



European Regulatory Summary - July 2016

The full implications of the outcome of the EU referendum are yet to emerge. For the time being, EU regulation will remain applicable; in the longer term UK financial services regulation will depend, in part, on the UK's relationship with the EU. Other developments include MiFID II and the CMU (Capital Markets Union).

ESMA News

- Disclosure under MAR (Market Abuse Regulation): ESMA has published its opinion on the European Commission's intended changes to the draft Implementing Technical Standard (ITS) on the disclosure of inside information under the Market Abuse Regulation. ESMA does not agree with the amendments proposed by the Commission believing the changes would put investors at a disadvantage, despite reducing costs to the disclosing companies.
 - ESMA has published its 2015 annual report, which can be accessed via [this link](#).
 - ESMA has updated the list of recognised central counterparties (CCPs) based in third countries. The European Markets Infrastructure Regulation (EMIR) requires third-country CCPs to be recognised by ESMA in order to operate in the European Union.
 - The Joint Committee of the European Supervisory Authorities (EBA, EIOPA, ESMA - ESAs) has launched a joint website (<https://esas-joint-committee.europa.eu/>) that will have information about the cross-sectoral work of the three ESAs.
 - ESMA has issued an [opinion](#) in response to a letter sent by the European Commission (Commission) asking to amend its draft RTS 20 under the Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR). RTS 20 provides criteria to establish when a non-financial firm's commodity derivatives trading activity is considered to be ancillary to its main business.
 - A draft consultation paper has been issued implementing measures regarding the Benchmarks Regulation (BR). The CP is seeking stakeholder feedback on the proposed regulatory framework for benchmarks; key areas:
 - Definition of benchmarks;
 - Measurement of the use of critical and significant benchmarks;
 - Criteria for the identification of critical benchmarks;
 - Endorsement of a benchmark / family of benchmarks provided in third countries
 - Transitional provisions.
- [Click here](#) to access the CP.
- ESMA is amending MiFID II standards on non-equity transparency and position limits. ESMA proposes to revise the RTS on non-equity transparency – which includes requirements in respect of bonds, structured finance products, emission allowances and derivatives – and the RTS on the methodology for the calculation and application of position limits for commodity derivatives. These amendments are being produced in response to proposed amendments by the European Commission to these draft RTSs. [Click here](#) to access.
 - ESMA is assessing the usefulness of Distributed Ledger Technologies (DLT) by issuing a discussion paper seeking stakeholder feedback. ESMA's Discussion Paper also provides a stock-take, with a particular focus on post-trading activities, of the key EU regulations which would be applicable to DLT. The regulations identified and discussed include the European Market Infrastructure Regulation (EMIR), the Securities Finality Directive (SFD), and the Central Securities Depositories Regulation (CSDR). ESMA stresses that firms willing to use DLT should be mindful of the existing regulatory framework.

Capital Markets Union

- As part of the CMU action plan, the Commission has published a report on the EU crowdfunding sector which explores supporting crowdfunding as an alternative source of finance for Europe's start-ups.
- The Berlin office of the German Marshall Fund and the Commission's Representation in Germany held a conference: Financial Markets Integration – Strengthening Transatlantic Co-operation, [Click here](#) to access the conference report.
- The European Commission launched a public consultation of cross-border distribution of investment funds (UCITS and AIF). The Commission focused on reducing barriers to the cross-border distribution of investment funds in order to increase the proportion of funds marketed and sold across the EU.

Solvency II

EIOPA intends to widen the asset class for high-quality infrastructure investments under Solvency II by publishing Technical Advice to the European Commission (EC) on the identification and calibration of infrastructure corporates. [Click here](#) to access the advice.

CRR/CRD IV review

The Commission has launched a targeted consultation in order to: gather the views of selected stakeholders on the proposed options for implementing the principle of proportionality in the upcoming market risk capital framework; review the Original Exposure Method; and to replace the current standardised approach for counterparty credit risk by the new standardised approach for counterparty credit risk (SA-CCR). [Click here](#) to access the consultation.

Consultation by EBA on disclosure requirements for the EU banking sector

The European Banking Authority (EBA) has launched a consultation on guidelines for regulatory disclosure requirements following an update by the Basel Committee (January 2015) of the Pillar 3 requirements. These guidelines are part of the EBA's work to improve and enhance the consistency and comparability of institutions' disclosures so as to ensure market discipline. The consultation runs until 29 September 2016.

[Click here](#) to access the CP.

EU Referendum

The full impact of Brexit is still not known; an exact time plan for the exit is yet to emerge. Firms must continue to abide by their obligations derived from EU law and continue with implementation plans for legislation that has still to come into effect. Consumers' rights and protections, including any derived from EU legislation, are unaffected by the result of the referendum and will remain unchanged unless and until the government changes the applicable legislation.

There have been various statements and speeches relating to the referendum and its outcome by several institutions and key people.

- [Statement from the Governor of the Bank of England following the EU referendum result](#)
- [Speech by the Governor of the Bank of England](#)
- [Joint statement issued by the European Commission](#)
- [Statement on the EU referendum result by the FCA](#)

After the referendum result, the European Commissioner in charge of Financial Services, Jonathan Hill, resigned.

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and cost-effectively."*

