



European Regulatory Summary - FEBRUARY 2015

The confidence in the Eurozone continues to grow, with higher consumer morale, and better economic figures from some of the larger Eurozone members and positive comments by the ECB. Greece also secured a four month extension to its financial rescue plan.

MiFID II / MiFIR

- The original CP was issued in December will close on 02 March.
- Open hearing held in Paris on the 19 February 2015
- ESMA publishes Addendum Consultation Paper for implementing rules for MiFID II / MiFIR. This complements the transparency section of the CP on MiFID II/MiFIR published on 19 December 2014.
- This covers the following non-equity asset classes; foreign exchange derivatives; credit derivatives; other derivatives; and contracts for difference (CFDs).
- For each asset class two sections are provided: the first presents the analysis on the definition of a liquid market and the second includes the calculations on the pre-trade and post-trade transparency large in scale (LIS) and size specific to the instrument (SSTI) thresholds.
- The last section of the CP completes draft RTS 9 (published on 19 December 2014).
- This consultation (the addendum) runs until 20 March 2015 and can be accessed [here](#)

Capital Markets Union Process

Free movement of capital is a long-standing objective of the European Union, seen as essential for the single market it aims to achieve. But markets remain fragmented and access to capital is heavily reliant on banks lending; the CMU is a flagship initiative by the European Union to help businesses to tap into diverse capital from anywhere within the EU. The CMU is based on a few key principles:

- maximise the benefits of capital markets for the economy, to boost growth and jobs
- A single capital market with all the EU states
- A single rule book for financial stability
- Consumer and investor protection
- Investment from all over the world
- Enhance EU competitiveness

Published on 18 February, this is very similar to the earlier leaked version.

The consultation closes on 13 May 2015 . More information can be obtained from the dedicated CMU website that can be accessed via [this link](#).

An EU framework for simple, transparent and standardised securitisation

Seen as a first step towards a possible initiative on creating an EU framework for simple, transparent and standardised securitisation. The Commission believes that a high quality EU securitisation framework will promote further integration of the EU financial markets, with access to diversified capital thus freeing up banks capital encouraging lending and growth. Consultation document can be accessed [here](#).

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ESMAs Supervisory role of Credit Rating Agencies and Trade Repositories

- The ESMA published on 16 February 2015, a report on its role as supervisor of the above two bodies. ESMA is now responsible for overseeing the activities of 27 registered and certified CRAs in the EU. As part of its supervisory work, the ESMA carried out an investigation into structured finance ratings, completed a review of small and medium-sized CRAs, and conducted work regarding sovereign ratings. In addition, ESMA issued its first enforcement decision under the CRA Regulation in respect of internal control failings.
- Since the derivative reporting started in February 2014, as per the ESMA, almost 10 billion reports have been received and processed by the six registered TR.

FCA wholesale markets study and review of investment and corporate banking

- On the 19 February the FCA announced plans to launch its first wholesale market study into investment and corporate banking to assess whether competition in the sector is working properly.
- The study found that limited clarity over price and quality of services may make it difficult for clients to assess whether they are getting value for money, and that the bundling and cross selling of services could make it difficult for new entrants of smaller firms to challenge established large players in the market.
- Terms of reference for this study will be published later in the Spring.

EC proposals to fight against manipulation of financial benchmarks

- On 13 February 2015, the Council has given its backing to new proposed rules to enhance the robustness and reliability of benchmarks
- In agreement with the European parliament, the EU co-legislatures will start negotiations to finalise the final text which is expected to be concluded in the summer.

Consultation on the prospectus directive and the implementing legislation covering broad range of issues

- Consultation issued with a view of making it easier for companies to raise capital, ensuring investor protection and to reduce administrative red tape
- The prospectus directive and its legislation that lays down the rules governing the prospectus that must be made available to the public on the issuance of transferable securities on a regulated market in the EU.
- Two stated objectives: Investor and consumer protection; market efficiency
- Consultation period 18.02. to 13.05.2015

EBA Advices on the definition of Eligible Capital

- Opinion published on 17 February 2015, based on the information gathered on the first year of application of CRR.
- The EBA provides its preliminary views which are relevant for the large exposures framework, as well as for investment firms and qualifying holdings.
- The final opinion has been sent the European Commission.

ESMAs review on best Execution

- ESMA has conducted and published a review on how national regulators supervise and enforce the MiFID provisions relating to investment firms obligation relating to best execution in dealing with their clients.
- The report includes key findings and short comings and proposes improvement to the supervisory process.
- The press release can be accessed via [this link](#).

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