



## EACT

### Monthly Report on Regulatory Issues

*Date issued: 17 October 2014*





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>• EBA, which is developing the level 2 measures for CRD IV – CRR, seems to be re-considering the CVA charge exemption granted for non-financial counterparties. EACT will send a letter to the EBA on this issue.</li> <li>• ESMA has apparently decided not to issue guidelines or any further guidance on the issue of FX spot / forward delineation; therefore harmonisation of definitions will only take place with MiFID2 which becomes applicable in 2017.</li> <li>• ESMA has requested that Trade Repositories make changes to the validation of reported data, which risks leading to an increased number of unmatched trades.</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</li> </ul>	<ul style="list-style-type: none"> <li>• ECON has started work again on the file after the legislative break and has nominated a new rapporteur and shadow rapporteurs.</li> <li>• The Council is also continuing their discussions with strong disagreements between some Member States; the Italian Presidency is working a compromise proposal which would avoid a forced conversion of CNAVs to VNAVs.</li> </ul>

<p>CNAV and VNAV) and arguing against the ban of credit ratings</p>	
<p><b>Financial Transaction Tax (FTT) :</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>The discussions between the participating Member States have not progressed much and still evolve around the same sticking points: issuance-residence principle, distribution of the tax revenues between the Member States and the list of instruments that should be subject to the tax.</b></li> <li>• <b>It is no longer expected that the tax would become applicable as of 1 January 2016 as was planned in the May declaration but 2017 or 2018 seem more realistic, if an agreement is found.</b></li> </ul>
<p><b>Financial Benchmark Regulation:</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>	
<p><b>Bank Structural Separation (Barnier / Liikanen rule)</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>Member States are discussing the proposal and is likely to propose fundamental changes to the text</b></li> <li>• <b>Parliament is starting work on the file</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 consulting on the <a href="#">draft Regulatory Technical Standards for the clearing of FX non-deliverable forwards</a>. The consultation runs until 6 November.</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>• 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 a CVA data collection exercise and as part of this has indicated that it might wish to remove some of the exemptions.</li> <li>• 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.</li> <li>• It has been <a href="#">reported</a> 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</li> </ul>	

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

	<p><b>then different definition will apply across Member States (particularly in the UK) and e.g. the EMIR reporting obligations will differ in consequence.</b></p> <p>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.</p> <ul style="list-style-type: none"> <li>• ESMA published the 10<sup>th</sup> updated <a href="#">EMIR Q&amp;A document</a></li> </ul> <p><b><u>International:</u></b></p> <ul style="list-style-type: none"> <li>• <b>The FSB has published a feasibility study on aggregation of OTC derivative trade repository data (see EACT contribution to the consultation <a href="#">here</a>).</b> 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</li> </ul>	
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**OTC Derivatives - European Market Infrastructure Regulation (EMIR)**

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 needs, and the appropriate governance structure for such a mechanism.**
- IOSCO has launched an [information repository](#) for central clearing requirements for OTC derivatives which provides consolidated information on clearing requirements in different jurisdictions (see also the [press release](#)).
- The Commission and the US authorities are moving closer to an agreement on mutual clearing house recognition, which would allow US clearing houses to





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

do business with European banks. The Commission's deadline for the equivalence decision is mid-December.

### **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](#)

<b>Shadow banking / Money Market Funds (MMFs)</b>		
<b>Content and legislative status</b>	<b>Latest developments</b>	<b>Issues from treasury perspective / EACT position</b>
<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 European Parliament ECON Committee is re-starting work on the file after the legislative pause. The new Rapporteur Neena Gill (UK, S&amp;D) has indicated that she is considering four different options on the file: broadly accepting the Commission proposal, imposing liquidity gates and fees instead of the capital buffer, a variation of the US reforms, or force a move to a “low volatility” funds.</b></li> <li>• <b>The Commissioner-designate for financial services, Jonathan Hill, also indicated in his hearing at the Parliament that he would not be planning to withdraw the current proposal of the Commission but rather to work on the existing text to ensure both types of funds could be preserved.</b></li> <li>• <b>The timetable at the Parliament is the following:</b> <ul style="list-style-type: none"> <li>○ <b>13 October: first exchange of views in ECON</b></li> <li>○ <b>1-2 December: consideration of</b></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)**

	<p><b>draft report</b></p> <ul style="list-style-type: none"> <li>○ <b>11 December: deadline for amendments</b></li> <li>○ <b>21 January: consideration of amendments</b></li> <li>○ <b>February: vote in ECON</b></li> <li>○ <b>March: vote in Plenary</b></li> </ul> <ul style="list-style-type: none"> <li>● <b>On the Council side, the Italian Presidency has the ambition to finalise the Council's position by the end of the year but this seems currently rather unrealistic. Currently the Italian Presidency is working on compromise proposals built around a "low volatility" fund which would have some characteristics of CNAVs. Many Member States do not have a strong position on the file; Ireland, Luxemburg and the UK being the main MSs to defend CNAVs and France (and to a lesser extent Germany) opposing this.</b></li> </ul> <p>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</p>	
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**Shadow banking / Money Market Funds (MMFs)**

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 Regulation in Europe.

**Key documents:**

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

<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>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>• <b>Pierre Moscovici is the Commissioner-designate for taxation issues. In his hearing at the European Parliament he stated that he considers that some derivatives should be subject to the tax. Despite the fact that as the French Finance Minister Moscovici was pushing for an EU-FTT, it is thought that he will be more pragmatic on the file than his predecessor.</b></li> <li>• <b>In general the discussions between the 11 participating Member States seem not to be progressing; one of the current issues discussed is the taxation of derivatives, where France seems to try to move the focus to taxing 'risky' derivatives only in an attempt to move away from taxing equity derivatives in general. Significant divisions remain between Member States, in particular on the revenue allocation between big and small MSs.</b></li> <li>• 10 of the 11 participating Member States signed a declaration stating that they will implement a tax which will be gradually phased in as of January 2016 and which will initially have a reduced scope and will apply to equity and some derivatives</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>
<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><u>Key documents:</u></b></p> <ul style="list-style-type: none"> <li>• <a href="#">Commission proposal</a></li> <li>• <a href="#">Commission Impact Assessment; Summary of Impact Assessment</a></li> <li>• <a href="#">EACT position paper</a></li> </ul>		

<b><u>Interest rate benchmarks</u></b>		
<b>Content and legislative status</b>	<b>Latest developments</b>	<b>Issues from treasury perspective / EACT position</b>
<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>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 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>The FSB held a consultation on foreign exchange benchmark s and plans to present its recommendations to the G20 in November.</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><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>		



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

Content and legislative status	Latest developments	Issues from treasury perspective / EACT position
<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 is starting work on the file and has nominated the rapporteur (Gunnar Hokmark, EPP, Sweden) and the shadow rapporteurs. Hokmark has previously stated that he is skeptical about the Commission proposal.</b></p> <p><b>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.</b></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 services argue that such a derogation would not be in line with the chosen legal instrument – a regulation – as it would not achieve the</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)

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.</p> <p>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>Council has started discussions on the file (the first Council Working Party took place on 2 June).</p> <p>The ECON Committee will start work on the file once the Committee is operational and once a Rapporteur has been nominated.</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>		

<b>Payments Package</b>		
<b>Content and legislative status</b>	<b>Latest developments</b>	<b>Issues from treasury perspective / EACT position</b>
<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><b>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.</b> <b>Recently the Court of Justice validated the Commission's decision prohibiting interchange fees applied by Mastercard, giving further incentive to rapidly legislate on the topic.</b></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>



## Payments Package

### **Key documents:**

- [Commission Proposal for a revised Payment Services Directive \(PSD2\)](#)
- [Commission Proposal for a Regulation on Multilateral Interchange Fees \(MIFs\)](#)
- Impact Assessment: [Executive Summary](#) ; [Full text](#)
- [EACT Position Paper](#)

<b><u>Long-term financing</u></b>		
<b>Content and legislative status</b>	<b>Latest developments</b>	<b>Issues from treasury perspective / EACT position</b>
<p>Following the Green Paper consultation last year, the Commission published a communication on long-term financing on 27 March. This communication aims to list a set of concrete actions in order to enhance the long-term financing of the European economy.</p> <p>The main topics that the communication covers evolve around the following headlines:</p> <ol style="list-style-type: none"> <li><b>1. Mobilising private sources – some proposed actions:</b> <ul style="list-style-type: none"> <li>○ Commission to report on the appropriateness of the new capital requirements (CRR) relating to long-term financing in two steps, in 2014 and in 2015.</li> <li>○ Commission to assess the impact on long-term financing when preparing the Delegated Acts on LCR and NSFR</li> </ul> </li> <li><b>2. Making better use of public finance</b></li> <li><b>3. Developing capital markets – some proposed actions:</b> <ul style="list-style-type: none"> <li>○ Commission to assess whether further measures are necessary to create a liquid and transparent secondary market for corporate bonds</li> <li>○ Commission to work on the differentiation of high quality securitization and explore</li> </ul> </li> </ol>	<p>Communication adopted</p>	<p>Certain aspects and actions presented in the communication (evaluation of CRR and implementing further measures under Basel III; development of and access to capital markets; possible changes in accounting standards and changes in taxation of equity vs debt) will impact corporates</p>



<p>the possibilities for a preferential regulatory treatment</p> <ul style="list-style-type: none"> <li>○ Commission to review the treatment of covered bonds in CRR and launch a study on a possible EU framework for these instruments</li> <li>○ Commission to conduct a study on private placements</li> </ul> <p><b>4.</b> Improving SME's access to financing</p> <p><b>5.</b> Attracting private finance to infrastructure</p> <p><b>6.</b> Enhancing the overall environment for sustainable finance – some proposed actions:</p> <ul style="list-style-type: none"> <li>○ In the framework of its endorsement of IFRS9, the Commission will consider if the use of fair value in the standard is appropriate</li> <li>○ Commission to incentivize equity investment in MSs where there is a high debt bias in corporate taxation</li> </ul>		
<p><b>Key documents:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Text of the communication</a></li> </ul>		

Transatlantic Trade and Investment Partnership (TTIP)		
Content and legislative status	Latest developments	Issues from treasury perspective / EACT position
<p>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.</p>	<p><b>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.</b></p>	<ul style="list-style-type: none"> <li>• Preserving existing exemptions (CVA in CRD IV)</li> <li>• Ensuring regulatory convergence</li> </ul>
<p><b>Key documents:</b></p> <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><u>SEPA</u></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> </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>Markets in Financial Instruments (MiFID / MiFIR 2)</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>International Financial Reporting Standards (IFRS)</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**



**PSD II**

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)

**Card interchange fee Regulation**

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