the retail bank “arm”.</p>			
<p>Anti-Money Laundering Directive and Regulation on information accompanying transfer of funds</p>	<p>Following the publication of the revised set of international standards by the Financial Action Task Force (FATF) – the international body setting recommendations for combating money laundering – in February 2012, the Commission has issued proposal to review these two pieces of legislations. Among the most important changes are:</p> <ul style="list-style-type: none"> • The new Directive clarifies and 	<p>The two review proposal were issued by the Commission on 5 February 2013 and they now need to be adopted by the Parliament and the Council through the ordinary legislative procedure. The Commission is planning to organize a public hearing on 15 March</p>	<p>To be analysed</p>	

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	<p>reinforces the rules on customer due diligence and introduces new provisions to deal with politically exposed persons</p> <ul style="list-style-type: none"> • Inclusion within its scope of all persons dealing in goods or providing services for cash payment of €7,500 or more • Designation of "Tax Crimes" as a new "predicate offence" (i.e. so that money laundering includes cases where the proceeds of tax evasion were involved). • Introduction of a new requirement for all cross-border wire transfers to include beneficiary information and the expansion of the scope to certain e-money and mobile telephony payment products. • Clarification with respect to EU data protection rules, in particular regarding the ability to transfer information to different parts of an international group (including operating in third countries) for anti-money laundering purposes. 			
Payment Services Directive	<p>Currently under review by the Commission. Issues which are being looked at by the Commission include:</p> <ul style="list-style-type: none"> • Possible extension of the PSD to one-leg transactions (i.e. where at least the payer's PSP is acting from within the EEA / extension to all currencies 	Commission expected to issue a proposal in Q1 2013	To be analysed	

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	<ul style="list-style-type: none"> • Review of the exceptions (negative scope) • Possible merger of the categories of payment institutions and electronic money institutions • Review of the payment services covered by the Directive • Transparency and information requirements • Surcharging • Refund right • Liability for unauthorized payment transactions • Liability for non-execution 			
SEPA Governance	EC and ECB to issue a proposal for the restructuring of SEPA governance: key questions evolve around the status of the SEPA Council and the organization of a multi-stakeholder structure	Awaiting for the EC/ECB to issue a proposal; next meeting of the SEPA Council scheduled for 13 March but could be postponed if the proposal is not published by that time	Ensure a balanced end-user participation	Follow-up on developments