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Capital requirements for credit institutions

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23 January 2015: Basel Committee work programme

On January 23rd, the **Basel Committee** released its [work programme](#) for 2015 and 2016. The Committee will **focus on the regulatory framework review** in order to ensure the consistency and the calibration of its implementation.

The Basel Committee will continue its work on **methods of measuring risk-weighted assets**. Several consultations have been launched on **standardised approaches for credit, market and operational risk**.

In addition, the Basel Committee will carry out new initiatives in order to:

1. Assess the interaction, coherence and overall calibration of the reform policies;
2. Review the regulatory treatment of sovereign risk;
3. Assess the role of stress testing in the regulatory framework, in light of national developments.

The Committee also wants to finalise the **calibration of the leverage ratio**, revise the **standardised approaches** and **implement a capital floor**.

19 January 2015: LCR delegated act published in the EU Official Journal

On January 17th, the [LCR delegated act](#) was **published in the EU Official Journal**.

The **LCR delegated act was definitively adopted** on January 12th.

Indeed, both the Parliament and the Council did not object to the LCR delegated act. The LCR delegated act has been approved as published by the European Commission on October 10th 2014 **so that the exemption/derogation for factoring is still included at Art. 33.**

The LCR delegated act **will enter into force the 20th day after its publication in the EU Official Journal**, i.e. February 6th.

The LCR delegated act will apply from October 1st 2015.

15 January 2015: EBA's impact assessment of new liquidity coverage requirements

On January 15th, the **European Banking Authority (EBA)** published a [report assessing the impact of the liquidity coverage requirements](#) on EU financial industry, i.e. the Liquidity Coverage Ratio [delegated act](#) adopted by the European Commission.

According to the EBA report, the implementation of the LCR delegated act ***"is not likely to have a negative impact on the stability of financial markets and of the supply of bank lending"***.

The EBA identified **4 main factors** explaining the ***"absence of any detrimental impact on aggregate level"***:

1. The significant improvement of compliance of EU institutions with LCR requirements;
2. The balance sheet adjustments to meet LCR requirements for non-compliant institutions could be done *“without necessarily having a negative impact”*;
3. The reduction of credit supply from non-compliant institutions has been counterbalanced by the credit supply of compliant banks;
4. **The implementation of the delegated act *“will have a marked positive impact on the LCR of specialised credit institutions (such as factoring and leasing, auto and consumer credit banks and other specialised credit institutions), which were identified in first LCR Implementing Act report as being potentially detrimentally affected by the LCR”*.**

To be noticed: an exemption/derogation for factoring is included in the LCR delegated Act at Art. 33.

23 December 2014: EBA issued new draft technical standards concerning disclosure requirements for EU banking sector

On December 23rd, the European Banking Authority (EBA) published final [Guidelines](#) related to the information that banking sector institutions should disclose under the Capital Requirement Regulation. These Guidelines aim to ensure the consistency of disclosures practices of the EU banking sector and to guarantee a high level of transparency.

More specifically, these Guidelines cover :

1. the process that institutions should follow
2. the criteria they should consider when assessing the use of any waiver of disclosure requirements related to:
 - The materiality of disclosures,
 - The propriety of disclosures,
 - The confidential nature of disclosures,
 - The frequency of their disclosure.

These Guidelines will apply six months after their publication in the Official Journal of the EU.

11 December 2014: Basel Committee issued revisions to the securitisation framework under Basel II

On December 11, the Basel Committee issued [revisions to the securitisation framework](#). These revisions deal with Basel II securitisation framework. They aim to strengthen the capital standards for securitisation exposures.

The most significant revisions with respect to the Basel II securitisation framework concern:

- (i) The hierarchy of risk approaches, with at its top the Internal Ratings-Based Approach;
- (ii) The risk drivers used in each approach;
- (iii) The amount of regulatory capital banks must hold for exposures to securitisations (i.e. the framework's calibration).

The revised framework will come into effect in January 2018, as a part of the Basel III agenda.

5 December 2014: Basel Committee's assessment of the EU regulatory framework

On December 5th, the Basel Committee published [a report assessing the implementation of the Basel capital framework in the nine EU Member States](#) that are members of the Basel Committee. This assessment is based on the EU's Capital Requirements Regulation (CRR) and Fourth Capital Requirements Directive (CRD IV). **The Basel Committee's report concludes that the EU regulatory framework is "materially non-compliant".**

According to the report, the EU regulatory framework is "compliant" or "largely compliant" with the Basel III rules on 12 of the 14 components assessed.

The Internal Ratings-based (IRB) approach for credit risk was assessed "materially non-compliant" because of the treatment of exposures to SMEs, corporates and sovereigns.

The EU's counterparty credit risk framework was also considered as "non-compliant". Because it provides an exemption from the Basel framework's credit valuation adjustment (CVA) capital charge for certain derivatives exposures.

Both the European Parliament and the Commission reacted strongly to the Basel Committee's assessment. The Chair of the Committee on Economic and Monetary Affairs (ECON), Roberto Gualtieri (S&D, Italy), declared that *"the opinion of a body that is working without legitimacy and without any transparency cannot modify the decisions taken democratically by the EU institutions"*. Jonathan Hill, Commissioner for Financial Services, highlighted that the EU regulatory framework applies to the entire EU banking sector, i.e. 8000 credit institutions. He reminded that the EU framework "non-compliance" was a consequence of deliberate choices aiming to stimulate growth and job creation.

27 November: EBA Opinion and Report on the definition of "credit institution" in CRR

On November 27th, the European Banking Authority published two documents related to the perimeter of credit institutions defined under the Capital Requirements Regulation (CRR):

- An [opinion](#) addressed to the European Commission on the different approaches across EU Member States on the interpretation of the definition of "credit institution" in the CRR;
- A [report](#) focusing on:
 - The interpretation of the term "credit institution";
 - The prudential treatment of entities carrying on credit intermediation but not defined as "credit institutions".

A "credit institution" was defined in the CRR as *"an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account"*.

According to the EBA, the different interpretations of the term "credit institution" is due to the absence of a definition of the key-terms, as "deposit" or "other repayable funds". In its report, the EBA observes another relevant divergence related to the prudential treatment of entities established in the European Union which carry on bank-like activities within the scope of credit intermediation but are not subject to prudential requirements under CRR or CRD IV.

In both cases, the EBA urges the Commission *"to give consideration to possible clarifications"* and to

determine if it would be appropriate “to put forward any Union legislative proposals”.

11 November 2014: the LCR delegated act under scrutiny of the ECON Committee

On November 11th, the Economic and monetary Affairs Committee of the European Parliament used its scrutiny power on delegated acts related to the Capital Requirement Regulation (CRR). The MEPs analysed the [CRR delegated act concerning the Liquidity Coverage Ratio](#) (LCR).

No objection on the LCR delegated act at the Parliament was raised. More precisely, there was no question either comment upon the Art. 33 during the scrutiny of the act.

The European Commission announced that the new reporting templates should be available in April 2015. Sven Giegold (Green/EFA, DE) asked for explanations about the inclusion of covered bonds and Asset-backed securities into the Highly Liquid Assets category. Niall Bohan, head of the unit “Banks and financial conglomerates” argued that the EBA report provided empirical data to back the Commission proposal.

The period for comments expired on November 12th. The Parliament and the Council have until January 12th, 2014 to object.

3 November 2014: Basel Committee publishes the Net Stable Funding Ratio final version

On October 31th, the **Basel Committee** published the [final version](#) of the **Net Stable Funding Ratio** (NSFR). The NSFR requires that banks maintain “a stable funding profile in relation to their on- and off-balance sheet activities”. The standard aims to reinforce banks’ capacity to resist to liquidity and solvency shocks over a year. One objective is to avoid a too big gap between assets and liabilities maturity. Doing so, it aims to reduce bank failure risk and to avoid systemic consequences for the whole banking sector.

In order to contain these risks, **the NSFR** :

- **“Limits overreliance on short-term wholesale funding,**
- *Encourages better assessment of funding risk across all on- and off-balance sheet items,*
- *And promotes funding stability.”*

The NSFR is calculated as follows:

Available Stable Funding (ASF) / Required Stable Funding (RSF) ≥ 100%

The main changes from the [consultative document](#) published in January 2014 deal with the RSF for:

- short-term exposures to banks and other financial institutions;
- derivatives exposures; and
- assets posted as initial margin for derivative contracts.

The NSFR completes the *Liquidity Coverage Ratio* (LCR) in its prudential approach under Basel III. The LCR requires that banks have enough liquid assets to resist to a 30-days liquidity crisis.

The NSFR will become a minimum standard by January 1st, 2018.

30 October 2014: Commission report on transparency accounting for banks

On October 30th, the European Commission published a [report](#) on new reporting obligations regarding banks and investment companies. Under CRD IV and CRR new rules, they have to report annually, on a consolidated basis and from each country in which they are established:

- Since July, 1st: the corporate name, the nature of the activity, the geographic localisation, their turnover and their number of salaries;
- Starting on January, 1st: pre-tax operating income, income taxes, public subsidies perceived.

According to the Commission report, the new obligations *“are not expected to have a significant negative economic impact”*. The report concludes that these new reporting duties have a positive effect, providing better information to investors while helping to restore confidence in the banking sector. Moreover, the Commission estimates that the publication of this information could lead to *“a reduction in institutions’ ability to mask their true performance”* (earnings management).

30 October 2014: Delegated act on the identification of the geographical location of credit exposures

On October 30th, a new [delegated act](#) of CRD VI was published in the Official Journal of the European Union. This new act provides regulatory technical standards on *“the identification of the geographical location of the relevant credit exposures for calculating institution-specific countercyclical capital buffer rates”*.

These technical standards will enter into force on November 29th and will be directly applicable.

29 October 2014: EBA opinion on prudential requirements for credit and investment institutions

On October 29th, the European Banking Authority (EBA) published an [opinion](#) addressed to the European Commission on the rules governing the levels of application of prudential requirements for credit and investment institutions (Pillar 1 and 2), in particular the **exemption regime**.

The EBA’s opinion is that the **use of waivers should be reviewed** in the future to allow for better alignment. Such a review should also take into account how and where the existing exemptions interact both with bank’s recovery and resolution strategies and with the new intragroup financial support regime introduced by the Bank Recovery and resolution Directive (BRRD).

A final report will be transmitted to the European Parliament and Council by end December 2014.

10 October 2014: LCR delegated act published

On October 10th, the European Commission published the [delegated act](#) of CRR concerning the Liquidity Coverage Ratio (LCR). This delegated act specifies a set of rules on the liquid assets, cash outflows and cash inflows needed to calculate the precise liquidity coverage requirement.

The LCR delegated act includes derogation for factoring and leasing companies. Art. 33 : *“Subject to the prior approval of the competent authority, **specialised credit institutions may be exempted from the cap on inflows when their main activities are leasing and factoring business, excluding the***

activities described in paragraph 4, and the conditions laid down in paragraph 5 are met”.

The European Parliament and the Council dispose of 3 months, renewable, to object (or not) to the LCR delegated act.

22 September 2014: Commission should adopt LCR delegated act by October

During his exchange with the ECON committee on September 22nd, Commissioner Barnier gave more information about the delegated act concerning the Liquidity Coverage Ratio (LCR) that was supposed, to be adopted by the end of past July. Michel Barnier announced that the LCR delegated act should finally be adopted before the end of October and will “*take into account the EU banking sector specificities*”.

Once a delegated act is published, the European Parliament and the Council have 3 months to reject the text. They are able to ask for 3 more months in order to study the text. Once this delay past, the delegated act is officially adopted and can enter into force.

20 August 2014: EBA publishes final templates for the EU-wide stress test

On August 20th 2014, the European Banking Authority (EBA) published the [final templates](#) for the 2014 EU-wide stress test for the banking sector.

These common templates for all EU banks show the type and the format of data that will be disclosed on a bank by bank basis. The EBA will act as the central data hub for all EU banks providing a comprehensive dataset in an editable and user-friendly format. Such a dataset will be disclosed in a consistent and comparable way across the Single Market.

The final results of the comprehensive assessment of the EU banking sector will be published on 26 October 2014.

30 July 2014: updated EBA’s technical standards on supervisory reporting

On 30 July 2014, the European Banking Authority published its Final draft [Implementing Technical Standards](#) (ITS) amending the Commission's Implementing Regulation on supervisory reporting under CRR.

These final draft ITS include minor changes to templates and instructions as well as to correct legal references and other clerical errors.

The amendments are expected to be applicable for reporting as of December 2014.

30 June 2014: ESRB publishes recommendations on countercyclical buffers

On 30 June 2014, the European Systemic Risk Board (ESRB) addressed to bank regulators its [recommendations](#) on setting countercyclical capital buffers (CCBs). The text is designed to help authorities to operationalise this new macro-prudential instrument. It follows on the EU prudential

rules for the banking system that came into effect on 1 January 2014.

National regulators have until 30 June 2014 to notify the ESRB of the measures taken in accordance with these recommendations.

2 July 2014: EBA publishes several texts about credit risk and credit institutions

On 2 July 2014, the European Banking Authority published its [technical advice](#) to the Commission on the use of a prudential filter for gains and losses arising from banks' own credit risk on derivatives. The EBA considers the current international approach, under Basel III rules, as appropriate.

On the same day, the EBA published 5 lists about credit risk. These lists aim to assist the EU institutions in the calculation of their capital requirements for credit risk.

They cover the treatment of exposures to [EU regional authorities](#) and changes to capital requirements ([risk weights](#) and [minimum LGD](#)) for exposures secured by immovable property. They deal also with the treatment of equity exposure by banks using the [IRB approach](#) and the eligibility of physical collateral.

On 30 June 2014, the EBA also published its final [Guidelines](#) on harmonised definitions and templates for funding plans of credit institutions. The objective of such guidelines is to harmonise reporting of funding plans within the European Union. They are to be considered as a new tool addressed to competent authorities to assess the feasibility, viability and soundness of funding plans, as well as their impact on the supply of credit to the real economy

June 2014: Commission publishes a new set of delegated acts of CRD IV and CRR

Since late May 2014, many technical standards for CRD IV and CRR have been published in the EU Official Journal:

- For determining what constitutes the [close correspondence](#) between the value of an institution's covered bonds and the value of the institution's assets;
- Specifying the [information](#) that competent authorities of home and host Member States supply to one another;
- For the [definition](#) of market;
- For [determining](#) proxy spread and limited smaller portfolios for credit valuation adjustment risk;
- Specifying the [classes of instruments](#) that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable remuneration;
- For [non-delta risk](#) of options in the standardised market risk approach;
- For [assessing](#) the materiality of extensions and changes of the Internal Ratings Based Approach and the Advanced Measurement Approach;
- For defining material [exposures and thresholds](#) for internal approaches to specific risk in the trading book;
- With respect to qualitative and appropriate quantitative [criteria](#) to identify categories of staff whose professional activities have a material impact on an institution's risk profile.

All these delegated acts entered in force on 9 and 14 June 2014. These are binding in their entirety

and directly applicable in all Member States.

28 May 2014: 3rd version of the bridging manual for reporting frameworks of the ECB and the EBA

The European Central Bank and the European Banking Authority jointly published an updated classification system between their respective reporting frameworks. It has been written by the Joint Expert Group on Reconciliation of credit institutions' statistical and supervisory reporting requirements. It is composed of two parts.

First, a bridging manual linking the ECB's statistical requirements on monetary, interest rate and securities holdings with the supervisory reporting templates (mainly FINREP, COREP and large exposures) of the ITS on supervisory reporting. This 3rd [methodological manual](#) includes :

- the final implementing technical standards on supervisory reporting for the CRD IV/CRR framework of April 2014;
- the ECB [Regulation](#) on securities holdings statistics of October 2012;
- the ECB Regulations concerning balance sheet items ([BSI](#)) and interest rates ([MIR](#)) statistics of September 2013;
- common modelling of the reporting frameworks with EBA's Data Point Model.

Second, a [relational database](#) aiming to help identifying similarities and differences between ECB's and EBA's reporting frameworks. This database comes with an [instruction notice](#).

28 May 2014: EBA publishes a list of CET1 capital instruments

The European Banking Authority published a [list](#) of capital instruments which have to be classified as Common Equity Tier 1 by national authorities. As stated by the Capital Requirements Regulation, the list includes all the CET1 capital instruments issued by institutions and evaluated as compliant by national authorities.

The list will be updated on a regular basis.

29 April 2014: ECB and EBA publish stress tests' scenarios

The European Central Bank and the European Banking Authority published the scenarios of stress tests for EU banks. These stress tests aim to evaluate the resilience of the banks to external shocks.

To perform such a EU wide stress test, the EBA set up different scenarios: a scenario based on the European Commission [projections](#), an [adverse macroeconomic](#) scenario, [market risk](#) scenarios, [securitisation](#) scenario and a [sovereign bond haircuts](#) scenario.

The ECB released the [conditions](#) for banks to cover capital shortfalls revealed by the comprehensive assessment (stress tests and Asset Quality Review). Banks will have to realise such corrections within six to nine months after the disclosure of the assessment results.

15 April 2014: Basel Committee adopts a new standard on large exposures

This Basel Committee on Banking Supervision [standard](#) sets out a supervisory framework for measuring and controlling large exposures. Its objective of these limits is to constrain the maximum loss a bank can face in case of sudden failure of a counterparty.

The standard includes a general limit applied to all of a bank's exposures to a single counterparty. The same limit applies to a bank's exposure to identified groups of connected counterparties. The limit is set at 25% of a bank's Tier 1 capital. A tighter limit exists for global systemically important banks (G-SIBs). This limit has been set at 15% of Tier 1 capital.

The framework is scheduled to take effect from 1 January 2019.

March 2014: EBA's final draft technical standards on own funds and liquidity requirements

On 28 March 2014, the EBA published its final draft Implementing and Regulatory Technical Standards related to liquidity requirements for specific currencies. These will be a part of the EU Single Rulebook.

This set of rules includes standards on :

- (i) [Currencies](#) for which the justified demand for liquid assets is superior to their availability;
- (ii) [Derogations](#) for eligible currencies;
- (iii) A [list](#) of currencies with an extremely narrow definition of central bank eligibility.

On 27 March 2014, the EBA published also its [final draft](#) Regulatory Technical Standards on own funds (Part IV).

The Commission has now to evaluate and adopt these technical standards.

10 March 2014: EC public hearing on liquidity coverage requirements and leverage ratio

Following the submission by the EBA of its report on impact assessment for liquidity measures in the CRR, the European Commission started working on the implementing standards of the LCR.

The unit in charge of writing these standards, following remarks, including the EUF's ones, on the EBA's report, decided to organise a public hearing in order to gather more stakeholders' views on the issue.

The hearing will take place on 10 March, from 14:00 to 18:00, in Brussels. You can see the programme and register [here](#).

After the hearing, the Commission will receive written comments from the stakeholders on this issue until 31 March.

12 Jan. 2014: the Basel Committee modify the leverage ratio and the NSFR in Basel III

On 12 January 2014, the Group of Governors of central banks and Heads of Supervision (GHOS) of the Basel Committee on Bank Supervision endorsed two set of changes to the Basel III rules, namely:

- Amendments to the Basel III's leverage ratio framework and disclosure requirements ([full](#)

[text](#) and [press release](#))

- Changes to the NSFR : proposed revisions are submitted to public consultation until 11 April 2014 ([full text](#) and [press release](#))

20 Dec. 2013: EBA published report on impact assessment for liquidity measures

The EBA submitted its [report on impact assessment for liquidity measures](#) to the European Commission on 20 December.

The EBA states in introduction to this report that it consulted the European Systemic Risk Board, the 'non-financial end-users', the 'banking industry', competent authorities and central banks. The consultation of 'non-financial end-users' and the 'banking industry' was done through the hearing held on 23 October. The **EBA admits that its sample included a very few representatives for some activities, notably leasing and factoring** and then that *"it is not possible to provide an in-depth assessment of the LCR for leasing and factoring activities"*.

In the report, the EBA recalls the detailed mandate it received from the European legislator in the CRR and explains the methodology it followed. Among the main findings of the impact assessment, the EBA considers that *"the specification of the general liquidity requirement is not likely to have a material detrimental impact [...] on the stability of bank lending"* to SMEs, that *"diversified business models tend to be more adapted to the LCR than specialised banks"*.

The EBA also suggests ***"derogations from the cap [of outflows] (Article 425 of the CRR) or exemptions from the cap or a higher cap than the 75%"*** of inflows for certain specialised activities (among which factoring is quoted (p. 11)), subject to *"stringent conditions and objective criteria"* which are listed in the report. It proposed two options regarding the application of these derogations (p. 56):

- (i) *"Only institutions specialised in the above business models can apply. Specialisation could be measured by a certain percentage of inflows stemming from specific activities, e.g. pass-through financing, auto loans, consumer credit, leasing, **factoring**."*

Or

- (ii) *"All institutions may apply for such derogation, but only for particular business lines which perform the above activities"*

The EBA states that it would favour option (i) as its implementation would be less complicated.

Next steps: The European Commission is required by Article 460 of the CRR to **adopt by 30 June 2014 a delegated act in order to implement the LCR** in the EU. This report will serve as a basis for the preparation of this delegated act, as will the other [report on HQLA](#) that the EBA published the same day.

23 Oct. 2013: EBA public hearing on draft reports on the impact of the LCR and uniform definitions of liquidity under Article 509 CRR

The European Banking Authority (EBA) organised on 23 October a hearing in London to discuss with stakeholders:

- The impact of the Liquidity Coverage Ratio (LCR) on the business and risk profile of institutions established in the Union, on the stability of financial markets and, overall, on the economy and on the stability of the supply of bank lending;
- Uniform definitions of liquid assets to be proposed to the European Commission for

delegated acts.

The EBA published on its website its [presentation](#) for this debate. It is mandated to submit reports to the European Commission on these issues by 31 December 2013. The European Commission will then take them into account in order to adopt delegated acts as provided by the CRR to specify the details of the LCR. These delegated acts must be adopted by 30 June 2014 and be applicable by 1 January 2015.

The EBA will keep working on liquidity requirements during the first quarter of 2014, to set the technical standards required by the CRR (the work plan is indicated on slide 8).

4 Sept. 2013: EBA will establish guidelines on banks' exposures to unregulated financial entities

As part of its battle plan to reduce systemic risk arising from interconnectedness between banks and shadow banking entities (see [below](#)), the European Commission requested the European Banking Authority to establish by the end of 2014 guidelines to limit banks' exposures to unregulated financial entities.

The Commission will determine by the end of 2015 whether it is appropriate to introduce these limits into EU legislation.

This measure is very likely to impact factoring companies in all Member States where it is not regulated.

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<p><u>15 January 2015: ECB will draft new initiatives for the collection of granular credit data</u></p> <p>On January 15th, the ECB published the 2015 European System of Central Banks' work programme for statistics.</p> <p>In this document, the ECB announces it will continue its initiative for an analytical credit dataset in 2015. Accordingly, the ECB explained it will intend to “<i>draft a new ECB regulation and guideline for the collection of granular credit data and the development of an IT tool for data collection, maintenance and dissemination</i>”.</p> <p>The ECB did not give any more precisions on the content of such an initiative or its calendar.</p>	
<p><u>8 April 2014: ECB Decision published in the Official Journal</u></p> <p>On 24 February 2014, the ECB Governing Council adopted the decision ECB/2014/6 and the recommendation ECB/2014/7 on the organisation of preparatory measures for the collection of granular credit data by the European System of Central Banks. These two acts were published in the EU Official Journal on 8 April 2014. These preparatory measures aim to establish a long-term framework for granular credit data collection. This data deals with the credit exposures of credit institutions or other loan-providing financial institutions vis-à-vis borrowers, provided on a borrower-by-borrower basis or a loan-by-loan basis, based on harmonised ECB statistical reporting requirements.</p> <p>The decision took effect on the day of its notification. A report analysing the status of preparatory measures and the feasibility of replacing the decision with an ECB legal instrument, will be delivered to the Governing Council by 31 December 2014.</p>	

Shadow Banking

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21 January 2015: Amendments to the MMF regulation discussed in ECON Committee

On January 21st, the MEPs of the Economic and Monetary Affairs (ECON) Committee discussed the amendments to [Neena Gill's draft report](#) on Money Market Funds regulation.

Over 700 amendments have been tabled (Parts [1](#), [2](#) and [3](#)). The major blocking is the treatment of Constant Net Asset Value Money Market Funds (CNAV MMF). The MEPs' approaches differ according to their political groups but also according to their nationality. Some MEPs suggest the suppression of CNAV MMF and their conversion in VNAV funds whereas others argue for a slight increase of the liquidity requirements for CNAV.

The ECON Committee should take a vote on the draft report on February 23rd 2015.

1 December 2014: MMF Regulation still discussed at the Parliament and at the Council

On November 27th, the Italian Presidency of the Council published a new [compromise proposal](#) on the same text.

On December 1st, Neena Gill (S&D, UK) presented before the ECON Committee her [draft report](#) on the Money Market Funds (MMF) Regulation.

The blocking point is the same in either the two institutions, i.e.: the treatment of Constant Net Asset Value Money Market Funds (CNAV MMF). Both the rapporteur and the Italian Presidency moved away from the Commission proposal to introduce a capital buffer of 3% for them.

At the EP, Neena Gill suggested to create a new category of CNAV MMF which would have to invest 80% of its assets in sovereign bonds by 2020. The rest of the CNAV MMF would have to be converted in Variable Net Asset Value Money Market Funds (VNAV). EPP and ECR shadow rapporteurs, Hayes (IE) and Syed Kamal (UK), disagreed this proposal and asked for an impact assessment.

At the Council, a consensus exists on the suppression of the 3% buffer. However, there still is a strong opposition on the prudential treatment of CNAV MMF between the Member States hosting such funds – Ireland and Luxembourg – and the Member states in favour of their interdiction – France and Germany for example.

19 November 2014: Council found a general approach on Securities Financing Transactions Regulation

On November 19th, the Permanent Representatives Committee (COREPER) approved the [general approach](#) on the Securities Financing Transactions Regulation.

The SFT Regulation aims to increase the transparency of securities financing markets by introducing new reporting duties. The information on SFTs would be reported to trade repositories and

investors in collective investment undertakings.

The regulation proposal introduces measures to improve transparency in three main areas:

- The monitoring of systemic risks related to securities financing transactions;
- The disclosure of information to investors whose assets are employed in securities financing transactions;
- The reuse by banks or brokers of collateral pledged by their clients for their own purposes.

The general approach reached by the Council proposes stricter reporting duties than the Commission original proposal. Such a general approach constitutes a mandate for the Council Presidency for further negotiations with the other EU institutions.

To be noticed, the Council outran the European Parliament on this text. According to the co-decision procedure, the Parliament vote on the text before the Council. The institutional custom is that the Parliament usually gives its position before the Council. For now, the EP rapporteur, Renato Soru (S&D, IT), has not presented his draft report yet before the ECON Committee. This presentation is planned for January 21st, 2015.

30 October 2014: FSB Global Shadow Banking Monitoring Report

On October 30th, the Financial Stability Board published its fourth annual monitoring [report on Shadow Banking](#). The data used for the report came from 25 jurisdictions, gathering 90% of global financial system assets at the end of 2013. The euro area is considered as a whole.

According to the report, the Shadow Banking sector grew by 7% (\$5 trillion) in 2013, reaching \$75 trillion. The Shadow Banking assets cover 25% of the global financial assets and 50% of banking system assets.

13 October 2014: MMF parliamentary calendar

On October 13th, the ECON Committee discussed the proposal of regulation on Money Market Funds (MMF). No major announcements were made. The debates are still focused on two points:

- The introduction of a 3% countercyclical buffer;
- The interdiction of constant net asset value (CNAV) funds.

The calendar for the proposal discussion has been announced :

- Report presentation: November 1st, 2014
- Deadline for amendments: December 11th, 2014
- Debate in ECON Committee: January 21st, 2015
- Vote in ECON Committee: February 23rd, 2014
- Vote in plenary: March 2nd, 2014.

September 2014: ECON committee has chosen the rapporteurs on Shadow banking

The European Parliament political groups have chosen their rapporteurs for the ECON committee. Two S&D MEPs will be in charge of Shadow banking regulation, Renato Soru (S&D, IT) will be rapporteur for the proposal of regulation concerning the transparency of securities financing

transactions. On the proposal of regulation on Money Market Funds, Neena Gill (S&D, UK) will replace Saïd El Khadraoui (S&D, BE).

22 August 2014: ESMA's opinion on the application of the guidelines on Money Market Funds

On August, 22nd 2014, the European Securities and Markets Authority (ESMA) published its [opinion](#) on how national competent authorities should apply the modifications to the guidelines on money market fund. These guidelines deal with the mechanistic reference to credit ratings and were set out by the European Supervisory Authorities on February; 6th 2014 in a [report](#) on Mechanistic Reference to Credit Ratings.

29 Jan. 2014: Legislative proposal on transparency for transactions in the shadow banking sector

One year after the Liikanen Group submitted to the European Commission its report on the structural reform of the EU banking sector, Commissioner Barnier finally tabled his legislative proposal to ring-fence risky trading activities in banking groups (see "other topics of interests").

In order that the concerned banks cannot circumvent the new rules by shifting parts of their activities to the shadow banking sector and enjoy its relatively lower level of regulation, the Commission also tabled a complementary [proposal for a Regulation](#) aimed at increasing transparency of certain transactions outside the regulated banking sector, in particular securities financing transactions (SFTs).

Two main elements in this proposal:

- Reporting of SFTs: any party to a SFT will have to have the details of the transaction registered on central repositories, which will be available to competent supervisory authorities;
- Information obligations for investment funds managers: the proposed Regulation would add extra information requirements for funds managers. They would have to inform investors of any recourse they had to SFTs.

Considering the complexity and sensitivity of the issue, and the approaching European elections in May 2014, the legislative work on this proposal is highly unlikely to start before September 2014.

14 Nov. 2013: FSB Global Shadow Banking Monitoring Report progressively refined to identify risks

The Financial Stability Board (FSB) released on 14 November the [report](#) of its third annual monitoring exercise of shadow banking.

For this new exercise, the FSB defines shadow banking as *"credit intermediation involving entities and activities (fully or partially) outside the regular banking system"* or *"non-bank credit intermediation in short"*. It recalled that *"the objective is to address bank-like risks to financial stability emerging outside the regular banking system while not inhibiting sustainable non-bank financing models that do not pose such risks"*.

A set of new indicators have been included by the FSB in order to refine its analysis of risks, such as whether the institution belongs or not to a consolidated banking group.

4 Sept. 2013: EC Communication on shadow banking

On 4 September, the European Commission published two texts related to shadow banking.

First, a proposal for a [Regulation on Money Market Funds](#) (MMFs), which should not impact factoring. It proposes to set prudential requirements for these funds. Money Market Funds are used by many businesses and households as an alternative to banking deposits and a source of funding, but during the crisis they have proved to be vulnerable to runs of investors and a source of systemic risk.

Second, and more importantly as far as factoring is concerned, the Commission released its [Communication on shadow banking](#). This Communication lists the five priorities for action in the field of shadow banking:

1. Increased transparency: in particular setting up the central registers for transactions on derivatives (in application of EMIR Regulation) and setting the Legal Entity Identifier in Europe;
2. Enhanced framework for certain investment funds: through the above-mentioned proposal for a Regulation on MMFs and a review of the OPCVM Directive;
3. Reducing the risk associated with securities financing transactions: the Commission intends to propose legislation on securities law, in order to reduce the risks associated with repurchase agreements or securities lending transactions and make it easier to identify property rights and counterparties;
4. Strengthening the prudential banking framework in order to limit contagion and arbitrage risks: this is where factoring companies may be strongly affected, as the Commission intends to limit on the one hand exposure of banks to unregulated entities, and on the other hand defends the idea that prudential requirements should be extended to avoid opportunities for regulatory arbitrage between regulated and unregulated sectors.

As regards exposures to unregulated entities:

- Starting from 2014, banks will have to report to their supervisors their main exposures to unregulated entities;
- By the end of 2014, the EBA is requested to prepare guidelines to limit banks' exposure to unregulated financial counterparties;
- By the end of 2015, the Commission will determine whether it is appropriate to establish such limits in EU legislation.

As regards a possible extension of the scope of application of prudential rules (CRD IV/CRR), the Commission formulates the following considerations:

- Extending the scope would allow to respond the concern expressed by the European Parliament that prudential rules should apply to entities performing activities similar to those of banks without a banking licence;
- The definition of credit institution as any "undertaking whose business is to receive deposits or other repayable funds from the public and to grant credit for its own account" is problematic. Indeed, "repayable funds from the public", as well as "credit" or "deposits" are notions whose interpretation is not harmonised in

Europe, which can lead to some entities being considered as credit institutions and submitted to CRD IV/CRR in some member states while not in others.

Therefore, it plans the following:

- EBA will be requested to assess the size of those financial entities outside the scope of CRD IV/CRR as a part of the macro-prudential supervision framework;
- The Commission will consider this assessment and other possible forthcoming recommendations by the FSB and will propose, if necessary, legislative measures.

This part of the Commission's battle plan is likely to strongly impact factoring. Indeed,

1. *For all unregulated factoring companies getting their funding from banks, the EBA's guidelines to limit banks' exposures may result in a limitation of the available funding.*
2. *Medium-/Long-term plans to extend the scope of banking prudential rules may result in applying a "light" version of CRD IV to financial entities such as factoring, which currently have different levels of regulation and supervision across the EU.*

5. Greater supervision of the shadow banking sector: The Commission highlights the "multifaceted and dynamic nature" of shadow banking, making it very difficult for an isolated authority to supervise it efficiently. It therefore recommends as much cooperation as possible between sectoral authorities at national and European level, and between regulatory fora at international level.

The efficient supervision of shadow banking activities will also be one of the key issues in the forthcoming review of the European System of Financial Supervisors (EFSF), on which the EC intends to work in 2013 and 2014.

July 2013: Commissioner Barnier announces Communication on shadow banking in September

The European Commission was supposed to adopt and publish on 24 July its proposal for a Regulation on money market funds, along with a Communication on the next steps of its action to regulate shadow banking activities.

Commissioner Michel Barnier, in charge of the Internal Market and Services, indicated that the adoption of these two documents is postponed to September. The Communication is expected to unveil the Commission's orientation to regulate shadow banking activities such as securitisation, securities lending and repo.

June 2013: EC Communication on shadow banking expected 24 July

The European Commission announced it will adopt on 24 July a Communication on shadow banking, accompanying a proposal for a regulation on money market funds (MMF), which shall not impact factoring.

The Communication will be a non-binding document, indicating the political orientation of the Commission regarding the issue of shadow banking and its broad intentions.

Insurance Mediation Directive II	Back to summary
No update in January.	
<p><u>5 November 2014: Council reached a general approach</u></p> <p>On November 5th, the Permanent Representatives Committee (COREPER) adopted the Council position on the recast of the directive on Insurance Mediation (IMD II).</p> <p>The text adopted by the COREPER is the Italian Presidency compromise proposal of October 28th (see below).</p> <p>The negotiations between the Council, the European Parliament and the European Commission begun at the end of November 2014.</p>	
<p><u>28 October 2014: compromise proposal from the Italian presidency</u></p> <p>On October 28th, the Italian Presidency of the Council presented a new compromise proposal for the recast of the Insurance Mediation Directive (IMD II). The definition of insurance distribution remains the same and should not change the obligations for factoring activities.</p> <p>A previous compromise proposal was published earlier, on October 15th.</p>	
<p><u>26 September 2014: compromise proposal from the Italian presidency</u></p> <p>On September, 26th the Italian presidency proposed a new compromise text to the national delegations of the Council. This is the second compromise proposal from the Italian presidency during the past month, showing its will to find a political agreement quickly. The first compromise proposal of September was published on September, 8th 2014.</p> <p>At the European Parliament, Werner Langen (EPP, DE) remains the rapporteur for the Insurance Mediation Directive.</p>	
<p><u>20 June 2014: Greek Presidency proposes a new compromise proposal</u></p> <p>On 20 June, the Greek Presidency sent to national delegations a new compromise text. Among the modifications suggested, the change of name from “<i>Insurance Mediation Directive</i>” to “<i>Insurance Distribution Directive</i>”. In consequence the definition of “Insurance distribution” differs from the first compromise and three new definitions are added: “<i>Insurance distributor</i>”, “<i>Insurance intermediary</i>”, “<i>Insurance undertaking</i>”, and “<i>Ancillary insurance distributor</i>”.</p> <p>The new proposal does not change the obligations concerning professionals distributing insurance products on an ancillary basis. The Italian Presidency will carry on the work on the proposal.</p>	

13 May 2014: First compromise proposal on IMD II

On 13 May, the Greek Presidency of the Council of the EU sent to the Member States' delegations a [first compromise proposal](#) on the draft Directive on Insurance Mediation (IMD II), following its examination of the positions communicated by the Member States in April.

Discussions should continue at a rather slow pace in the coming months, and more compromise proposals are to be expected.

April 2014: Greek Presidency will start works in the Council

We were informed that the Greek Presidency of the Council has finally decided to start works on IMD II in the coming days, with several meetings scheduled by the end of June. However, there is no intention at all to give any character of priority to the dossier and no ambition to reach an agreement in the Council.

The Presidency asked the Member States to give their respective positions on the Commission's proposal and on the Parliament's amendments. It will adjust the calendar of examination according to whether it sees possibilities to advance towards consensus on a series of points.

Italy, that will take the Presidency from 1st July, does not seem to consider it as a priority either. A reasonable guess is that the Directive could be adopted under the Presidency of Luxemburg (July-December 2015)

26 Feb. 2014: EP plenary votes MEP Werner Langen's mandate to negotiate with the Council

The European Parliament confirmed on 26 February in plenary session the vote of the ECON committee of 22 January. This vote does not conclude the legislative process, it only brings a series of amendments to the ECON text and provides the rapporteur, MEP Werner Langen, with a mandate to negotiate an agreement in trialogue with the Presidency of the Council. The [voted text](#) is available online (p. 184 onwards of the document)

It is unlikely that the Parliament and the Council can reach an agreement before the end of the legislative term in April. Negotiations would therefore have to be resumed in September 2014.

22 Jan. 2014: ECON votes MEP Werner Langen's reports, Council may resume work in April

The rapporteur and shadow rapporteurs in ECON Committee finally found an agreement on essential parts of the draft Directive, and managed to submit to their colleagues a list of compromise amendments. This made possible a vote of the text in committee on 22 January. The resulting [consolidated text](#) is available online.

Following the rapporteur's demand, the opening of negotiations with the Ecofin Council was postponed. The ECON report will first be submitted to a vote of the plenary assembly of the Parliament, which may bring technical amendments to ensure the consistency between the Directive and another, related file, the MiFID package. The vote in plenary, which took place on 26

February gave Werner Langen a mandate to negotiate with the Greek Presidency of the Council for an agreement in first reading.

On the Council side, however, negotiations are still suspended. The Greek Presidency may resume work on this issue in April. Such a schedule makes impossible a final adoption of the Directive before the elections, it will therefore be postponed to September at best.

17 Dec. 2013: ECON vote postponed again, serious doubt about adoption before the elections

The vote on IMD II in ECON that was foreseen to take place on 17 December 2013 was finally cancelled and postponed to 27 January 2014. Indeed, disagreements are still strong between the two major groups in ECON committee, the EPP, represented by the rapporteur, MEP Werner Langen, and the S&D.

The European Parliament still foresees a vote of the plenary assembly on 24 or 25 February. Nevertheless, the late vote in committee should leave too little time to the Parliament to reach an agreement with the Council in trialogue negotiations before the end of the parliamentary session in April. It is then almost certain now that the draft Directive will only be adopted after the elections, by the new Parliament.

Oct. 2013: Intense negotiations in ECON Committee for a vote in December

Discussions have been gaining intensity in October between political groups in the European parliament on IMD II. Chapter VII is still the most controversial but the rapporteur, MEP Werner Langen (EPP, Germany), and the shadow rapporteurs agreed on a new and last meeting on 19 November 2013 in which they are expected to agree on compromise amendments.

The draft Directive could then be submitted to a vote in the ECON Committee on 2 December 2013 and in plenary session on 14 January.

13 Sept. 2013: New postponement of the calendar

The European Parliament announced once again the postponement of the votes on IMD II, first in ECON Committee on 5 November, then in plenary session on 10 December 2013.

The setting of new dates is a signal that negotiations within the EP between the rapporteur and the shadow rapporteurs are blocked and that a compromise is still difficult to reach. In the absence of such a vote by the end of the year, the schedule could be substantially offset; and the adoption of the text be postponed after the election of the new European Parliament.

June 2013: Vote of ECON Committee postponed again

The rapporteur and shadow rapporteurs in the ECON Committee decided to postpone to 24 September 2013 the vote of the Committee on the draft directive on insurance mediation. The rationale for this new delay is still the political groups' incapacity to find ground for agreements on major provisions such as transparency, conflicts of interest and scope.

If no agreement was to be found before 24 September, it is now openly considered that discussions could be postponed *sine die*, possibly after the renewal of the European Parliament in 2014.

28 Mai 2013: Exchange of views in ECON Committee

On 28 May, the Members of the ECON Committee discussed for the second time the amendment proposals tabled by the Committee on IMD II. Exchanges focussed on the issue of consistency between IMD II and the [PRIPs draft Regulation](#) (which creates a key information document (KID) for packaged retail investment products): it is not clear so far whether PRIPs include insurance products or not.

The rapporteur on IMD II, MEP Werner Langen (EPP, Germany) considers that insurance products must be left outside the scope of PRIPs, since MIF II already contains information requirements. The rapporteur on PRIPs, Pervenche Berès (S&D, France) considers that PRIPs can be applied to insurance products, since the requested information for the KID is already required under Solvency II. A compromise seems to emerge on the idea of extending the scope of PRIPs to other financial products through delegated acts.

Linked to the scope of PRIPs is the issue of the responsibility of the intermediary for the provided information. The KID is meant to provide information on the product's performances, which the intermediary has no means to verify. Therefore, MEP Langen considers that, should PRIPs be extended to insurance products, the intermediary should be liable only for providing the consumer with the available information, not for the quality of the information itself.

MEPs will keep negotiating in order to reach compromise amendments for the vote, which is still scheduled for 17 June. The vote en plenary session has been delayed to the 10th of December 2013.

Rome I regulation / Contract law	Back to summary
No update in January.	

VAT on financial services	Back to summary
No update in January.	
<p><u>29 October 2014: State of play on the standardised VAT return</u></p> <p>The Italian Presidency asked for partial political orientations in order to finish the legal work on the proposal of directive on standardised VAT return. This proposal was made by the European Commission in October 2013 and aims to replace the 28 different national regimes of VAT declaration. The objective of such a reform is to ensure that companies provide the same information within the same delays through the entire EU.</p> <p>The blocking points are :</p> <ol style="list-style-type: none"> 1. The content of the VAT declaration; 2. The standardisation level of the common form for the VAT return; 3. The threshold under which micro-enterprises would be authorised to provide the standardised return on a larger basis than monthly. <p>On October 30th, the European Commission published a working document on a definitive VAT regime for intra-EU trade of goods. The Commission proposes to set up this future VAT regime on the principle of taxation at the destination. The Commission document, which follows extensive consultations with Member States and stakeholders, sets out five options for shaping the future VAT regime :</p> <ol style="list-style-type: none"> 1. Taxation of intra-EU supplies where the goods are delivered. 2. Taxation of intra-EU supplies where the customer is established regardless of the place of delivery of the goods. 3. Reverse Charge where the customer is established. 4. Reverse charge where the goods are delivered. 5. Status quo with some simplification of the procedure. 	

Anti-Money Laundering Directive/Tax fraud and tax evasion

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27 January 2015: Council and European Parliament approved AML IV Directive

On January 27th, the **Council formally adopted** the [compromise](#) found with the European Parliament representatives on December 16th on the 4th Anti-Money Laundering Directive.

The same day the **MEPs of ECON and LIBE Committees endorsed the same agreement**.

The main point of this agreement is the creation of **centralised national registers**. These registers will list information on **beneficial owners** of legal entities, such as companies and trusts. Competent authorities will have unrestricted access to the centralized registers.

In a [declaration](#), several Member States expressed their concerns on the agreement reached with the European Parliament. For example, Austria concern deals with the regulatory measures for trusts at Art. 30 that *“leaves room for extensive interpretation”*.

A declaration from France and a joint declaration of the Council and the Commission announcing *“further efforts”* against terrorism financing were also added.

The beneficial ownership threshold remains unchanged: *“shareholding of 25% plus one share or an ownership interest of more than 25%”*.

The European Parliament still has to approve the text in plenary session.

16 December 2014: Council and European Parliament reached an agreement on 4th AML Directive

On December 16th, the European Parliament and the Council reached a political agreement on the 4th Anti-Money Laundering Directive.

The main point of this agreement is the creation of **centralised national registers**. These registers will list information on **beneficial owners** of legal entities, such as companies and trusts. Competent authorities will have unrestricted access to the centralized registers.

However, public access to them is not guaranteed by the agreement reached. Indeed, according to the political compromise, ordinary citizens will have to demonstrate a *“legitimate interest”* in order to access to registers’ information. The text does not set criteria for the definition of *“legitimate interest”*. The Member States will define such criteria. Doing so, the Member States will decide which level of access they will grant to the public. Some States have already announced their will to guarantee an open access to their own centralised national register: France, United-Kingdom, Denmark and Netherlands.

The political agreement has to be formally adopted by the European Parliament and the Council.

28 October 2014: FATF guidance on transparency, beneficial ownership and risk-based approach

On October 28th, the Financial Action Task Force published two documents aiming to improve the implementation of anti-money laundering rules.

The first one offers [guidance](#) on Risk-Based Approach for the Banking sector. This guidance aims to help in the design and implementation of risk-based approach for the banking sector, taking into account national risk assessments and national legal and regulatory frameworks.

The second document provides [guidance](#) on transparency and on beneficial ownership. This guidance aims to assist countries to design and implement measures that will deter and prevent the misuse of corporate vehicles - such as companies, trusts and other types of legal persons and arrangements - for money laundering, terrorist financing and other illicit purposes.

10 September 2014: the AML Directive could be outside Jonathan Hill's portfolio

As Commissioner for Financial Services, Jonathan Hill will rely on the Directorate MARKT F "Capital and Companies" which will be removed from the Directorate General "Internal Market and Services". A new DG "Financial Stability, Financial Services and Capital Markets Union" will be created on the basis of MARKT F but won't include the Unit MARKT F2 (Corporate governance). This unit will move from DG MARKT to DG Justice (JUST). By consequence several legislative initiatives will be included in the portfolio of Vera Jourova and not in Jonathan Hill's :

- Recast of the directive on shareholders rights;
- Delegated act capping bankers bonuses;
- Anti-Money Laundering Directive.

At the European Parliament, the rapporteurs remain the same for AML IV: Krisjanis Karins for the ECON committee and Judith Sargentini for the "Civil Liberties, Justice and Home Affairs" committee (LIBE).

20 June 2014: Political agreement on the Parent subsidiary directive at the ECOFIN

On 20 June 2014, the ECOFIN adopted a [political agreement](#) on the proposal of directive on common system of taxation applicable in the case of parent companies and subsidiaries of different Member States.

The scope of this amendment to EU tax rules is to prevent the double non-taxation of corporate groups deriving from hybrid loan arrangements. Malta's opposition has been withdrawn after that Taxation Commissioner Algirdas Semeta assured the text "will not set a political precedent" against the principle of national sovereignty over direct taxation.

The compromise adopted is still partial because the Council hasn't yet agreed on the second part of the proposal. This second part proposes to the States to adopt a "common anti-abuse rule" which would allow them to ignore artificial tax arrangements of corporate groups aiming to avoid fair taxation.

The revised directive will be formally adopted at an upcoming ECOFIN meeting. The Member States will have until 31 December 2015 to transpose the amendments into their legislation.

18 June 2014: Council reaches a general approach on AML Directive

At the COREPER of 18 June, the permanent representatives of the Member States at the Council adopted the general approach proposed by the Greek Presidency. This general approach is on both the [directive](#) and the [regulation](#) and gives to the Council Presidency the mandate to negotiate with the other institutions.

The last blocking point was the exclusion of some gambling services. At the end, the general approach states that casinos and online gambling cannot be part of such exclusions. The exclusions will have to be notified and granted after a risk analysis.

The Italian Presidency will begin the negotiation with the European Parliament as soon as MEPs resume the legislative work. The objective is to adopt the new rules at an early second reading.

28 May 2014: Parent subsidiary Directive on the agenda of the next ECOFIN meeting

After Sweden's, that's Malta's delegation that did not agree with the compromise proposed by the Greek Presidency at the 28 May COREPER. The blocking point seems to be the procedure to follow to avoid double taxation.

The Greek Presidency should however not put the text again before the COREPER but take it to the higher level. Indeed, the Directive should be on the agenda of the next ECOFIN Council, on 20 June 2014. The Greek Presidency seems quite confident that the Council will overcome this issue and adopt the Directive.

28 May 2014: Council could reach a political agreement at the next ECOFIN meeting

After the COREPER meeting of 28 May, only a few details were left to discuss before finding a political agreement between the Member States. The basis for discussion was the Presidency's [fourth compromise proposal](#).

The remaining points are :

- The storage of data related to actual beneficiaries;
- The cooperation between financial intelligence units;
- The pecuniary sanctions;
- The exclusion of some gambling services (cash game services), except casinos and online gambling.

These last details should be dealt with at the COREPER level before the ECOFIN Council of the 20 June.

6 May 2014: new OECD rules on automatic exchange of fiscal information

34 OECD Member States and 10 other countries endorsed the [Declaration](#) on Automatic Exchange of Information in tax Matters.

With this declaration, these States committed to implement the new [single global standard](#) on automatic exchange of information. This standard constrains jurisdictions to obtain all financial information from their financial institutions and exchange that information automatically with other jurisdictions on an annual basis. Information will be exchanged by “blocs” according to the different categories.

The signatories have the possibility to implement the standard by bilateral or multilateral treaties. It could be transposed into EU law by a Directive.

The first exchanges of information are planned for September 2017.

11 March 2014: EP amendments to the draft directive

The [amended text](#) adopted by the MEPs meeting in plenary session requires that the beneficial owners of companies and trusts have to be listed in Member States public registers. It also requires from banks, auditors, lawyers, real estate agents and casinos to be more vigilant about their clients in order to detect more easily suspicious transactions and to fight tax evasion.

The European Parliament voted a legislative resolution, thus putting an end to first reading of the draft legislation. It now falls on the Council to take position on the Commission’s proposal and on the Parliament’s amendments. Discussions in the Council should take place during the summer, and trialogue negotiations between the Council and the new MEPs should be carried out in order to reach an agreement in second reading of the text.

21 Feb. 2014: Council Presidency’s compromise proposal on draft AML Directive

The Greek Presidency of the Council issued on 21 February a [proposal for a compromise](#) on the draft AML Directive.

This documents is a working document, which can still change following further discussions in the Council, but it gives an idea of where the Council is heading on this topic.

20 Feb. 2014: Adoption of LIBE-ECON report on draft AML Directive

The vote in committee on the draft AML Directive took place on 20 January. It adopted the principle of creating centralized registers of beneficial owners of all types of legal entities (companies, foundations, trusts).

The question was then to know whether these registers would be made public or not. The MEPs answered affirmatively: anyone will be able to consult the register online, after a basic identification.

The [resulting text](#) will be debated and submitted to a vote in plenary session on 11 March. This vote does not intend to conclude the first reading but only to fix the Parliament’s position ahead of the elections in May.

12 Feb. 2014: AML Directive vote in committee postponed one week, to 20 February

The vote on the draft AML Directive in the joint ECON-LIBE committee that was set to examine it has been postponed one week, to 20 February, in order to give the rapporteurs and shadow rapporteurs a chance to finalize the list of compromise amendments before the vote.

9 Jan. 2014: Debate on amendments on draft AML Directive

547 amendments were tabled on the draft AML Directive, on a series of main issues:

- Beneficial ownership: Amendments show a broad consensus on the need to create an EU-wide register of beneficial ownership that competent authorities, banks and other entities submitted to AML requirements by the Directive should access. However, there is a disagreement on whether the general public should have a complete access. For Krišjānis Karinš (EPP, Latvia), the rules on the protection of personal data should set the limit to this publicity. For the other rapporteur, Judith Sargentini (Greens, the Netherlands), it is better to have public registers and be as transparent as possible. She will then support her colleagues' amendments in that sense.
- Risk assessment: There is a consensus that the EC should be in charge of the assessment of risks at EU level, but there is disagreement on the extent of the EC's powers to adopt implementing acts and reinforce the existing legislation if needed. Mr Karinš also doubted that risk assessments should be made public: he fears detrimental effects for those industries or market players that would be explicitly named as more risky.
- Scope: There are suggestions to widen the proposed scope to national central bank, the European Investment Bank and natural and legal persons involved in gambling and sport industry. Mr. Karinš said he is sceptical on these extensions and prefers to leave some margins for the Member States to decide on individual activities.
- Data protection: Ms. Sargentini highlighted that it is important that banks and other obliged entities can know precisely how they must balance their AML requirements with data protection requirements. She then tabled some amendments to clarify the link between both legislations and will support amendments made by other, notably Sophia in't Veld's amendments on data retention.
- Politically Exposed Persons (PEP): the two rapporteurs proposed that each Member State establishes its own list of PEPs, several MEPs support that solution.

The vote in committee is scheduled on 22 January 2014.

11 Dec. 2013: Amendments tabled in Committee published

The European Parliament published on 11 December 2013 the list of amendements ([94 to 413](#) and [414 to 547](#)) that have been tabled by the MEPs of ECON and LIBE Committees on the draft AML Directive.

Those amendments will be discussed in a joint meeting of the two Committees on 9 January 2014

28 Nov. 2013: Presentation of reports in joint meeting of ECON and LIBE Committees

On 28 November 2013, the rapporteurs on the draft AML Directive, Krišjānis Karinš (EPP, Latvia) and

Judith Sargentini (Greens, the Netherlands), presented their draft reports during a joint meeting of ECON and LIBE Committees in the European Parliament.

One of the main points of concern seemed to be the degree of publicity of the registers of beneficial owners that the new Directive will create: while Mr Karinš would leave the Member States decide individually on this issue, Ms Sargentini wants those registers to be full public.

The question of data protection is also controversial: the rapporteurs both agree that the best solution would be to insert appropriate cross-references to the General Regulation on data protection

Next steps:

- Deadline for tabling amendments: 5 Dec. 2013
- Consideration of amendments: 9 Jan. 2014
- Vote in Committee: 22 Jan. 2014

11 Nov. 2013: Draft report on AML Directive in Committee

The two rapporteurs on the draft Directive on anti-money laundering, Krišjānis Kariņš and Judith Sargentini issued on 11 November their [draft report](#), to be discussed and amended by the Joint ECON-LIBE Committee.

The vote on the report is scheduled on 22 January 2014 and in plenary session on 11 March.

Oct. 2013: Joint ECON-LIBE Committee to work of AML draft Directive

The EP committees on economic and monetary affairs (ECON) and on civil liberties, justice and internal affairs (LIBE) reached an agreement on which committee should be responsible for the examination of the draft Directive on AML: they decided to examine it together.

It is thus a joint committee that will examine the text, with Krišjānis Kariņš (EPP, Latvia) and Judith Sargentini (Greens, the Netherlands), acting as co-rapporteurs, respectively for ECON and LIBE.

17 Sept. 2013: EP special committee on organized crime, corruption and money laundering adopts its final report

On 17 September, the special committee on organized crime, corruption and money laundering of the European Parliament adopted its [final report](#), on the basis of MEP Salvatore Iacolino (EPP, Italy)'s [draft report](#).

The members of the committee recommended that individuals condemned for organized crime, corruption or money laundering are excluded from public mandates and public procurements. They advocated that businesses involved in financial crimes should return any public funding they received, and called for the creation of a European Prosecution Office that would be in charge of coordinating the investigations and prosecutions for cases of financial crime.

6 Sept. 2013: G20 leaders declaration

G20 leaders met in Saint Petersburg on 6 September and discussed, among other topics, the question of tax base erosion and tax avoidance, on the basis. In their final [declaration](#), they endorsed the project of establishing a global standard for automatic exchange of information at multilateral and bilateral level (see points 50 to 52 of the declaration).

8 August 2013: EDPS opinion on proposed legislation against money laundering and terrorist financing

The Council of the EU published on 8 August the [opinion](#) sent by the European Data Protection Supervisor (EDPS) on the proposals for a directive against money laundering and terrorist financing and the proposal on information on the payer accompanying transfer of funds.

The EDPS analyzed both proposals and made a series of recommendations to enhance the protection of personal data on the payer and the payee in AML procedures.

27 July 2013: FATF international best practices on targeted financial sanctions against terrorist financing

The Financial Action Task Force published on 27 July a [set of international best practices](#) for the implementation of its Recommendation n°6, which requires the participating countries to apply a regime of financial sanctions to prevent and suppress terrorism and its financing.

12 June 2013: Review of the directive on administrative cooperation

On 12 June, the European Commission proposed a [review](#) of the directive on administrative cooperation in order to extend the automatic exchange of information between EU tax administrations. The Commission thus proposed to add dividends, capital gains and all forms of financial income and account balances to the list of items which are subject to automatic exchange of information.

The directive on administrative cooperation foresees the automatic exchange of information to be mandatory between all EU tax administrations from 1 January 2015. The current text already covers the following incomes: employment, directors' fees, life insurance, pensions and property.

In its [press release](#), the European Commission remarked that, with the proposed extension, the Member States will share as much information with each others as they agreed to share with the US under FATCA.

This initiative is part of a wider plan of the European Commission to tackle tax fraud and tax evasion, widely supported by the Heads of State and government during the European Council of May.

Data protection

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23 December 2015: State of play on the Data Protection Regulation

On December 23rd, the **Italian Presidency of the Council** published a [compromise proposal](#) on the **Chapter II of the Data Protection Regulation**.

On December 19th, a [compromise proposal](#) on the **whole text** was published.

So far, the **Council has agreed on a partial general approach** for the following points:

- the territorial scope (article 3(2)) ;
- the question of the public sector (article 1, article 6(2) and 6(3), article 21);
- the obligations of data controllers and processors (chapter IV);
- The transfer of data to third countries or international organisations (chapter V);
- Specific data processing situations (chapter IX).

The Council **still has to reach an agreement on several major points**, principally on the **one-stop-shop, data controller, level of sanctions and individual rights**.

Article 6 (1) and Art. 20 could have an impact on factoring activities. These two points are still discussed within the Council.

The Latvian presidency [announced](#) an **informal EU Council Meeting** for Justice and Home Affairs on **January 30th 2015**, with a focus on personal data protection and the e-justice strategy. The Data Protection Regulation will also be discussed at the **Council meetings of March 12-13th and May 15-16th 2015**.

There still are many areas of disagreement between the Council and the European Parliament. The negotiations between the two institutions should be quite difficult. Such negotiations will begin once the Council reaches a general approach on the whole text.

28 July 2014: new S&D MEP in charge on the Data protection package

The former S&D rapporteur on the Data Protection Directive and shadow rapporteur on the Regulation, MEP Dimitrios Droutsas (Greece), was not re-elected in last May. The S&D Group therefore named a new MEP to take over Mr Droutsas's work, [Marju Lauristin](#) (Estonia). Like her predecessor, she will be rapporteur for the Directive and shadow rapporteur for the Regulation.

MEP Jan Philipp Albrecht (Greens, Germany) was re-elected and will remain rapporteur on the Data protection Regulation.

6 June 2014: Council reaches a partial general approach on 2 points

On 6 June 2014, the Ministers of Justice reached a [partial general approach](#) on two points of the Data Protection Regulation proposal including the transfer of data to third countries and the

territorial scope of the proposal. The orientation debate also dealt with the issue of “one-stop shop” approach.

The Data Protection Regulation is expected to be adopted by the end of the year but this calendar should be very hard to stick to.

26 May 2014: Greek Presidency publishes a state of play of the work on the Directive

On 26 May 2014, the Greek Presidency addressed a state-of-play [document](#) to the Member States’ delegations.

The document summarises the work accomplished and the main issues still pending before passing the torch to the Italian Presidency (starting on 1st July). This state of play only deals with the Data Protection Directive, not the Regulation. The points that are still to be dealt with are: the scope of the Directive (difference between public and private bodies, and the purpose of “safeguarding public security”); the rights of the data subject; and the obligations of controllers and processors.

The negotiations on the Data Protection Regulation are still in progress but far from reaching a general approach on the whole text. Negotiations are still led issue per issue (Chapter V, one-shop-stop mechanism, etc).

13 March 2014: EP votes on General Data Protection Regulation, Council still working

A vote of the plenary assembly of the European Parliament on the draft General Data Protection Regulation is scheduled on 13 March 2013. This vote will not conclude the first reading of the Regulation but only fix the position of the European Parliament before the elections in May.

On the Council’s side, work is ongoing but quite slow. No agreement within the Council is expected in the coming weeks. You can consult here the [preparatory document](#) of the last orientation debate that took place at ministers’ level on 25 January.

22 Oct. 2013: LIBE Committee backs MEP Albrecht report on Data Protection reform

The LIBE Committee of the European Parliament voted on 22 October on MEP Jan Albrecht (Greens, Germany)’s draft report on the General Regulation on the protection of personal data. MEPs backed the rapporteur and the 104 compromises negotiated by the political groups with 49 votes in favour, 1 against and 3 abstentions.

The European Commissioner for Justice, Viviane Redding, welcomed this vote, highlighting that “uniform and strong European data protection law will cut costs for business and strengthen the protection of our citizens: one continent, one law”.

The Committee’s vote gives mandate to MEP Albrecht and the shadow rapporteurs to launch negotiations with the Council of the EU on this draft Regulation.

7 Oct. 2013: EU Justice Ministers agree on the “one-stop shop” mechanism, but a lot of work

remains

Justice Ministers of the 28 Member States of the EU discussed the draft General Regulation on the protection of personal data during a Justice Council meeting on 7 October.

They reached an agreement on the “one-stop shop” mechanism, one of the main elements of the Commission’s proposal, i.e. that when a data controller or data processor is active in more than one Member State, one single supervisory authority should be responsible for supervising its activities in the whole EU. Ministers considered that the mechanism is necessary to ensure fast decisions, consistent application of the rules, provide legal certainty and reduce administrative burden.

However, whereas the Commission’s proposal states that the responsible authority should be the one of the country where the company has its main establishment, a majority a member states considers further expert work is necessary for the cases where that authority’s jurisdiction is limited to the exercise of certain powers.

10 July 2013: MEP Albrecht says he expects a vote in Committee in October

MEP Jan Philipp Albrecht (Greens/EFA, Germany), who is rapporteur on the general Regulation on protection of personal data, said on 10 July that he expects a vote of the LIBE Committee on his report and the tabled amendments in October. The vote has already been postponed several times due to the huge number of amendments that have been table on the draft Regulation and the divergences between them.

6 May 2013: LIBE Committee postpones vote on Data Protection

On 6 May, MEP Jan Philipp Albrecht asked his colleagues of the LIBE Committee to postpone the vote on his draft report on the draft Regulation on Data Protection, explaining that more time is needed to cope with the more than 3000 tabled amendments and negotiate compromise amendments that could be supported by a large majority of the political groups. MEP Albrecht however told his colleagues that he still plans to vote before the summer break.

Another reason to postpone the vote is the slow pace of work on the other text of the Data Protection package, the draft Directive on the use of personal data for the purpose of criminal investigation and prosecution.

On the Council side, the delegated of the Member States are working in view of the Justice and Home Affairs Council of 6 and 7 June. There too, the objective is to adopt a general approach before the summer, so that the trialogue negotiations could begin in early September 2013.

E-invoicing	Back to summary
No update in January.	
<p><u>23 May 2014: new CEN Project Committee for e-Invoicing</u></p> <p>CEN will launch on 9 September 2014 a new Project Committee (CEN/PC 434). It will be in charge of developing standards in support of European Electronic Invoicing.</p> <p>A first plenary meeting of this committee will take place in Brussels on 9 September. Participants have to register before 15 August 2014.</p>	
<p><u>16 April 2014: Final act signed</u></p> <p>The Directive was formally adopted by the European Parliament in first reading on the 11 March 2014 and then by the Council on the 14 April 2014. The final act was signed on the 16 April 2014 and is now awaiting publication in the EU Official Journal.</p> <p>Once published, the Member States should transpose the Directive and adopt all the necessary laws to comply with it at the latest 54 months after its entry in force.</p>	
<p><u>6 Feb. 2013: Trialogue agreement on draft Directive on e-invoicing in public procurements</u></p> <p>Negotiators of the Parliament and of the Greek Presidency of the Council reached an agreement in trialogue on 6 February on the draft Directive on e-invoicing in public procurements.</p> <p>The resulting text will now be submitted to the formal approval of the European Parliament's plenary assembly (a vote is scheduled for 11 March) and of the Council of the EU (a few weeks later).</p> <p>Once the Directive is formally adopted, the Member States will have two years to transpose it into national law. In the meantime, a standard will be developed at European level to ensure interoperability of the e-invoicing systems in use within the 28 Member States.</p>	
<p><u>17 Dec. 2013: Vote of the draft Directive in IMCO Committee</u></p> <p>The Committee on the Internal Market and Consumer Protection of the European Parliament voted on 17 December 2013 on the draft Directive on electronic invoicing in public procurements.</p> <p>The consolidated text of the Committee's report was published on 6 January 2014</p>	

European Account Preservation Order for the attachment of bank accounts	Back to summary
No update in January.	
<p><u>13 May 2014: Council adopts the EAPO Regulation.</u></p> <p>On 13 May 2014, the Council adopted the European Account Preservation Order Regulation. After its publication in the Official Journal, the text will be directly applicable in the Member States (except in the UK and Denmark). The publication is expected in June 2014.</p>	
<p><u>15 April 2014: EP adopts a first reading position on the EAPO Regulation</u></p> <p>On 15 April 2014, the European Parliament in plenary session voted a first reading position on the European Account Preservation Order Regulation (pages 209 to 311 of the document).</p> <p>Justice Minister of Greece, Mr Athanasiou confirmed on 4 March 2014 the political agreement reached with the EP, the Council should therefore adopt its own position on the same terms in the coming weeks.</p>	
<p><u>6 Feb. 2014: EP and Council agree on the EAPO Regulation, final vote in April</u></p> <p>The negotiators of the Council of the EU and of the European Parliament reached an agreement on a compromise text on the draft Regulation creating a European Account Preservation Order (EAPO). The negotiations had begun in December, after the Council finally adopted a general orientation.</p> <p>In the Parliament, the LIBE committee expressed its support to the compromise text through a new vote on 11 February, before the vote in plenary session, scheduled on 15 April 2014.</p>	
<p><u>Oct. 2013: LIBE report published, vote in plenary session on 3 February 2014</u></p> <p>The European Parliament finally published the report voted on 30 May by the LIBE Committee on the draft Regulation creating a European Account Preservation Order.</p> <p>The vote of the Parliament's plenary assembly is scheduled on 3 February 2012.</p>	
<p><u>30 May 2013: LIBE Committee votes on MEP Baldassare's draft report</u></p> <p>The LIBE Committee voted on 30 May on the report drafted by MEP Raffaele Baldassarre (EPP, Italy) on the draft regulation creating a European Account Preservation Order (see press release). The consolidated text is not available yet.</p>	

Financial transaction tax

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27 January 2015: Austria and France gave a new impulse

On January 27th, the **ministers of finance** of the 11 States involved in the enhanced cooperation **confirmed their objective to implement the Financial Transaction Tax by January 1st, 2016.**

The work will resume on “*new guidelines*”: the tax should finally have both **the broadest base possible** and **low rates**, while considering the risks of relocation of financial activities.

Austria – and its Finance Minister Hans Schelling – **will coordinate the cooperation work.** The Commission should be more involved within the FTT work.

Representatives of the banking sector continue to advocate against the FTT project. They sent a [join letter](#) to the 11 Finance Ministers arguing that “*the proposed FTT will negatively impact financial activities that are essential to the functioning of financial markets and our economy as a whole*”.

5 January 2015: France changed its approach

On January 5th, the French President François Hollande announced France’s change of approach concerning the Financial Transaction Tax field of application.

In November 2014, French Finance Minister had suggested to reduce the FTT scope of application to shares’ and CDS’ transactions. France finally said it was in favour of a broad scope of application for the FTT. The French President also proposed to allocate the FTT revenue to support developing countries' efforts to fight climate change.

France is trying to take the political lead on the FTT enhanced cooperation. The European Commission reacted through the voice of its spokeswoman. Vanessa Mock declared that the Commission “*is ready to provide technical support if it is needed*”. However, the spokeswoman reminded **that only the Member States involved in the enhanced cooperation could take such a decision.**

4 December 2014: Italian Presidency shouldn’t reach an agreement

The Italian Presidency will not propose a new compromise on the Financial Transaction Tax at the next ECOFIN meeting, on December 9th. Instead, Italy decided to present a state of play on the work accomplished on FTT.

An agreement exists on shares’ taxation. The blocking point remains the derivatives’ taxation. The Italian Presidency proposed two taxation methods:

1. To differentiate derivatives according to their maturity and to their type in order to adjust the taxation on these two criteria;
2. To use the premium as a taxable base only for the “options-type” derivatives.

3 December 2014: Legislative initiatives on taxation are planned for 2015

After the “Luxleaks” scandal, there has been an acceleration on the taxation pending issues.

1. The pending investigations on **tax rulings** should be the Commission priority for the end of the year. They deal with fiscal agreements between multinational companies and national fiscal authorities of Luxembourg, Ireland and Netherlands.
2. At the Council, an agreement is close on the second part of the **Parent-subsidiaries directive**. This second part suggests to the States to adopt a “common anti-abuse rule”. It would allow them to ignore artificial tax arrangements of corporate groups.
3. Furthermore, the European Commission announced that a set of initiative on fiscal issues will be presented during 2015.

In particular, Pierre Moscovici, Commissioner for Taxation, will be in charge of drafting a legislative proposal on mandatory exchange of information between the Member States on tax ruling arrangements they may make with companies. Such a proposal should be presented during 2015 first quarter.

4. The Commission should also make some changes to its proposal on **a common consolidated corporate tax base**. The discussions on this text are currently blocked at the Council.
5. For its part, the European Parliament decided to draft two reports on taxation:
 - An investigative report to examine the fiscal practices of member states;
 - A legislative report to formulate concrete proposals for the Commission.

29 October 2014: Presentation of the state of play before the Council

The Italian Presidency will present to the ECOFIN Council the progress made on the enhanced cooperation for a financial transaction tax on November 7th.

On shares’ taxation, an agreement could be found. The scope has been almost completely defined. There are still discussions on an exemption for transactions in shares made by small companies.

On derivatives’ taxation, there are still many disagreements on the types of derivatives that should be taxed. Meanwhile France wants to exclude shares derivatives, other countries want to tax several types of CDS. Some countries worry about the impact of a taxation on interest rate derivatives on state monetary policy.

Yet, after the publication of the Presidency document, some Member States highlighted the gap between the current state of negotiations and the Presidency expectations. They think that the work is not advanced enough to be presented before the next ECOFIN Council. Other Member States are worried about a too deep involvement of the entire Council on the enhanced cooperation.

13 September 2014: FTT discussed at the informal ECOFIN in Milan

Aside from the informal ECOFIN held in Milan on September 13th, the 11 Member States (MS) involved in the enhanced cooperation discussed their project of Financial Transaction Tax. They reaffirmed their will meet the deadline, despite the lack of real progress. The objective of the 11 MS is to reach an agreement by the end of the year. All the technical work should have been complete by this date. As a result, the timetable should be very hard to respect.

The FTT will be included in Pierre Moscovici's portfolio even if he won't have any control upon the enhanced cooperation.

3 July 2014: German and French professional organisations warn against FTT

In [joint press release](#) published on 3 July 2014, German and French professional organisations expressed their concern about the financial transaction tax project: AFEP, BDI, Deutsches Aktieninstitut, MEDEF and Paris EUROPLACE insist on the direct negative impact the EU FTT would have on the European economy. According to these organisations, the FTT *"would put companies established in the area of taxation at a competitive disadvantage vis-à-vis other companies from outside the participating EU Member States"*.

6 May 2014: 10 Member States want the FTT to enter into force before 1st January 2016.

10 ministers of the 11 Member States involved in the FTT enhanced cooperation [declared their will](#) and determination to implement the Financial Transaction Tax *"on 1st January 2016 at the latest"*. The first phase will tackle the operations on securities and *"some derivatives"*. No further detail was given neither about the principle which will drive such a tax, nor the assignment of the income from the FTT. Austrian Minister Michael Spindelegger commented that was *"simply a political declaration. Our common ground is quite modest"*.

The opponents (UK, Sweden, Denmark, Luxembourg, Malta and Netherlands) criticised the lack of transparency and of impact assessment in the works within the enhanced cooperation.

30 April 2014: Court of Justice dismisses the UK action

On 30 April 2014, the Court of Justice of the European Union [dismissed](#) the United Kingdom's action against the decision authorising eleven Member States to establish enhanced cooperation in the area of financial transaction tax (FTT).

This judgement deals with the validity of the decision authorising the enhanced cooperation. The motive of the UK action was that the FTT would have extraterritorial effects. In this case, the Court found impossible to give a judgement based on the FTT potential extraterritorial effects because *"the contested decision [...] does not contain any substantive element on the FTT itself"*. The Court considered that the arguments of the UK are directed at *"a potential FTT"* and not at *"the authorisation to establish enhanced cooperation"*. In consequence the Court decided to dismiss the action.

The European Commission welcomed this decision, hoping it will give *"added impetus"* to the

cooperation. The United Kingdom underlined that the Court confirmed *“the UK will be able to challenge the final proposal for a FTT”*.

16 April 2014: EP regrets the absence of progress

The European Parliament [declared](#) its regrets that the Council has made no progress so far on the legislative proposals of the European Commission to introduce new “real own resources” and among them the Financial Transaction Tax.

18 Feb. 2014: Ministers’ meeting on the FTT, political will but no progress

Aside from the Ecofin Council meeting on 18 February, the eleven Member States that engaged in the enhanced cooperation to create a financial transaction tax met, on the initiative of Austria.

This meeting was the first at political level to deal with the question since the European Commission tabled its proposal to set the FTT through an enhanced cooperation. Even though no significant progress was to be expected, the meeting was intended to be symbolic: notwithstanding the numerous criticisms that the proposal is subject of, the eleven governments still want to see this tax to become a reality. Now, they still have to agree on the scope and modalities of the said tax...

10 Sept. 2013: FTT project deemed illegal by Council’s legal experts

On 10 September, the legal service of the Council of the EU sent to the Lithuanian Presidency of the Council an opinion on the European Commission’s proposal for a tax on financial transactions to be implemented through an enhanced cooperation.

In this opinion, the Council’s legal experts explain that the tax goes beyond the participating states’ jurisdiction in fiscal matters, and that it would be unlawful under the EU treaties as it would infringe upon non-participating Member States’ competences (by forcing their financial institutions to pay the tax even though they refused to participate in the enhanced cooperation).

The legal experts also judged that the project is illegal since it would break the principles of free movement of capital and services, which are cornerstones of the EU single market and embedded in the EU treaties.

Although this opinion is not binding for the Finance ministers of the 11 participating Member States, it could make more difficult the negotiations on the Commission’s proposals and give arguments to those non-participating Member States, such as the UK, who already announced their intention to attack the legislation before the European Court of Justice.

3 July 2013: European Parliament votes on the project of FTT through an enhanced cooperation

On 3 July, the plenary assembly of the European Parliament adopted the [report](#) voted the previous week by the ECON Committee, based on MEP Anni Podimata (S&D, Greece)’s draft report, on the proposed enhanced cooperation to set up a financial transaction tax in 11 Member States.

The report contains proposals of amendments that the 11 participating Member States can integrate in the Commission's proposals together with their own amendments, or reject.

24 June 2013 : ECON Committee votes on Anni Podimata's draft report

On 24 June, the ECON Committee adopted a [report](#) based on MEP Anni Podimata (S&D, Greece)'s draft report on the proposal to implement a FTT through an enhanced cooperation. The MEPs, who are only consulted on this issue, did not change their demands as regards the scope of the tax nor the exemptions to be applied.

Accounting issues	Back to summary
No update in January.	
<p><u>30 June 2014: EFRAG launches an additional public consultation on lessee accounting</u></p> <p>On 30 June 2014, EFRAG launched an additional public consultation on the IASB and FASB approaches for lessees. The IASB proposed a single model based on Type-A lease accounting. The FASB proposed a model that, based on IAS 17 criteria, distinguishes leases that are in effect purchases and other leases; these are accounted for using a straight line cost recognition pattern.</p> <p>The EFRAG seeks to know the preference of the stakeholders about these two approaches. Comments have to be submitted by 22 August 2014.</p>	
<p><u>28 May 2014: Publication of the new EU framework for statutory audit</u></p> <p>On 28 May 2014, the two texts for the new EU regulatory framework on statutory audit were published in the Official Journal of the European Union. The aim of such a reform is to increase the competition with the EU audit services market and to improve the auditing quality and its transparency.</p> <p>The Directive and the Regulation will take effect within two years of their entry into force. The restriction on fee income from non-auditing services is to take effect within three years.</p>	
<p><u>4 Feb. 2014: Commissioner Barnier prolongs Philippe Maystadt's mission on EFRAG reform</u></p> <p>On 4 February, Commissioner Michel Barnier announced he prolonged Philippe Maystadt's mission as special advisor to supervise the reform of the European Financial Reporting Advisory Group (EFRAG), as a follow-up of the report he submitted to the Commission in November.</p> <p>For the recall, Mr Maystadt's mission was first motivated by the legal obligation that the Commission have to produce an assessment of the Regulation that introduced the IFRS as accounting standards in the EU before the end of 2014.</p>	
<p><u>20 Jan. 2014: European Supervisory Authorities worried about Maystadt report</u></p> <p>On 20 January, the three European Supervisory Authorities –EBA, EIOPA and ESMA- sent a letter to the European Commission, saying their concerns about some aspects of the report submitted by Philippe Maystadt, the special advisor to Commissioner Barnier on accounting standards.</p> <p>In particular, they criticize the proposal made by Philippe Maystadt to transform the supervisory board of the European Financial Reporting Advisory Group (EFRAG) and give a say to representatives of the private sector (banks and insurance companies) on the opinions that EFRAG</p>	

gives to the Commission on the IFRS. The authorities consider that only public authorities in the board should decide on the final opinion given to the Commission.

12 Nov. 2013: Philippe Maystadt's report on the governance of accounting standards

Philippe Maystadt, special adviser to Commissioner Michel Barnier, presented on 12 November his [report](#), containing recommendations on possible ways to improve the governance of the European bodies involved in the development of International Financial Reporting Standards (IFRS) and to enhance the European contribution to the establishment of these IFRS.

The exercise was motivated by the view that over the last years, the International Accounting Standards Board (IASB), in charge of setting the IFRS, has focussed too much on the objective of convergence with the US standards, while leaving unaddressed the needs of the EU markets.

After 8 months of interviews and research, Mr Maystadt reached the conclusion that there is a need for a single international accounting standards framework, but that the European influence on it *"is reduced because it is diffuse"*. He thus recommends setting a European structure that would be able to *"carry out a strategic analysis of the economic impact of the standards and better coordinate the European positions"* (see [press release](#)).

10 July 2013: IASB updates 'IFRS for SMEs' factsheet

The International Accounting Standards Board updated the [factsheet](#) presenting its program 'IFRS for SMEs', which aims at simplifying the implementation of International Financial Reporting Standards (IFRS) for SMEs and allowing comparison of their financial statements worldwide.

26 June 2013: Adoption of Directive on annual financial statements, consolidated statements and related reports of certain types of undertakings

On 26 June, the Council of the EU adopted a [directive](#) on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (Accounting Directive).

The European Parliament had adopted the directive on 12 June in plenary session. Commissioner Barnier welcomed the vote saying that *"financial reporting obligations have been modernised and costs reduced, in particular for SMEs"*.

The directive was published in the Official Journal of the EU on 29 June 2013. The Member States shall transpose it into national law by 20 July 2015.

21 June 2013: Study on the effects of using IFRS in the EU

On 21 June, the European Commission published a [call for tender](#) to realize a study *"to take stock and to assess the effects of using international financial reporting standards (IFRS) in the EU"*.

The Commission aims at gathering information on the impacts of using the IFRS in the EU, both for

preparers and users, in view of the forthcoming revision of the IAS regulation (regulation 1606/2002). The Commission wants to know whether the regulation, and the IFRS, met the two initial objectives of *“ensuring a high degree of transparency and comparability of the financial statements of European companies and an efficient functioning of the market”*.

The study will also include a cost-benefit analysis and an analysis of the possible benefits and drawbacks brought by the IFRS to different sectors and stakeholder groups.

The time limit for receipt of tenders is 13 September 2013.

Other topics of interest

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28 January 2015: the Capital Markets Union initiative will officially start on February 18th

On January 28th, the College of Commissioners hold its **first orientation debate** about the **Capital Markets Union**. The Commission will officially **launch its initiative on February 18th** with the publication of a green paper and a public consultation.

The Commission should release **three consultative documents about:**

1. The **high quality securitisation**;
2. The revision of the Prospectus Directive in order to **ease the SME access to financial markets**;
3. The improvement of investors' access to **standardised SME credit data**.

The Commission should publish an **Action Plan on the CMU during third quarter of 2015**.

The Capital Market Union is forecasted by the Commission to be **achieved by 2019**.

13 January 2015: Presentation of the European Fund for Strategic Investment

On January 13th, the European Commission released the [legislative proposal](#) for the **European Fund for Strategic Investments**, which will be established in close partnership with the European Investment Bank (EIB).

The **European Fund for Strategic Investments (EFSI)** aims to gather at least €315 billion in order to invest in *“strategic European projects”*. It will be guaranteed with € 21 billion of public money with the objective to raise 294 billion of additional capital over the next three years (2015 - 2017).

Two entities will be in charge of the EFSI governance:

- A Steering Board will be responsible for the overall orientation, the investment guidelines, the risk profile, strategic policies and asset allocation of the Fund;
- An Investment Committee will choose which specific projects will receive EFSI funds. The Committee will consist of six independent market experts and a Managing Director who will be in charge of the day-to-day management of the EFSI.

The Commission proposal has to be adopted under the *“ordinary legislative procedure”* (co-decision) both by the European Parliament and Council.

The Latvian Presidency expects to adopt the text creating the EFSI by June 2015.

1 January 2015: the Latvian Presidency of the Council began

In January 1st, Latvia has taken over the Council Presidency for the next six months. The country will be in charge to lead negotiations within the institution and with the other EU institutions.

For financial services, Latvia has defined as its top priority the **European Investment Plan**, presented by Jean-Claude Juncker in November 2014. The main objective is to adopt a legislative act creating the European Fund for Strategic Investments (EFSI) by June 2015. Another top priority

of the Latvian Presidency will be to **ensure the effective implementation of the Banking Union**. Latvia will also lead the Member States' reflection on the **Capital Markets Union project**.

Concerning pending legislative initiatives, Latvia will focus on:

- **The Payments Services Directive (PSD 2);**
- **The Insurance Distribution Directive (IDD, ex-IMD II).**

Agreements with the European Parliament could be reached on both texts before the end of Latvian Presidency on June 30th, 2015.

On fiscal issues, Latvia announced its will to continue work on:

- **The Council Directive on a Common Consolidated Corporate Tax Base (CCCTB);**
- The proposals on Base Erosion and Profit Shifting (BEPS);
- **The Financial Transaction Tax (FTT);**
- The standardised VAT Return.

However, fiscal issues are not listed as Latvian top priorities.

Latvia will assume the Council Presidency until June 30th, 2015.

16 December 2014: 2015 Commission Work programme

On December 16th, the Commission adopted its [Work Programme](#) for 2015. The Commission Work Programme presents 23 new legislative initiatives and proposes the withdrawal of 80 existing ones.

For financial services, the Commission forecast to present those 3 relevant initiatives :

- A legislative act creating the [European Fund for Strategic Investment](#);
- Legislative and non-legislative acts concerning the [Capital Markets Union](#);
- A legislative act on [non-bank systemic institutions resolution](#), particularly the CCPs.

The Commission will assess 2 EU texts regulating financial services during 2015:

- **The Prospectus Directive;**
- **The International Accounting Rules.**

27 November 2014: Jean-Claude Juncker's Investment plan

On November 27th, the EC President, Jean-Claude Juncker, presented before the European Parliament a € 315 billion Investment Plan.

The "*Juncker Plan*" is built on three main pillars:

- The creation of a **new European Fund for Strategic Investments (EFSI)**, guaranteed with € 21 billion of public money, able to raise at least € 294 billion of additional capital over the next three years (2015 - 2017);
- The establishment of an expert committee coupled with an assistance programme to channel investments towards EU strategic projects;
- A **roadmap to remove regulatory barriers** and make Europe more attractive for investments.

The EFSI will be built on a guarantee of € 16 billion from the EU budget, combined with € 5 billion committed by the EIB. The multiplier effect of the Fund is expected to be 1:15. The leverage effect

will be reached in two times: first a 1:3 multiplier effect to raise € 63 billion as a “reserve” and secondly a leverage of 1:5 to reach the € 315 billion of investments.

The aim is that the Fund will be operational in June 2015. The legislative initiative on the Capital Markets union should be presented at this same moment.

Ongoing consultations

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Until 27 March 2015: Basel Committee consultations on the revision of the Standardised Approach for credit risk and on Capital floors

On December 22nd, the Basel Committee on Banking Supervision released a consultative document entitled [Revisions to the standardised approach for credit risk](#). The proposed revisions seek to strengthen the existing regulatory capital standard in several ways. These include:

- ✓ reduced reliance on **external** credit ratings;
- ✓ **enhanced granularity and risk sensitivity**;
- ✓ **updated risk weight calibrations**, which for purposes of this consultation, are indicative risk weights, and could be modified on the basis of the results of a quantitative impact study;
- ✓ more comparability with the internal ratings-based (IRB) approach with respect to the definition and treatment of similar exposures;
- ✓ better clarity on the application of the standards.

The same day, the Committee also published a consultative paper on [Capital floors](#), which sets out the proposed design of a capital floor framework based on standardised, non-internal modelled approaches.

Comments on both the proposals should be [on the Basel Committee website](#) by **Friday 27 March 2015**.

Until 6 March 2015: Basel Committee consultation on the Net Stable Funding Ratio ("NSFR") disclosure standards

On December 9th, the Basel Committee launched a [consultation](#) on disclosure requirements for the Net Stable Funding Ratio (NSFR). Such disclosure standards will be applicable to *"all internationally active banks on a consolidated basis"*. The EBA, then the European Commission will decide the NSFR exact scope of application by the end of 2016.

The NSFR requires that banks maintain *"a stable funding profile in relation to their on- and off-balance sheet activities"*. The standard aims to reinforce banks' capacity to resist to liquidity and solvency shocks over a year. One objective is to **avoid a too big gap between assets and liabilities maturities**.

The NSFR standard notably requires quarterly or semi-annually banks report. Banks should also disclose their NSFRs and others related information according to a common template. The objective is to help market participants consistently assess banks' funding risk.

The reporting requirements and template are presented in a [consultative document](#).

Comments on the proposals should be:

- Uploaded on a dedicated [web page](#) ;
- Sent by post at the following address:
Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel

Switzerland

The consultation deadline is on March, 6th 2015.

Until 10 February: EBA consultation on technical standards on supervisory reporting on the LCR

On December 16th, the European Banking Authority (EBA) launched a [consultation](#) on the draft Implementing Technical Standards (ITS) amending supervisory reporting framework accordingly with the Liquidity Coverage Ratio (LCR). The proposed amendments follow the Commission' Delegated Act specifying the LCR. The proposed ITS will amend the Commission's Implementing Regulation on supervisory reporting.

The consultation on the amendments to the LCR reporting will run **until 10 February 2015**.

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February 3rd: ECON Committee meeting in Brussels

February 17th: ECOFIN meeting in Brussels

February 23-24th: ECON Committee meeting in Brussels

March 5th: ECON Committee meeting in Brussels

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