

European Regulatory Summary - JANUARY 2015

It has been a busy month for European regulatory matters. Much of the attention has been on the Greek elections and the announcement of the QE programme by Mario Draghi. The following are the key regulatory developments this month:

MiFID II / MiFIR level II consultation

- The consultation on MiFID/MiFIR technical standards is receiving considerable focus. (See: <http://www.esma.europa.eu/consultation/Consultation-MiFID-II-MiFIR>), with the pre-trade and post-trade transparency requirements for non-equity products (inc. bonds) receiving particular attention.
- A particular proposal is that responses to RFQs for government bonds with issue size > €2bn be made public in real time for inquiries below €5mn. (*This proposal was expressed incorrectly in the December European regulatory summary*).
- ESMA is planning a hearing on the consultation in Paris on 19 February.
- The deadline for responses to the consultation is 2 March 2015.

Fair and effective markets review (FEMR)

- Responses are due by 30 January on the wide-ranging FEMR consultation on fixed income, FX & commodities markets.
- Recommendations arising from the review are expected in June.

Financial Transaction Tax (FTT):

- French President Hollande indicated publicly that he believed it would be “better to include all financial products with a small rate” within the FTT.
- Accordingly, on 27 January the finance ministers of the participating states issued a statement renewing their commitment to FTT, based on this principle.
- This approach could potentially facilitating agreement on an initial implementation for a subset of products (targeted ambitiously for 1 Jan 16) followed by a broadening to other products, including derivatives, at a later date.

Benchmark regulations

- Parliament (led by ECON & the rapporteur Cora van Nieuwenhuizen) and Council (under the Latvian Presidency) have both been progressing their versions of proposed European benchmark regulations.
- Much of the focus relates to finalisation of criteria for definition of ‘critical benchmarks’ which will require the most extensive regulation.

European Capital Markets Union (CMU)

- A ‘green paper’ is being prepared on CMU. There are reports of a leaked draft version, which is relatively ambitious in terms of increasing the attractiveness of EU financial markets and increasing harmonisation.
- A conference is planned to discuss the green paper in June.

Other

- On 29 January, ESMA published a paper on the clearing obligation for IRS. ESMA in principle agrees with the Commission’s proposals relating to delay of the frontloading requirements, but has legal issues with the specific proposals relating to exemption of intragroup transactions. Further delay is a possible outcome.
- Officials from 5 member states are meeting in Riga on 30 January to discuss the approach to the proposed EU bank reform regulation. One possible outcome is an agreement to convert the regulation to a directive, rather than a regulation, which would provide individual member states with increased flexibility.
- The regulation on reporting and transparency of securities financing transactions (SFT) continues to be discussed in the European Parliament.
- A range of papers were produced relating to capital requirements, including papers on a standardised approach to credit risk, capital floors, impact of LCR, PRA consultation on Pillar 2 capital adequacy, publication of ITS on supervisory reporting & publication of a range of delegated regulations.
- A range of papers, including final rules, further legislation, procedures & forms were issued on bank Recovery / Resolution, by the EBA and by the UK regulators.