



**EACT**

## **Monthly Report on Regulatory Issues**

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This report has been designed for, and with the support of, the above National Treasury Associations. Its purpose is to provide information about European financial regulation impacting corporate treasurers.

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## Executive Summary

Topic and summary of content and EACT position	Latest developments
<p><b><u>European Market Infrastructure Regulation (EMIR):</u></b></p> <ul style="list-style-type: none"> <li>• Regulation to push derivatives trading on exchanges</li> <li>• Corporates' hedging transactions exempted from clearing obligation but subject to reporting, portfolio reconciliation, portfolio compression and dispute resolution obligations</li> </ul>	<ul style="list-style-type: none"> <li>• ESMA is currently consulting on the review of the technical standards for the reporting obligation. EACT will draft a response to the consultation.</li> <li>• EACT wrote to the EBA concerning the report on CVA risk capital calculation currently being drafted by EBA, as it had been reported that the EBA would be questioning the exemptions. Meetings are scheduled with the EBA and the Commission to discuss the topic further.</li> <li>• EACT wrote to ESMA requesting a delay for the 1 December deadline in the changes to the reporting files. ESMA however refuses any extension of deadline.</li> </ul>
<p><b><u>Money Market Funds (MMF) Regulation:</u></b></p> <ul style="list-style-type: none"> <li>• European Commission proposal to regulate MMFs includes e.g. a mandatory capital buffer for CNAV funds, ban on external credit ratings and limitations to instruments in which MMFs can invest in</li> <li>• The proposal was adopted by the Commission in September 2013. The Parliament was unable to agree on its position under the previous legislature, therefore work on the file will have to start again.</li> <li>• EACT position concentrates on the importance of ensuring the availability MMFs (both CNAV and VNAV) and arguing against the ban of credit ratings</li> </ul>	<ul style="list-style-type: none"> <li>• The ECON Rapporteur has drafted her report (will be discussed in ECON on 1 December) which would allow CNAV funds to continue only in the form of a public debt MMF or a fund open to investment by public authorities, charities, non-profit organisations and individuals but not by corporates.</li> <li>• The Council is also discussing the file and is proposing to allow CNAVs to be open only to "small professional" investors.</li> </ul>

<p><b><u>Financial Transaction Tax (FTT) :</u></b></p> <ul style="list-style-type: none"> <li>• A proposal to tax a large variety of equity and bond transactions in 11 EU Member States under the ‘enhanced cooperation’ approach</li> <li>• The proposal has been subject to widespread criticism (including its legality) and it is expected that should an FTT be implemented at any stage, it would be much more restricted in scope than originally proposed</li> <li>• EACT strongly opposed as FTT amounts to a tax on the real economy</li> </ul>	<ul style="list-style-type: none"> <li>• <b>After the May announcement of 10 Member States to have the FTT agreed by the end of the year and effective as of 2016, discussions have continued but are still progressing very slowly. There seems to be an agreement to tax equity and some derivatives but there is no agreement on which derivatives would be taxed.</b></li> </ul>
<p><b><u>Financial Benchmark Regulation:</u></b></p> <ul style="list-style-type: none"> <li>• Proposal of the Commission to regulate the administration and the contribution to financial benchmarks</li> <li>• Would impose mandatory contributions to certain benchmarks (EURIBOR and LIBOR) and would impose liability for those contributions in certain cases</li> <li>• EACT position will underline the importance of contract continuity and coherence of EU action with international developments</li> </ul>	<ul style="list-style-type: none"> <li>• <b>ICE is running a consultation on the evolution of LIBOR until 19 December.</b></li> </ul>
<p><b><u>Bank Structural Separation (Barnier / Liikanen rule)</u></b></p> <ul style="list-style-type: none"> <li>• Proposal of the Commission to ban proprietary trading and to have the possibility of separating banks’ other trading activities into a separate entity; separation would not be automatically forced but bank supervisors would have to decide case by case. The planned Regulation would only apply to the biggest banks.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>ECON Committee has started the debate on the file and as expected the different political groups have very differing views.</b></li> <li>• <b>Several Member States have serious reservations about the Commission proposal as they view the proposed separation as too heavy.</b></li> <li>• <b>EACT position paper has been sent to the relevant ECON members.</b></li> </ul>

**Note: For ease of reading, updates compared to the previous report are in bold font.**

OTC Derivatives - European Market Infrastructure Regulation (EMIR)		
Content and legislative status	Latest developments	Issues from treasury perspective / EACT position
<p>EMIR was adopted on 4 July 2012 and entered into force on 16 August 2012. It 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>EMIR contains different start dates for the various obligations and the obligations for NFC- (portfolio compression, trade reporting) are already in place. On 18 March 2014 ESMA authorised the first CCP for the clearing obligation, which kick-starts the countdown to the start of the clearing obligation. ESMA has six months, until 18 September 2014, to submit the RTSs on the clearing obligation for Commission approval.</p> <p>FSB has consulted on the approaches to aggregate OTC derivatives data and will report to the G20 Brisbane summit in the autumn on the conclusions. EACT response to the consultation is available <a href="#">here</a>.</p>	<p><b>Consultations:</b></p> <ul style="list-style-type: none"> <li>• ESMA is <a href="#">consulting</a> on reviewing the technical standards for the reporting obligation. The amendments proposed in the consultation would make some of the EMIR Q&amp;A part of the RTSs and therefore binding legislation and also would amend many of the current reporting fields. The consultation runs until 13 February. ESMA is expected to give its final advice to the Commission on the topic next year and the final rules would become applicable towards the end of 2015.</li> <li>• ESMA is consulting on <a href="#">draft guidelines clarifying the definition of derivatives under MiFID I</a>, in particular on the definition of commodity derivatives under paragraphs C6 and C7 of Annex 1 of MiFID I.</li> </ul> <p><b>ESMA/ EBA:</b></p> <ul style="list-style-type: none"> <li>• ESMA has <a href="#">delayed</a> the delivery of the second set of RTSs on the clearing of OTC credit derivatives as the first set of RTSs on the clearing of OTC interest rate derivatives is still being considered by the Commission.</li> <li>• It seems that the EBA – in charge of drafting the level 2 measures for CRD IV – CRR – might be reconsidering the CVA exemption for NFC-’s. EBA is currently doing</li> </ul>	

## OTC Derivatives - European Market Infrastructure Regulation (EMIR)

- a CVA data collection exercise and as part of this has indicated that it might wish to remove some of the exemptions.
- ESMA has requested that Trade Repositories to make changes to the validation process of incoming trade reporting data which is likely to increase unmatched trades.
  - It has been [reported](#) that ESMA has decided not to issue guidelines to define foreign exchange derivatives (delineation between a spot and a forward) and will adopt a definition only as part of MiFID II which will be applicable as of 2017. Until then different definition will apply across Member States (particularly in the UK) and e.g. the EMIR reporting obligations will differ in consequence. Previously the Commission has stated that for legal reasons it cannot adopt an implementing act for the harmonisation of spot and forward definition, contrarily to what had been previously planned. The Commission stated at that time that ESMA could either tackle the issue as part of the level 2 measures of MiFID 2 (but which will enter into force only in 2017) or in the meantime adopt other measures, such as guidelines. The Commission proposed a harmonised timeline of T+2 for all EU currencies and other major currencies.
  - ESMA published the 10<sup>th</sup> updated [EMIR Q&A](#)

## OTC Derivatives - European Market Infrastructure Regulation (EMIR)

[document](#)

### International:

- The FSB has published a feasibility study on aggregation of OTC derivative trade repository data (see EACT contribution to the consultation [here](#)). The FSB concludes that either a physically or logically centralized model would be preferable to the only currently available model where authorities themselves collect and aggregate raw data from trade repositories. As next steps, the FSB recommends the following:
  - Developing global guidance on harmonisation of data elements that are reported to trade repositories and are important to aggregation by authorities.
  - Work to provide official sector impetus and coordination for the further development and implementation of uniform global UTIs and UPIs.
  - Study in more detail and address the legal and regulatory changes that would be needed to implement a global aggregation mechanism that would meet the range of authorities' data access

### OTC Derivatives - European Market Infrastructure Regulation (EMIR)

	<p>needs, and the appropriate governance structure for such a mechanism.</p> <ul style="list-style-type: none"> <li>• IOSCO has launched an <a href="#">information repository</a> for central clearing requirements for OTC derivatives which provides consolidated information on clearing requirements in different jurisdictions (see also the <a href="#">press release</a>).</li> <li>• The Commission and the US authorities are moving closer to an agreement on mutual clearing house recognition, which would allow US clearing houses to do business with European banks. The Commission's deadline for the equivalence decision is mid-December.</li> </ul>	
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## **OTC Derivatives - European Market Infrastructure Regulation (EMIR)**

### **Key documents:**

- [EMIR Regulation](#)
- Regulatory Technical Standards
  - [Regulatory technical standards on capital requirements for central counterparties](#)
  - [Regulatory technical standards on requirements for central counterparties](#)
  - [Regulatory technical standards on indirect clearing arrangements, the clearing obligation, the public register, access to a trading venue, non-financial counterparties, risk mitigation techniques for OTC derivatives contracts not cleared by a CCP](#)
  - [Regulatory technical standards on the minimum details of the data to be reported to trade repositories](#)
  - [Regulatory technical standards specifying the details of the application for registration as a trade repository](#)
  - [Regulatory technical standards specifying the data to be published and made available by trade repositories and operational standards for aggregating, comparing and accessing the data](#)
- Implementing Technical Standards
  - [Implementing technical standards on requirements for central counterparties](#)
  - [Implementing technical standards on the minimum details of the data to be reported to trade repositories](#)
  - [Implementing technical standards specifying the details of the application for registration as a trade repository](#)

### Shadow banking / Money Market Funds (MMFs)

Content and legislative status	Latest developments	Issues from treasury perspective / EACT position
<p>The Commission proposal for Regulation would impose amongst others the following:</p> <ul style="list-style-type: none"> <li>• A requirement on CNAV MMFs to have a cash “buffer” equivalent to 3 percent of their assets</li> <li>• binding rules on the types of assets MMFs can invest in</li> <li>• limits on how much business MMFs can do with a single counterparty, and restrictions on short selling</li> <li>• A ban for MMFs to solicit external ratings</li> </ul> <p>The Parliament ECON Committee did not reach a compromise on the text. The work will therefore continue in the autumn under the new Parliament. The new ECON committee is not likely to re-start the work on the file before September-October at the earliest. A new Rapporteur will have to be appointed as the previous Rapporteur (Said El Khadraoui) was not re-elected.</p>	<ul style="list-style-type: none"> <li>• <b>The Parliament and the Council are both currently considering the file in order to establish their negotiation positions for the trilogues. At the Parliament side, the Rapporteur Neena Gill (UK, S&amp;D) has drafted her report, which in summary proposes the following:</b> <ul style="list-style-type: none"> <li>○ The ban on ratings would be deleted</li> <li>○ Only public debt or “retail” CNAV funds would be allowed (open to investment by public authorities, charities, non-profit organisations and individuals but not by corporates)</li> </ul> </li> <li>• The timetable at the Parliament is the following: <ul style="list-style-type: none"> <li>○ 13 October: first exchange of views in ECON</li> <li>○ 1-2 December: consideration of draft report</li> <li>○ 11 December: deadline for amendments</li> <li>○ 21 January: consideration of</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Impact on future availability of CNAV funds; also uncertainty on whether VNAV funds can be accounted for as cash or cash equivalent</li> <li>• Consequences of ban on external ratings of MMFs</li> <li>• Inconsistency with US approach</li> </ul>

### Shadow banking / Money Market Funds (MMFs)

- amendments
  - February: vote in ECON
  - March: vote in Plenary
- The latest [Council presidency compromise proposal](#) seems to be evolving in the following direction:
  - CNAV funds would remain available only to “small professional” investors
  - CNAV funds would be obliged to impose fees and gates for redemptions if liquid assets fall below a certain threshold, but there would no longer be a requirement for the CNAV capital buffer.

In the US, the Securities and Exchange Commission (SEC) adopted new rules for MMFs. The rules will oblige funds used by institutional investors to move to floating NAV. Retail and government funds are allowed to continue to show a stable NAV. In addition, redemption gates and fees could be used if the funds weekly liquid assets fall below 30 percent. The rules will enter into force in two years’ time and are likely to influence the future debate on the MMF

### Shadow banking / Money Market Funds (MMFs)

Regulation in Europe.

#### **Key documents:**

- [Commission proposal for regulating MMFs](#)
- [IOSCO Policy Recommendations for MMFs](#)

Financial Transaction Tax (FTT)		
Content and legislative status	Latest developments	Issues from treasury perspective / EACT position
<p>Council agreed to the “enhanced cooperation” procedure between 11 Member States (Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia) at the end of January.</p> <p>The Commission issued a <a href="#">proposal for a Directive</a> on 14 February 2013 (see also the <a href="#">press release</a> and the <a href="#">Questions &amp; Answers</a>).</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"> <li>• 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.</li> <li>• The FTT would cover the purchase and sale of the financial instrument before netting and settlement and it would be applied on the basis of a</li> </ul>	<ul style="list-style-type: none"> <li>• After the May announcement of 10 Member States to have the FTT agreed by the end of the year and effective as of 2016, discussions have continued but are still progressing very slowly. Many pieces of the puzzle are being discussed simultaneously and as long as there is no agreement on everything, there is agreement on nothing. The main discussion points are still the scope of the instruments to be taxed, the distribution of the tax revenues and the issuance-residence principle.</li> <li>• The French Finance Minister Michel Sapin <a href="#">made a proposal</a> that would according to him allow the negotiations to move towards an agreement. He is proposing to start with a limited tax that would cover equity and credit default swaps. In order to find a compromise on the issuance-residence question, he is proposing a compromise according to which the issuance principle would be used to determine the taxable instruments but the residence principle would be used to determine where the tax revenue goes.</li> <li>• On 7 November the EU finance ministers met in Brussels and the Italian Presidency gave an</li> </ul>	

<b>Financial Transaction Tax (FTT)</b>		
<b>Content and legislative status</b>	<b>Latest developments</b>	<b>Issues from treasury perspective / EACT position</b>
<p>combination of the residence principle and the location of the where the financial instrument is issued.</p> <ul style="list-style-type: none"> <li>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.</li> <li>There will be an exemption for primary market transactions (i.e. subscription/issuance).</li> </ul> <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 FTT zone entity.</p>	<p><b>update on the progress of the negotiations.</b> According to reports, the Italian Finance Minister Pier Carlo Padoan stated that the participating Member States have found an agreement on the scope of the tax, which would cover equity and some derivatives, although the discussions are still open on the type of derivative products that should be included.</p> <ul style="list-style-type: none"> <li><b>EACT recently met with the French authorities dealing with the file in Brussels and the following points were made:</b> <ul style="list-style-type: none"> <li>There is a certain feeling that the participating MSs will be obliged quite quickly to arrive to an agreement. This for two reasons: i) this is the first time that the enhanced cooperation is used on taxation and it is clear that it will have to be used again on taxation matters, therefore there is a certain pressure to succeed ii) pressure from the public opinion (in France), although lately the topic has received less attention but national parliamentarians have not dropped the topic</li> </ul> </li> </ul>	

<b><u>Financial Transaction Tax (FTT)</u></b>		
<b>Content and legislative status</b>	<b>Latest developments</b>	<b>Issues from treasury perspective / EACT position</b>
	<ul style="list-style-type: none"> <li>○ For the moment the group of 11 MSs is holding together and it is not foreseen that anyone would be leaving or joining the group (for Belgium it seems that having an FTT is in the coalition agreement therefore it is very unlikely that Belgium could leave the enhanced cooperation)</li> <li>○ One additional problem is that Italy and France are both quite attached to their own national FTTs which have quite some differences</li> </ul> <p>Next steps: Several meetings of the 11 will take place before Christmas. There still is the ambition to broadly have an idea of the technical solution before Christmas.</p>	
<b><u>Key documents:</u></b> <ul style="list-style-type: none"> <li>• <a href="#">Commission proposal</a></li> <li>• <a href="#">Commission Impact Assessment</a>; <a href="#">Summary of Impact Assessment</a></li> <li>• <a href="#">EACT position paper</a></li> </ul>		

Interest rate benchmarks		
Content and legislative status	Latest developments	Issues from treasury perspective / EACT position
<p>The are two work streams:</p> <ol style="list-style-type: none"> <li>1. The proposal of the European Commission for Regulation on financial benchmarks which seeks to address concerns about the integrity and accuracy of financial benchmarks and which contains e.g. the following aspects: <ul style="list-style-type: none"> <li>• Benchmark administrators will be subject to authorisation and supervision (prohibition of the use of unauthorised benchmarks within the EU)</li> <li>• Mandatory contributions to “critical” benchmarks (such as LIBOR and EURIBOR)</li> <li>• Equivalence requirement for non-EU benchmarks (third countries must have a legal framework in place which is in line with the IOSCO principles)</li> <li>• Mandatory code of conduct for administrators and contributors</li> </ul> </li> <li>2. FSB work carried out in the Market Participants Group, which has been tasked to propose options for robust reference interest rates that could serve as potential alternatives to the most widely-used, existing benchmark rates and propose strategies for any transition to new</li> </ol>	<p><b>The Commission proposal for regulating benchmarks is currently being considered by the Council Member States. The latest draft compromise shows that MSs are considering to make the third country regime more flexible and no longer requiring an equivalent legal regime to be in place so that non-EU country benchmarks are allowed to be used by EU companies. There would also be grandfathering of benchmarks already in use in the EU. The third country regime proposed by the Commission has recently attracted increasing criticism from various parties.</b></p> <p><b>ICE (new administrator of LIBOR) has published a <a href="#">position paper</a> on the future evolution of LIBOR and is requesting comments by 19 December.</b></p> <p>The FSB <a href="#">published</a> its proposals for reforming major benchmarks. The FSB proposes on one hand to develop the existing benchmarks such as LIBOR and EURIBOR so that they are more</p>	<p>Main issues for corporates are:</p> <ul style="list-style-type: none"> <li>• Ensuring contract continuity</li> <li>• The EU Regulation proposal includes the prohibition to use non-EU benchmarks if an equivalence decision by the Commission is not taken (i.e. of the third country is not in line with the IOSCO principles); this could be problematic if no grandfathering clauses are introduced</li> </ul>



<u>Interest rate benchmarks</u>		
Content and legislative status	Latest developments	Issues from treasury perspective / EACT position
<p>reference rates and for dealing with legacy contracts. This group should provide its final report by mid-March 2014.</p> <p>Given the recent allegations of FX rate manipulations, the FSB has decided to incorporate an assessment of FX benchmarks into its ongoing programme of financial benchmark analysis and has established a Foreign Exchange Benchmark Group for this work.</p>	<p>based on market data and on the other hand to develop at least one alternative to the existing benchmarks by 2016, a so-called "nearly risk free reference rates," which would be entirely based on verifiable market transactions.</p>	
<p><b>Key documents:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Text of the Commission proposal</a></li> <li>• Impact assessment: <ul style="list-style-type: none"> <li>◦ <a href="#">Full text</a></li> <li>◦ <a href="#">Executive Summary</a></li> </ul> </li> <li>• <a href="#">IOSCO Principles for financial benchmarks</a></li> </ul>		

<b>Regulation on structural measures improving the resilience of EU credit institutions (structural separation of banks)</b>		
<b>Content and legislative status</b>	<b>Latest developments</b>	<b>Issues from treasury perspective / EACT position</b>
<p>The Commission has adopted a proposal for Regulation, which contains the following main aspects:</p> <ul style="list-style-type: none"> <li>• Banning of proprietary trading</li> <li>• Potential separation of certain trading activities (market making, OTC derivatives trading, complex securitized products etc.) The banking supervisor would monitor banks' activities and could require a separation of these activities into a separate entity.</li> </ul> <p>The Regulation would apply only to the biggest banks, i.e. those deemed to be of global systemic importance or those exceeding 30 billion euros in total assets and trading activities either exceeding 70 billion euros or 10% of the bank's total assets.</p> <p>The Commission adopted its proposal on 29 January which will be subject to the ordinary legislative procedure. According to the proposal the proprietary trading ban would apply as of 1 January 2017 and the separation of other trading activities as of 1 July 2018.</p>	<p><b>ECON Committee has started the debate on the file and as expected the different political groups have very differing views. The rapporteur Gunnar Hokmark (EPP, Sweden) has defended the universal banking model but is in favour of the ban on proprietary trading. Some other political groups (S&amp;D, Greens) are demanding stricter structural separation measures.</b></p> <p>The Member States discussing have also serious concerns about the text and some are even in favour of requesting the Commission to retrieve its proposal. Germany and France have made a counter-proposal along the lines of their domestic models which ring-fences proprietary trading.</p> <p>The Council legal services has questioned the legality of the derogation included in the Commission's proposal to allow countries which already have legislation in place to safeguard deposit-taking banks not to fully implement the proposed regulation (this derogation was particularly targeted for the UK that is currently implementing the Vickers reform). The legal</p>	<ul style="list-style-type: none"> <li>• Impact on market-making</li> <li>• Impact on the availability of OTC derivatives as core (retail) institutions would not be able to offer OTC derivatives to their non-financial customers</li> <li>• Impact on pricing</li> </ul>

**Regulation on structural measures improving the resilience of EU credit institutions (structural separation of banks)**

services argue that such a derogation would not be in line with the chosen legal instrument – a regulation – as it would not achieve the objective of harmonised implementation across Member States.

**Key documents:**

- [Text of the proposal](#)
- Impact assessment:
  - [Executive Summary](#)
  - [Full text](#)

### Regulation on reporting and transparency of securities financing transactions

Content and legislative status	Latest developments	Issues from treasury perspective / EACT position
<p>Together with the proposal on structural separation of banks (see above) the Commission has adopted a proposal for increasing transparency of securities financing transactions. This includes a variety of secured transactions such as lending or borrowing securities and commodities, repurchase or reverse repurchase transactions and buy-sell back or sell-buy back transactions. The proposal includes the following elements:</p> <ul style="list-style-type: none"> <li>• All transactions should be reported to a central database (similarly to EMIR with the details to be defined by ESMA). This obligation would apply to both financial and non-financial counterparties.</li> <li>• Transparency requirements for investment funds engaged in such transactions</li> <li>• Increased transparency on rehypothecation (use of collateral by the collateral-taker for their own purposes)</li> </ul> <p>The Commission adopted its proposal on 29 January; the proposal will be subject to the ordinary legislative procedure. According to the proposal the reporting obligation would start 18 months after the entry into force of the Regulation.</p>	<p><b>The Council has reached a <a href="#">General Agreement</a> on the text. From NFC point of view, the Council text exempts small and medium sized non-financial companies from the reporting obligation.</b></p> <p><b>The ECON Committee has appointed the rapporteur and the shadow rapporteurs and will be debating the file in the coming months, with a final vote scheduled in committee in March 2015.</b></p> <p>Although the proposal for Regulation was adopted together with the proposal and bank structure reform (see above), this file is being treated separately in the legislative process.</p>	<p>Reporting of repo trades by non-financial counterparties (however the proposal states that this can be delegated); it needs to be assessed how important an issue this would be for corporates.</p>
<p><b>Key documents:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Text of the proposal</a></li> </ul>		

Payments Package		
Content and legislative status	Latest developments	Issues from treasury perspective / EACT position
<p><b>Revision of the Payment Services Directive (PSD):</b> The main changes introduced by the Commission proposal are the following:</p> <ul style="list-style-type: none"> <li>• Banning of surcharging on payment cards covered by the MIF Regulation</li> <li>• Inclusion of third-party payment service providers in the scope</li> <li>• Extension of the scope of the PSD e.g. where at least the payer's PSP is acting from within the EEA / extension to all currencies</li> </ul> <p><b>Regulation on card interchange fees:</b> The Commission wishes to regulate the interchange fees for payment cards (both debit and credit) in the EU which would impose a harmonised limit to interchange fees The main changes proposed are:</p> <ul style="list-style-type: none"> <li>• That the MIF regulation will apply to all consumer card transactions, domestic and cross-border and it is a per transaction cap (percentage). This Regulation will not apply to commercial cards.</li> <li>• The 'honour-all-cards' rule will be removed (retailers can steer consumers away from certain cards)</li> </ul> <p>Cross-border acquiring will be facilitated, which should be good for retailers as it brings competition and should bring fees down</p>	<p><u>On PSD</u>, a new recital 13c has been added in the latest <a href="#">Presidency compromise proposal</a> which includes the point raised by the EACT concerning the exemption for corporate in-house banks and shared service centres. The Recital clarifies that the exemption under Article 3(n) applies to : i) payment transactions in favour of third parties initiated by a parent undertaking on behalf of its subsidiaries or by a subsidiary on behalf of the parent undertaking or on behalf of other subsidiaries of the same parent undertaking, provided such payment transactions ("payments on behalf") are executed by a PSP; ii) payment initiation services and account information services provided by a parent undertaking on behalf of its subsidiaries or by a subsidiary on behalf of the parent undertaking or on behalf of other subsidiaries of the same parent undertaking.</p> <p><u>On the card MIF Regulation</u>, the Council</p>	<p>Draft EACT position paper on PSD concentrates on the following issues:</p> <ul style="list-style-type: none"> <li>• Need for a clear exemption for intra-group transactions in order to maintain corporate in-house banks outside the scope of the PSD</li> <li>• Arguing against the proposed changes to the unconditional right to refund for direct debits</li> </ul>

<b><u>Payments Package</u></b>		
	<p><b>has established its position and the trilogues have recently started.</b></p> <p>Antonio Tajani (EPP, IT) is the new ECON Rapporteur for the PSD file. Pablo Zalba Bidegain (EPP, ES) remains the Rapporteur on the card MIF file.</p>	
<p><b><u>Key documents:</u></b></p> <ul style="list-style-type: none"> <li>• <a href="#">Commission Proposal for a revised Payment Services Directive (PSD2)</a></li> <li>• <a href="#">Commission Proposal for a Regulation on Multilateral Interchange Fees (MIFs)</a></li> <li>• Impact Assessment: <a href="#">Executive Summary</a> ; <a href="#">Full text</a></li> <li>• <a href="#">EACT Position Paper</a></li> </ul>		

Transatlantic Trade and Investment Partnership (TTIP)		
Content and legislative status	Latest developments	Issues from treasury perspective / EACT position
Trade agreement currently being negotiated between the EU and the US. The aim is to remove trade barriers (tariffs, unnecessary regulations, restrictions on investment etc.) in a wide range of economic sectors. Financial services have been included in the negotiations, however the main counterparties in the US (Treasury, Fed, CFTC) whereas the EU is in favour of covering financial services in the agreement. It is not clearly defined as yet what the negotiations regarding financial services will cover, but issues such as making substituted compliance / equivalence work better, formalisation of the existing dialogue and market access could be on the table.	The EU and the US negotiators remain divided on the inclusion of financial services in TTIP – the EU wishing to extend the discussions to regulatory convergence and the US side prepared to discuss only issues concerning market access. Recently the EU negotiator stated that the EU would possibly propose a “negative list” approach where newly developed products and services get a low tariff treatment.	<ul style="list-style-type: none"> <li>• Preserving existing exemptions (CVA in CRD IV)</li> <li>• Ensuring regulatory convergence</li> </ul>
<b>Key documents:</b> <ul style="list-style-type: none"> <li>• <a href="#">Commission TTIP website</a></li> <li>• <a href="#">Commission negotiating position on financial services</a></li> </ul>		

<b>SEPA</b>		
<b>Content and legislative status</b>	<b>Latest developments</b>	<b>Issues from treasury perspective / EACT position</b>
<p>The Commission proposed a period of six months (until 1 August 2014) during which non-SEPA formats would still be allowed. The Regulation will have retroactive effect as from 31 January 2014. However, national authorities' approaches to this extension seem to have some differences. Regarding SEPA governance, the ECB has established the <a href="#">European Retail Payments Board</a> (ERPB) which replaces the former SEPA Council.</p>	<ul style="list-style-type: none"> <li>• The ERPB established a working group on SEPA post-migration issues. The mandate of the group is to gather issues that are preventing SCT and SDD to reach their full potential and to propose solutions for the December 2014 ERPB meeting. The EACT (M. Battistella) is co-chairing the group. The issues that the group decided to discuss include the harmonisation of formats in the customer-to-bank and bank-to-customer areas, the topic of IBAN discrimination, the implementation of the IBAN-only rule, extended remittance information and SDD processing issues (such as R-transactions).</li> <li>• The EPC has <a href="#">published the new SCT and SDD rulebooks to be effective as of November 2015</a></li> </ul>	
<p><b>Key documents:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">SEPA Regulation</a></li> <li>• <a href="#">Regulation 248/2014 amending the SEPA migration deadline</a></li> <li>• <a href="#">ECB website on national SEPA migration plans</a></li> </ul>		



<b><u>Markets in Financial Instruments (MiFID / MiFIR 2)</u></b>		
<b>Content and legislative status</b>	<b>Latest developments</b>	<b>Issues from treasury perspective / EACT position</b>
MiFIR / MiFID 2 have been adopted and currently Level 2 measures are being developed by ESMA.	EACT contributed to the ESMA consultation on draft RTSs for MiFID2. The response was concerning the definition of direct electronic access and the need to ensure that corporates can continue to use electronic trading platforms without being dragged into the scope of MiFID2. ESMA <a href="#">published</a> the responses to the MiFID/R public consultation.	
Key documents: <ul style="list-style-type: none"> <li>• <a href="#">MiFIR text</a></li> <li>• <a href="#">MiFID text</a></li> </ul>		

<b><u>International Financial Reporting Standards (IFRS)</u></b>		
<b>Content and legislative status</b>	<b>Latest developments</b>	<b>Issues from treasury perspective / EACT position</b>
<b>Commission consultation on the impact of IFRS in the EU</b>	On 7 August the Commission started a consultation on the impact of IFRS in the EU; the consultation closes on 31 October. The Commission aims to report on the evaluation of the IAS Regulation to the Council and to the Parliament by the end of this year.	
Key documents: <ul style="list-style-type: none"> <li>• <a href="#">Consultation document</a></li> </ul>		

## Legislative initiative

## Timeline of next steps and actions

		immediate	2014	2015	2016 and beyond
<b>EMIR</b>	Consultations on clearing obligation		Reporting obligation started Clearing obligation could start end-2014		
<b>MMF</b>			European Parliament and Council to formulate their positions	European Parliament and Council to formulate their positions - to be followed by trialogue negotiations	
<b>FTT</b>			Negotiations	Negotiations	Probable implementation (if any)likely not to take place before 2016
<b>CRD IV</b>	Level 2 measures under development		Implementation starts / Level 2		
<b>MiFID / MiFIR</b>	Level 2 measures under development		Level 1 text adopted – applicable as of January 2017		
<b>Benchmarks</b>			European Parliament and Council to formulate their positions	European Parliament and Council to formulate their positions - to be followed by trialogue negotiations	Entry into force probably not before 2016
<b>Bank structural separation</b>			European Parliament and Council to formulate their positions	European Parliament and Council to formulate their positions - to be followed by trialogue negotiations	



## Legislative initiative

## Timeline of next steps and actions

	immediate	2014	2015	2016 and beyond
<b>PSD II</b>		European Parliament and Council to formulate their positions - to be followed by trialogue negotiations	European Parliament and Council to formulate their positions - to be followed by trialogue negotiations	Entry into force two years after adoption (2016 the earliest)
<b>Card interchange fee Regulation</b>		European Parliament and Council to formulate their positions - to be followed by trialogue negotiations	European Parliament and Council to formulate their positions - to be followed by trialogue negotiations	Entry into force not known