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Capital requirements for credit institutions (CRD IV proposals and Basel Committee on Banking supervision)	Geography: all EU
<p><b>16 July 2012: Vote in European Parliament likely to be postponed again</b></p> <p>According to Othmar Karas's office, the Parliament will most likely delay again its vote on the CRD IV package due to the slow pace of the negotiations between the Parliament and the Council. The official decision shall be taken in the second half of August.</p> <p>It appears that the negotiators are still fighting, <i>inter alia</i>, on the risk weighting for loans to the SMEs.</p>	
<p><b>02 July 2012: New provisional date for Parliament's vote in plenary session</b></p> <p>After postponing the indicative date for the vote of the Parliament's plenary assembly on CRD IV to 22 October, the Parliament advanced it to 11 September. Other changes are still possible, according to the progress of the negotiations in Trialogue (Commission, Parliament and Council).</p>	
<p><b>June 2012: State of the trialogues negotiation on CRD IV</b></p> <p>During the ECON committee meeting of last 2 June, Sharon Bowles (ALDE, UK) gave an update on the ongoing trialogues negotiations on CRD IV. She noted that intensive work is continuing. The committee is now moving on to work on the regulation. Two negotiation meetings were held during the EP's plenary session in Strasburg and two more are scheduled between 9 and 12 July.</p> <p>The fact that the Parliament has set an earlier date for its vote on the package may be a positive signal regarding the advance of the negotiations: the reason why the Parliament thinks it can vote in early September instead of late October is that the negotiators are optimistic about the progress of the negotiation.</p>	
<p><b>15 June 2012: Consolidated version of ECON Committee report on CRD IV published</b></p> <p>The secretariat of the ECON committee of the European Parliament published on 15 June the consolidated version of the report adopted by the MEPs on 14 May.</p> <p>Link to the report:  <a href="http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A7-2012-0171+0+DOC+PDF+V0//EN">http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A7-2012-0171+0+DOC+PDF+V0//EN</a> </p>	
<p><b>25 May 2012: Statement by several Member States on the date of entry into force of CRD IV</b></p> <p>On 25 May, after the Ecofin Council adopted its General Approach on the CRD IV package, Latvia, Lithuania, Netherlands, Poland, Romania and Slovenia made an official statement to express their "strong doubts regarding the timeline set out in the proposal. "</p>	

“Latvia, Lithuania, Netherlands, Poland, Romania and Slovenia believe that an entry into force on 1/1/2013 will not allow for sufficient time for national authorities to introduce the necessary changes to national laws, what may cause legal uncertainty for the institutions” and “will not allow industry to prepare sufficiently to the new rules” they said, adding that “as effect, the very short dateline for entry into force may result in unnecessary turbulences in financial markets.” They then asked to revisit the foreseen date for entry into force during the negotiation phase with the European Parliament.

Link to the statement:

<http://register.consilium.europa.eu/pdf/en/12/st10/st10598.en12.pdf>

#### 15 May 2012: General approach of the Ecofin Council on CRD IV

On 15 May, the Ecofin Council – meeting of the Ministers of Finances from the 27 Member States – unanimously agreed on an amended version of the CRD IV draft Directive and the CRR Regulation. The meeting was fairly short given that most of the negotiation work had been carried out during a previous meeting on 2 May. Only the UK remained to convince (though the Council could approve the proposals with a qualified majority, the Council always try to reach unanimous decisions) as the Chancellor of the Exchequer asked for more national flexibility to set the level of the supplementary own funds. A compromise was found on this question: a Member State can decide to add a complementary capital buffer up to 5%.

The adoption of this General Approach opens the way to the negotiations with the European Parliament in order to adopt the CRD IV package in first reading. The Danish Presidency mentioned that “it is not impossible” that an agreement will be found with the EP before 30 June. But, given the delay for translation and administrative work in the Parliament, it is unlikely that the text will be adopted in the July plenary session if an agreement is not found by 15 June.

Link to the consolidated General Approach on the draft Regulation:

<http://register.consilium.europa.eu/pdf/en/12/st10/st10099.en12.pdf>

Link to the consolidated General Approach on the draft Directive :

<http://register.consilium.europa.eu/pdf/en/12/st10/st10100.en12.pdf>

#### 14 May 2012: ECON Committee vote on CRD IV

On 14 May, the ECON Committee of the European Parliament voted on the legislative package CRD IV. In a marathon vote, the MEPs defined the provisional position of the Parliament, in view of the coming negotiations with the Council of the EU to adopt the two texts in the first reading. Given the size and complexity of the draft proposals, the administration of the Parliament has still not published a consolidated version of the texts as amended by the vote of the Committee.

#### 7 May 2012: ECON Committee vote on CRD IV postponed to 14 May

The rapporteur on the CRD IV package in the ECON Committee, Othmar Karas (EPP, Austria), together with the shadow rapporteurs, decided to postpone the vote of the Committee, initially foreseen on 25 April, to 14 May. The vote had already been delayed to 8 May. They agreed on this delay in order to have more time to negotiate compromise amendments between the political groups of the EP, thus reducing the list of more than 2000 amendments that have been tabled.

#### 2 May 2012 : ECOFIN Council extraordinary meeting on CRD IV

On 2 May, the ministers for Finance of the EU member states met during sixteen hours in an extraordinary Ecofin Council meeting entirely dedicated to the CRD IV proposals. In its conclusions, the Danish Presidency affirms that a qualified majority of member states will support the compromise proposals of 27 April. Nevertheless, the Council's decision on opening the Triologue negotiations with the Parliament has been postponed to 15 May in order to proceed to a "technical verification".

Commissioner Michel Barnier, in charge of Internal Market and Services, declared after the meeting his optimism that a broad agreement will be found on 15 May. He recalled the three principles that are his guidelines in the negotiations:

- 1) All agreement must respect the Basel III requirements;
- 2) All agreement must guarantee and deepen the Single Market (single rulebook);
- 3) All agreement must contribute to the financial stability, necessary base for a return to growth and employment.

#### 27 April 2012: Council Presidency compromise proposals on CRD IV

On 27 April, following the COREPER meeting of 25 April and in preparation for the Council of ministers of Finances that was to be held on 2 May, the Danish Presidency of the Council drafted and published two compromise proposals – on the draft Regulation and on the draft Directive – aiming at conciliating the views of member states that are in favour of a maximalist harmonisation at European level and those that support more flexibility for individual member states.

Link to the compromise proposal on the draft Directive

<http://register.consilium.europa.eu/pdf/en/12/st09/st09225.en12.pdf>

Link to the compromise proposal on the draft Regulation

<http://register.consilium.europa.eu/pdf/en/12/st09/st09224.en12.pdf>

#### 4 April 2012: EBA consults on Regulatory Technical Standards on own funds

The European Banking Authority (EBA) launches today a consultation on Draft Regulatory Technical Standards (RTS) on own funds (Part one). This consultation groups fourteen RTS covering, among others, areas such as Common Equity Tier 1, Additional Tier 1, deductions from Common Equity Tier 1 and from own funds in general and transitional provisions on grandfathering. These RTS will be part of the single rulebook aimed at enhancing regulatory harmonisation in Europe and namely at strengthening the quality of capital. The consultation runs until 4th July 2012. Besides, a hearing on this issue will be organized at EBA's premises (London) on June 14.

Link to the consultation paper:

<http://www.eba.europa.eu/cebs/media/Publications/Consultation%20Papers/2012/CP02/EBA-BS-2012-059--CP-2012-02v2.pdf>

#### 2 April 2012: Council Presidency compromise proposals on CRD IV and CRR

On 2 April, the Danish Presidency of the Council of the EU released compromise proposals on both the draft Directive and the draft Regulation of the CRD IV package, following Council's work of March

2012.

Link to the compromise proposal on the draft Directive:

<http://register.consilium.europa.eu/pdf/en/12/st08/st08468.en12.pdf>

Link to the compromise proposal on the draft Regulation:

<http://register.consilium.europa.eu/pdf/en/12/st08/st08467.en12.pdf>

29 March 2012: Letter from ESRB Chairman Mario Draghi to ECOFIN Council, European Commission and European Parliament on CRD IV

On 29 March, Mario Draghi addressed, as Chairman of the European Systemic Risk Board (ESRB), a letter to the ECOFIN Council's President and members, to the European Commission's President, José Manuel Barroso, Vice-President for Economic Affairs, Olli Rehn, Commissioner for Internal Market, Michel Barnier, to the European Parliament's President, Martin Schultz, ECON Committee Chair, Sharon Bowles, Rapporteur on CRD IV, MEP Othmar Karas, and shadow rapporteurs.

In this letter, Mr. Draghi highlight the need for flexibility as regards the liquidity requirements set up by the CRD IV project, but at the same time strongly support the project of a single rulebook for the European banking sector.

Link to Mario Draghi's Letter:

[http://www.esrb.europa.eu/pub/pdf/2012-03-29\\_CRR-CRD\\_letter.pdf?9cd50209ce9b3dcb676e50cc912408d8](http://www.esrb.europa.eu/pub/pdf/2012-03-29_CRR-CRD_letter.pdf?9cd50209ce9b3dcb676e50cc912408d8)

March 2012: Draft amendments on CRD IV for ECON Committee published

The secretariat of the ECON Committee of the European Parliament published between the 15 and the 26<sup>th</sup> of March the draft amendments tabled by the MEPs members of the ECON Committee on the CRD IV draft Directive and Regulation. Two series of amendments regard the draft Directive and five series regard the draft Regulation.

Links to the draft amendments:

AM 37 to 379 on the draft Directive:

<http://www.europarl.europa.eu/sides/getDoc.do?type=COMPARL&reference=PE-483.816&format=PDF&language=EN&secondRef=01>

AM 381 to 552 on the draft Directive:

<http://www.europarl.europa.eu/sides/getDoc.do?type=COMPARL&reference=PE-483.817&format=PDF&language=EN&secondRef=01>

AM 140 to 487 on the draft Regulation:

<http://www.europarl.europa.eu/sides/getDoc.do?type=COMPARL&reference=PE-483.850&format=PDF&language=EN&secondRef=01>

AM 488 to 813 on the draft Regulation:

<http://www.europarl.europa.eu/sides/getDoc.do?type=COMPARL&reference=PE-483.852&format=PDF&language=EN&secondRef=01>

AM 814 to 1168 on the draft Regulation:

<http://www.europarl.europa.eu/sides/getDoc.do?type=COMPARL&reference=PE-483.853&format=PDF&language=EN&secondRef=02>

AM 1169 to 1505 on the draft Regulation:

<http://www.europarl.europa.eu/sides/getDoc.do?type=COMPARL&reference=PE-483.854&format=PDF&language=EN&secondRef=02>

AM 1506 to 1643 on the draft Regulation:

<http://www.europarl.europa.eu/sides/getDoc.do?type=COMPARL&reference=PE-483.855&format=PDF&language=EN&secondRef=02>

13 Feb. 2012: Exchange of views in ECON Committee on CRD IV (continuation of first exchange of views)

**Wolff Klinz (ALDE, Germany):**

Some questions remain open, some fallout are still to be addressed, according to Mr. Klinz. We have to ensure that SMEs do not lose their access to credit. Mr. Klinz judges that there is a mistake in the “balancing factor” proposed by the rapporteur: the Bank of International Settlements (BIS) has been taken into account but not the standard banks; he thinks that it is necessary to modify the proposal in order to say that all SMEs should have access to credit.

Mr. Klinz talked about the issue of liquid assets: he asked who should decide which assets can or cannot be considered as liquid assets. Should the European Banking Authority (EBA) decide or should it be written in level 1 legislation?

Regarding the transparency requirements, Mr. Klinz judges that there should be no fixed deadline to meet the transparency requirements but rather that any credit institution that meets the prudential requirements should announce it as soon as possible. According to him, this would create emulation between credit institutions: every bank would want to be among the firsts to meet the prudential requirements in order to prove that it stands among the safest.

On the level of harmonization, Mr. Klinz judges, like the rapporteur, that a full harmonization of the rules is the best solution: “we should have a level playing field at least within the EU” he said.

Other questions are still pending, among them the treatment of sovereign debt, which we now know is not exempt of risk.

**Sven Giegold (Greens/EFA, Germany):**

Mr. Giegold said he was worried about the tentative of several Member States to create exemptions to the new European rules laid down by the EU institutions and the EBA in order to protect national assets. He said that such a fragmentation of the European banking sector would prevent the banks from restoring trusts in each other and would be against the idea of the Single Market. To the contrary, Mr. Giegold judges that more harmonization is necessary.

Regarding the question of separating the activities of retail banking and investment banking, Mr. Giegold judges that the solution that the United Kingdom wants to apply to its banks might be a good one but, facing the opposition of France and Germany to this idea, he could agree on leaving this question to the national legislator at this stage.

Regarding the leverage ratio, Mr. Giegold judges that the proposal is good and he invited his colleagues not to cede to the pressures that are made on them. He thinks that the compromises made in Basel III were already low requirements and, considering the level of danger that represents the leverage effect, it would not be reasonable to lower them more.

**Sylvie Goulard (ALDE, France):**

Mrs. Goulard highlighted the need to protect the Single Market and the work that has already been done on the Single Rulebook for the financial sector against tentative of national governments to evade European rules.

She also dealt with the issue of a level-playing field with the United States, recalling that differences exist between the way the real economy is financed in the EU and in the US, which implies that constraints on bank lending can be far more harmful to the real economy in the UE than in the US.

Finally, she highlighted the paradox in the attitude of the banking industry, which denounces the side

effects of Basel III on the financing of the economy and at the same time anticipates its implementation, even before the political discussion on the text had actually started, regardless of the consequences that those anticipated actions could have on the economic growth and the development of European SMEs, an issue that should be, according to Mrs. Goulard, “the alpha and omega” of the Parliament’s work on CRD IV.

**Astrid Lulling (EPP, Luxembourg):**

Mrs. Lulling raised the issue of the relationships between the mother banks and their subsidiaries, or between home and host countries, which is very important for small Member States. She thinks that recent banking crisis have shown that host countries are generally bearing a heavier burden than home countries and she thus pleads for a shared supervision of the financial sector in the framework of the European supervision authorities.

Regarding the question of the liquidity ratio, Mrs. Lulling considers that limiting the outflows to 75% of the inflows is not justified as regards prudential requirements. However, as the Basel Committee decided to adopt this cap on the consolidated basis, she proposes to keep it for the group consolidation and to give it up for subsidiaries.

**Elisa Ferreira (S&D, Portugal):**

Mrs. Ferreira repeated that it is necessary to be very careful when dealing with sovereign debt and regulating the financing of the real economy, in particular SMEs, because we can hardly foresee the consequences of the current monetary and economic policy.

She said that she is really in favour of a strong European supervision, under the condition that, when necessary, the possibility is maintained to adapt the rules to specific cases.

**Jürgen Klute (GEU/NGL, Germany, shadow rapporteur):**

Mr. Klute warned against the effect of raising the risk weight on sovereign debt in the framework of CRD IV, as Mr. Karas proposes in its amendment 9: he judges that raising this risk weight will make more costly the financing of the debt for the Member States while they are already out of treasury.

Mr. Klute also said he would try to make amendments in the sense of separating retail and investment banking activities, in the sense already advocated by Mr. Giegold.

Mr. Klute also recalled that Basel III was first intended to apply to big, internationally active banks whereas CRD IV will apply to the whole European banking sector. He judges that this proposal does not take enough into account the huge diversity of banking models that exist in Europe. He said he would table amendments in order that prudential requirements would be proportional to the actual risk linked to an individual credit institution.

**Othmar Karas (EPP, Austria):**

Mr. Karas recalled that his report was intended to gather a broad majority within the Parliament, not to divide. He sees in the debate a series of inconsistencies. Regarding the parallelism with the United States, Mr. Karas insisted that the European legislators must not tie themselves to what the US are doing on their side to transpose, or not, Basel III into US law; but at the same time, it is necessary to be aware of what the US are doing in order to know whether the European solution might be detrimental for the European banking industry in its competition with American banks.

Mr. Karas said that, in his view, the European Parliament should aim at drafting a legislation that would apply the Basel III requirements to all banking actors while taking into account the diversified natures, legal forms and sizes of those actors.

Regarding the risk weight, Mr. Karas acknowledged that his proposals in CRD IV could have procyclical effects on the short run, but this does not make less necessary the search for a solution that would equilibrate the banking system on the long run, taking into account the lessons of the sovereign debt crisis. He recalled that, while raising the risk weight on sovereign debt, it would be



necessary to lower it on loans to SMEs in order to protect their financing through bank lending.

13 Feb. 2012: Deadline for tabling amendments postponed to 5 March

Due to technical problems preventing MEPs from sending their amendments on most parts of the CRD IV draft Directive and draft Regulation to the Secretariat of the Economic and Monetary Affairs Committee, Ms. Sharon Bowles, Chair of the Committee, decided to postpone the deadline for tabling amendments on the text to 5 March 2012.

24 Jan. 2012: Othmar Karas presents his draft reports to the ECON Committee of the European Parliament

In his intervention in the Economic and Monetary Affairs (ECON) Committee of the European Parliament, Othmar Karas (EPP, Austria) recalled that a previous own initiative report had laid the ground for the current legislative work on Basel III/CRD IV, though economic and political circumstances have changed a lot since that time, in particular since the European Council's decision of last fall to raise the capital requirement of 70 EU banks to 9% from 2012. He also highlighted the fact that, even if the Basel III agreement needs to be fully implemented in the EU, there are special features of the European banking sector that must be taken into account.

Mr. Karas judges that the CRD IV project can only have a political articulation if it does not only reinforce the resilience of the banking sector but also create a banking system that can promote the growth of the European economy. This implies adapting Basel III to the European economy, in a sense that still needs to be discussed within the Parliament and with the Council of the EU.

Mr. Karas highlighted several times that his draft reports are not the final point of his work but to the contrary the starting point of his work with the other members of the Parliament, a work that they will have to bring forward through compromise amendments.

All the same, he stated that his amendment proposals are not all just changes proposals to the Commission's draft; several of them are more of invitations to the Commission to explain or refine its proposal in a dialogue with the MEPs. He also invited his colleagues to establish contacts with the European Banking Authority (EBA).

On the level of harmonisation, Mr. Karas stated that uncoordinated provisions would result in transfers of risks from Member States with higher standards to the others, a situation that he judges "unacceptable", reason why he prefers a full harmonisation of the prudential rules.

After M. Karas, the shadow rapporteurs expressed their views on the text:

Udo Bullmann (S&D, Germany) stated that this text is "an important chance to influence the structure of the banks": He estimates that the reformed banking system should establish a clear separation between actors that are willing to support high levels of risks and those who are only requiring financial services to fund their economic activity.

Mr. Bullmann also stated that, in the context of the debt crisis and the critics to the credit rating agencies, banking legislation should encourage banks to lead their own credit assessments rather than relying on external ratings.

Sharon Bowles (ALDE, UK) showed agreement with the recital concerning trade finance. However, she expressed her concerns that, in time of crisis and possible credit crunch coming from a sharp fall



of bank lending, it may be unwise to “experiment” on the financing of businesses “just for the pleasure of saying that we should add more capital”.

Vicky Ford estimated that, though harmonisation is needed in the European banking sector, fully harmonised rules are not a good solution: the EU being an heterogeneous economic zone, Member States should be able to adapt the rules when local economic situations require so.

Philippe Lamberts (Verts/ALE, Belgium) called for a « Karas rule », European equivalent of the Vickers rule on the separation of investment and retail banking. He also called the rapporteur to deal with the question of Systematically Important Financial Institutions, which, according to him is an urgent issue because the systemic risk they represent is event higher today than before the crisis. Finally, he judged that the levels of capital should be much higher than proposed in the draft regulation.

**The deadline for tabling amendments is set to 27 February 2012**

9 Jan. 2012: Danish Presidency of the Council tables compromise proposals on CRD IV

The Danish Presidency of the Council took good notes of the work realised by the Polish Presidency during the second semester of 2012 on CRD IV and translated it into compromise proposals on the draft Regulation and on the draft Directive.

For an unknown reason, those two documents have not been published on the Council’s website. The pdf files will be sent along with the present report and enclosed to the updated stakeholder mapping on CRD IV (Docs 5107/12 and 5104/12).

**Impact on EUF members: HIGH** – Legislative process running. Liquidity ratios might prevent factors from lending.

**Stakeholders:** European Commission – DG Internal Market, Unit H1 (Mario Nava HoU); European Parliament – ECON Committee, Othmar Karas (EPP, Austria) rapporteur; Council of the European Union

Shadow Banking	Geography: all EU
<p><u>July 2012: Initiative report to be drafted by Member of the European Parliament</u></p>	
<p>Mr. Saïd El Khadraoui (S&amp;D, Belgium) has been designated to draft the Parliament's response to the European Commission's Green Paper on shadow banking. So far, the ECON committee plans to vote on Mr. El Khadraoui's report at the end of October, for a vote in plenary session in November. This report, which will be in the end adopted as a resolution of the European Parliament, will contain the orientations and principles that the MEPs want the Commission to follow when regulating shadow banking activities.</p> <p>Link to Mr. El Khadraoui's résumé on the EP's website:  <a href="http://www.europarl.europa.eu/meps/fr/25718/Saïd_EL%20KHADRAOUI.html">http://www.europarl.europa.eu/meps/fr/25718/Saïd_EL%20KHADRAOUI.html</a></p>	
<p><u>6 June 2012: Deadline to answer the EC's consultation on shadow banking postponed to 15 June</u></p> <p>The European Commission decided to extend the deadline to answer its Green Paper on shadow banking by 14 days, which means the new deadline is 15 June instead of 1<sup>st</sup> June. Some organisations have already published their own answers on their websites, as did the two examples below.</p> <p>Link to responses to the consultation on shadow banking:</p> <ul style="list-style-type: none"> <li>European Banking Federation:  <a href="http://www.ebf-fbe.eu/uploads/D0772D-EBF_Response_to_Commission_Green_Paper_on_Shadow_Banking.pdf">http://www.ebf-fbe.eu/uploads/D0772D-EBF_Response_to_Commission_Green_Paper_on_Shadow_Banking.pdf</a></li> <li>Eurofinas (consumer credit):  <a href="http://www.eurofinas.org/uploads/documents/positions/120601%20Response_Shadow%20Banking.pdf">http://www.eurofinas.org/uploads/documents/positions/120601%20Response_Shadow%20Banking.pdf</a></li> </ul>	
<p><u>30 April 2012: ECB study on shadow banking in the euro area</u></p> <p>The European Central Bank published on 30 April a study in which it investigates on the size and the overall structure of shadow banking in the euro area and also analyses the links between regulated and un-regulated parts of the financial sector.</p> <p>Link to the study:  <a href="http://www.ecb.int/pub/pdf/scpops/ecbocp133.pdf">http://www.ecb.int/pub/pdf/scpops/ecbocp133.pdf</a></p>	
<p><u>27 April 2012: European Commission's conference on shadow banking</u></p> <p>The European Commission launched a <a href="#">public consultation</a> on shadow banking on the 19<sup>th</sup> of March. As this consultation ends on the 1<sup>st</sup> of June, the European Commission hosted a conference halfway through it, to outline the views of the stakeholders involved in shadow banking. The conference was divided in four panels: the first panel dealt with banks, securitisation and shadow banking. The second one focused on securities lending and repo markets. The third one was centered on money</p>	

market funds and the last one was about investment funds, ETFs and shadow banking. The panelists were representing banks, investment funds and political institutions.

Link to the program of the conference:

[http://ec.europa.eu/internal\\_market/payments/docs/cim/conf\\_programme-2012\\_05\\_04\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/cim/conf_programme-2012_05_04_en.pdf)

A full report of the conference was established by Euralia and forwarded by Maggie Wessel to the LC delegates on 3 May

#### 19 March 2012: Green Paper on Shadow Banking

On 19 March, the European Commission launched a Green Paper on Shadow Banking, intended to guide its reflexion on a possible legislative proposal on the subject.

In point 3 of the Green Paper (“What is shadow banking?”), the EC lists the entities that, according to its analysis, should be considered as shadow banking entities. In this list, which is not exhaustive, the Commission includes **“finance companies and securities entities providing credit or credit guarantees or performing liquidity and/or maturity transformation without being regulated like a bank”**. Therefore this wording could include the factoring activity.

In sections 4 and 5, the Commission analyses what are the main risks linked to shadow banking and what are the main challenges that the European regulator must face in respect to it. In section 6, the Commission lists EU regulatory initiatives already adopted or currently processed that cover parts of shadow banking (indirect regulation of some entities through banking and insurance regulation, previous regulations that have been extended and now include entities of shadow banking and some shadow banking activities that are directly regulated through AIFMD or UCITS Directive for instance).

In section 7, the Commission examines how it could face the different issues that arise from various activities and entities considered as shadow banking and their links with the “traditional” banking sector.

The Green Paper is submitted to a public consultation until 1<sup>st</sup> June 2012. The Commission announces that, if appropriate, it will take legislative measures, after “a careful assessment of its potential impact”.

Moreover, the Commission will organise a conference on shadow banking in Brussels on 27 April.

Link to the Green Paper on shadow banking:

[http://ec.europa.eu/internal\\_market/bank/docs/shadow/green-paper\\_en.pdf](http://ec.europa.eu/internal_market/bank/docs/shadow/green-paper_en.pdf)

Link to the program of the conference:

[http://ec.europa.eu/internal\\_market/bank/docs/shadow/programme\\_en.pdf](http://ec.europa.eu/internal_market/bank/docs/shadow/programme_en.pdf)

**Level of priority: HIGH** – The European Commission seems to target all companies providing financing to the economy that are included yet under other EU legislation (CRD IV, AIFMD...). This is most likely to include factors. At this stage there is no legislative activity, the Green Paper is an early step in the pre-legislative phase, but speeches by EC officials indicate a political will to regulate all remaining financial activities through this “safety net”

**Stakeholders:** European Commission – DG MARKT, Unit 02 “Policy of the Financial Services and

Relations with the Council” (Head of Unit: Martin Merlin)	
<b>Insurance Mediation Directive II</b>	Geography: all EU
<p><u>July 2012: Adoption of a legislative proposal by the European Commission</u></p> <p>The proposed revision of the Insurance Mediation Directive (IMD II) aims at improving the protection of consumers in the sector of insurance by setting common standards for the sale of insurance products and by guaranteeing appropriate advice. For this purpose, it seeks to improve the transparency and to set up uniform conditions for the sale of insurance products through intermediaries or directly from an insurance company.</p> <p>The legislative proposal on IMD II is part of a package to improve the protection of consumers in financial services, together with a proposal on packaged retail investment products (PRIIPs) and a proposal to review the directive on UCITS.</p> <p>The ECON committee nominated Werner Langen (EPP, Germany) as rapporteur, while the IMCO and JURI committees will give opinions.</p>	

Rome I regulation / Contract law	Geography: all EU
No update in July	
<p><u>May 2012: Publication of the BIICL study on Rome I by the European Commission</u></p> <p>The European Commission (DG Justice and Home Affairs) published the “Study on the question of effectiveness of an assignment or subrogation of a claim against third parties and the priority of the assigned or subrogated claim over a right of another person”, prepared by the British Institute of International and Comparative Law (BIICL). The Rome I Regulation requires the Commission to produce a report on the implementation of the Regulation and, if necessary, to propose amendments to it. The Commission then asked the BIICL to produce the present study that the Commission will use to support its own work towards a possible revision of the Regulation.</p> <p>Link to the study:  <a href="http://ec.europa.eu/justice/civil/files/report_assignment_en.pdf">http://ec.europa.eu/justice/civil/files/report_assignment_en.pdf</a></p> <p>Link to the annex 1:  <a href="http://ec.europa.eu/justice/civil/files/annex_assignment_en.pdf">http://ec.europa.eu/justice/civil/files/annex_assignment_en.pdf</a></p> <p>Link to the annex 2:  <a href="http://ec.europa.eu/justice/civil/files/annex_2_en.zip">http://ec.europa.eu/justice/civil/files/annex_2_en.zip</a></p>	
<p><u>February 2012: BIICL study on Rome I to be published in June, along with the Commission’s proposal.</u></p> <p>The European Commission informed us that the BICCL study on the revision of the Rome I Regulation will be published along with the Commission’s proposal to review the Regulation. The Commission plans to adopt the proposal in June.</p>	
<p><b>Impact on EUF members: MEDIUM</b> – No legislative activity at this stage. A study is being prepared by BIICL for the European Commission and may be published soon.</p> <p>The parallel initiative on a Common European Sales Law must be kept under vigilance for possible changes that could be introduced by the legislator, but it currently does not affect the Rome I Regulation.</p>	
<p><b>Stakeholders:</b> European Commission – DG JUST – Unit A2 “Contract Law”</p>	

VAT on financial services	Geography: all EU
No update in July	
<p><b>Impact on EUF members:</b> The clarification of the definitions of exemptions should allow the factoring industry to reduce administrative costs linked to the compliance with tax rules. Moreover, the harmonization of exemptions and reduction of national options should foster the cross-border activity of factors.</p>	
<p><b>Stakeholders:</b> European Commission – DG TAXUD, Unit C1 “VAT and other turnover taxes”; Council of the Union – Working Group on Tax questions-Indirect taxation</p>	

Anti-Money Laundering Directive	Geography: all EU
<p><b><u>2 August 2012: European Commission publishes feedback statement on AML III Directive</u></b></p> <p>The European Commission published on 2 August a feedback statement of the comments it received on its report on the implementation of the third AML Directive.</p> <p>The overall result of the consultation represents a general confirmation of the issues highlighted in the Commission's report. Broad support was expressed for the proposed alignment to the revised Financial Action Task Force standards and for greater clarification of certain issues, specifically in the area of data protection and cross-border situations.</p> <p>The comments reveal a diversity of opinions, but relevant business sectors and non-governmental organisations, among others, welcomed the review as an opportunity to improve the effectiveness of Europe's anti-money laundering and counter terrorist financing defences.</p> <p>The Commission will now use these comments to start drafting its proposal for a review of the AML Directive, expect for the end of 2012.</p> <p>Link to the Commission's feedback statement:  <a href="http://ec.europa.eu/internal_market/company/docs/financial-crime/072012_feedback_statement_en.pdf">http://ec.europa.eu/internal_market/company/docs/financial-crime/072012_feedback_statement_en.pdf</a> </p>	
<p><b><u>11 April 2012: ESAs publish two reports on the implementation of the AML Directive</u></b></p> <p>The three European Supervisory Authorities for the financial sector jointly published two reports on the implementation of the third Anti-Money Laundering Directive, focusing for one report on the beneficial owners customer due diligence and for the other one on the simplified due diligence requirements.</p> <p>Link to the report on the Beneficial Owners Customer Due Diligence  <a href="http://www.esma.europa.eu/system/files/jc_2011_096.pdf">http://www.esma.europa.eu/system/files/jc_2011_096.pdf</a> </p> <p>Link to the report on Simplified Due Diligence  <a href="http://www.esma.europa.eu/system/files/jc_2011_097.pdf">http://www.esma.europa.eu/system/files/jc_2011_097.pdf</a> </p>	
<p><b><u>11 April 2012: European Commission's report on the implementation of AML Directive</u></b></p> <p>The European Commission released on 11 April a report on the implementation of the third Anti-Money Laundering Directive in the EU member states.</p> <p>The report analyses how the elements of the legal framework on AML were applied and imagines the modifications that could be necessary. It contains an examination of the provisions of the Directive and estimates that, generally speaking, the current framework, though working well, calls for some changes and an adaptation to new threats.</p> <p>All stakeholders are invited to give their opinion until 13 June 2012. The Commission foresees to present a proposal for a fourth AML Directive in autumn 2012</p> <p>Link to the report :  <a href="http://ec.europa.eu/internal_market/company/docs/financial-crime/20120411_report_en.pdf">http://ec.europa.eu/internal_market/company/docs/financial-crime/20120411_report_en.pdf</a> </p>	



16 Feb. 2012: Updated standards of the Financial Action Task Force on money-laundering, financing of terrorism and proliferation

The Financial Action Task Force (FATF), international organization in charge of establishing standards against money laundering, released on 16 February the update of its recommendations on combating money-laundering, the financing of terrorism and proliferation. Those standards are applied in more than 180 countries and the European Commission intends to apply them in the EU through the revision of the Anti-Money Laundering Directive.

The FATF sets in its press release a list of the main changes that this update brings to anti-money laundering:

- "Combating the financing of the proliferation of weapons of mass destruction through the consistent implementation of targeted financial sanctions when these are called for by the UN Security Council."
- "Improved transparency to make it harder for criminals and terrorists to conceal their identities or hide their assets behind legal persons and arrangements."
- "Stronger requirements when dealing with politically exposed persons (PEPs)."
- "Expanding the scope of money laundering predicate offences by including tax crimes."
- "An enhanced risk-based approach which enables countries and the private sector to apply their resources more efficiently by focusing on higher risk areas."
- "More effective international cooperation including exchange of information between relevant authorities, conduct of joint investigations, and tracing, freezing and confiscation of illegal assets."
- "Better operational tools and a wider range of techniques and powers, both for the financial intelligence units, and for law enforcement to investigate and prosecute money laundering and terrorist financing."

The European Commissioner for the Internal Market and services, Michel Barnier, has commented the release of the FATF's standards, which pave the way to the revision of the AML directive:

*"I welcome the adoption of new standards by the Financial Action Task Force (FATF) aimed at strengthening global safeguards and protecting the integrity of the financial system against money laundering and terrorist financing.*

*These recommendations pave the way for a stronger fight against money laundering and terrorist financing at EU level.*

*The Commission is committed to maintain effective systems to prevent the financial system from being abused by criminals and terrorists. It will now take appropriate steps to ensure that these revised standards are rapidly incorporated into our own European framework".*

Link to the FATF recommendations:

<http://www.fatf-gafi.org/dataoecd/49/29/49684543.pdf>

3 Feb. 2012: The European Parliament adopts a resolution on dictators' financial assets in the EU

The European Parliament adopted during its two-day plenary session in Brussels a resolution regarding the external action of the European Union towards authoritarian regimes. The resolution, addressed by the Parliament to the Council of the EU, deals with the need to adopt a coordinated, targeted action aiming at depriving dictators of the financial assets they hold in the EU.

Among other recommendations, the EP asks the Council:

- (z) to commit EU Member States to **declare when persons on the sanction list have physical and financial assets held within their borders**, and the **approximate value and location of the assets**; to call on EU Member States to collaborate in **exchanging relevant information**, for example through the existing Asset Recovery Offices and the Camden Asset Recovery Inter-Agency Network (CARIN); to enhance cooperation between EU Member States in the identification and confiscation of those assets;
- (aa) to commit all EU Member States to ensure the rigorous application of targeted financial sanctions or restrictive measures such as:
- **extending Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing** to apply in a mandatory way to all attempts to open accounts or deposit money by sanctioned dictators and natural and legal person or entities associated with them, this money being the proceeds of crime, theft and embezzlement: and exploring options for other preventive mechanisms to curb the inflow of misappropriated state funds or assets into EU financial institutions;
  - **the refusal of loans, the tightening of measures aimed at repayment of loans and the freezing of deposits, in order to ensure that, in practice, the measures deny designated persons and entities all access to all financial services within the EU's jurisdiction;**
- (ab) to **ensure that restrictive economic and financial measures, including targeted financial sanctions, are applied by all persons and entities operating within the Union**, including nationals of third countries, as well as by Union citizens or economic entities operating outside the Union's borders but registered or established under the legislation of a Member State of the Union;

**Impact on EUF members:** **Low** – Small practical changes might be introduced through revision of the AML Directive.

**Stakeholders:** European Commission – DG MARKT, Unit F2 “Corporate governance & social responsibility”

Data protection	Geography: all EU
<p><b><u>9 July 2012: Debate in LIBE committee</u></b></p> <p>On 9 July, MEPs of the committee on civil liberties hold a debate on the legislative package on data protection. The two rapporteurs, Jan-Philipp Albrecht (Verts-ALE, Germany) and Dimitrios Droutsas (S&amp;D, Greece) presented at this occasion a working document (which is not available yet), said that several meeting already took place with the Commission's services. Moreover, an interparliamentary conference will take place on 9 and 10 October with members of the EP and of national parliaments on the subject of data protection.</p> <p>In the Council, a general orientation is not expected before beginning of 2013.</p>	
<p><b><u>June 2012: ECON Committee will not issue an opinion</u></b></p> <p>The ECON committee decided not to give an opinion on the legislative proposals on data protection.</p> <p>Four other committees are asked to provide an opinion to the committee on Civil Liberties, Justice and Home Affairs, in charge of drafting the report: the Employment and Social Affairs committee (rapporteur for opinion: Nadja Hirsch (ALDE, Germany)), the Industry, Research and Energy committee (rapporteur for opinion : Seán Kelly (EPP, Ireland)), the Internal Market and Consumer Protection committee (rapporteur for opinion: Lara Comi (EPP, Italy)), and the Legal Affairs committee (rapporteur for opinion: Marielle Gallo (EPP, France)).</p>	
<p><b><u>31 May 2012: Debate in LIBE Committee</u></b></p> <p>On 31 May, the LIBE Committee of the EP held a debate on the proposals on data protection. The rapporteur on the draft Regulation, Jan-Philip Albrecht (Greens/EFA, Germany) stated that the aim of the reform is to insure the continuity of the principles of the previous Directive to preserve the fundamental rights, as well as to allow the free exchange of data. He estimates that the provisions of the Regulation must be clear and concrete, as the Regulation will be directly enforceable in the Member States.</p> <p>The rapporteur on the draft Directive, Dimitrios Droutsas (S&amp;D, Greece) said its disappointment regarding the Commission's decision to separate the general framework (Regulation) and the penal aspects (Directive), resulting in different levels of protection of data. He drew the MEPs' attention on two points of the Directive: the provisions regarding the transfer of data to third countries or international organisations and the provisions regarding the power and role of national data protection authorities and their need for an appropriate funding.</p>	
<p><b><u>April 2012: Designation of the rapporteur and shadow rapporteurs in LIBE Committee</u></b></p> <p>The Committee on Civil Liberties, Justice and Home Affairs (LIBE) officially designated Jan-Philipp Albrecht (Greens/EFA, Germany) to be rapporteur on the regulation on data protection.</p>	

Axel Voss (EPP, Germany), Alexander Alvaro (ALDE, Germany), Cornelia Ernst (EUL/NGL, Germany) and Timothy Kirkhope (ECR, United Kingdom) were designated to be shadow rapporteurs.

#### 7 March 2012: Attribution of draft reports in the European Parliament

On 7 March, the political groups' coordinators in Committee on Civil Liberties, Justice and Home Affairs (LIBE) have decided that the draft General Regulation on Data protection would be attributed to the Greens/European Free Alliance group and the draft Directive on aspects of police and judiciary cooperation would be attributed to the Socialists & Democrats group.

Jan Philipp Albrecht (Greens/EFA, Germany) will be the rapporteur on the draft Regulation, though his nomination is not official yet.

Link to MEP Albrecht's résumé:

[http://www.europarl.europa.eu/meps/en/96736/Jan%20Philipp\\_ALBRECHT.html](http://www.europarl.europa.eu/meps/en/96736/Jan%20Philipp_ALBRECHT.html)

#### 7 March 2012: Opinion of the European Data Protection Supervisor on EC's proposals

The European Data Protection Supervisor (EDPS) released its opinion on the draft legislation to review the European legal framework on data protection, adopted by the European Commission on 25 January.

The EDPS welcomes the draft Regulation for the fact that it is a legal instrument which is directly enforceable in the Member States, and which will allow avoiding inconsistencies deriving from the national transposition process. The rules will reinforce the rights of individuals and make companies more accountable for the way personal data are treated. Moreover, it welcomes the reinforcement of the powers of the national authorities for data protection.

However, the EDPS raise several objections as regards :

- the possibilities for restricting basic principles and rights;
- the possible derogation for transferring data to third countries;
- the excessive powers granted to the Commission in the mechanism designed to ensure consistency among supervisory authorities;
- the new ground for exceptions to the purpose limitation principle.

Link to the EDPS's opinion:

[http://www.edps.europa.eu/EDPSWEB/webdav/site/mySite/shared/Documents/Consultation/Opinions/2012/12-03-07\\_EDPS\\_Reform\\_package\\_EN.pdf](http://www.edps.europa.eu/EDPSWEB/webdav/site/mySite/shared/Documents/Consultation/Opinions/2012/12-03-07_EDPS_Reform_package_EN.pdf)

#### 27 Feb. 2012: Debate on Commission's proposals in LIBE Committee

The Committee for Civil Liberties, Justice and Home Affairs (LIBE) held a discussion on 27 February on the European Commission's proposals on data protection.

Several MEPs expressed doubts about the realism of the Commission's proposal, in particular the feasibility of the "right to be forgotten" and the principle of explicit consent. MEP Sarah Ludford (ALDE, United Kingdom) thus wondered whether a "right balance" has been found between the data protection requirements and the importance not to harm the development of e-trade or not, and expressed her fear that the proposed legislation leads to overloading the economic actors.

25 Jan. 2012: European Commission adopts legislative proposals on data protection

The European Commission has today proposed a **comprehensive reform of the EU's data protection rules** to strengthen online privacy rights and boost Europe's digital economy. This major reform tackles the challenges of globalization (worldwide data transfers) and new technologies (the current legislation dates back from pre-Internet times). It also aims at **making Europe an international standard**.

The Commission's proposal for the general framework consists of a **Regulation**, which becomes immediately enforceable as law in all member states simultaneously. This aims at preventing **legal fragmentation** between the 27 EU Member States, which occurred after the 1995 Directive on protection of personal data ([95/46/EC](#)) came into force.

The EC's package includes 3 main elements (also attached):

- a [Communication](#) presenting the Commission's vision and objectives : *"A European Data Protection Framework for the 21st century"*
- a [Regulation](#) proposal setting out a general EU framework for data protection ;
- a [Directive](#) proposal on protecting personal data processed for the purposes of prevention, detection, investigation or prosecution of criminal offences and related judicial activities.

The EC also issued a [Report](#) on the protection of personal data processed in the framework of police and judicial cooperation in criminal matters; and an [Impact Assessment](#) accompanying the proposals (view [Annexes](#) and [Executive summary](#)).

Key changes in the reform include:

- **A single set of rules on data protection**, valid across the EU. Unnecessary administrative requirements, such as notification requirements for companies, will be removed (estimated savings : €2.3 billion a year) ;
- **A single national data protection authority (single point of contact or "one-stop-shop" system)** in the EU country where organisations have their main establishment. Likewise, people will be able to refer to the data protection authority in their country, even when their data is processed outside the EU.
- **Independent and strong national data protection authorities** will be strengthened so they can better enforce the EU rules at home ;
- **Clear rules** will define when **EU law is applicable to data controllers established in third countries**, in particular by specifying that whenever goods and services are offered to individuals in the EU, or whenever their behaviour is monitored, **European rules shall apply**;
- The Directive will apply general data protection principles and rules for **police and judicial cooperation** in criminal matters. The rules will apply to both domestic and cross-border transfers of data and make exchanges of information easier between Member States;
- **Reinforcement of data security** by encouraging the use of privacy-enhancing technologies (technologies which protect the privacy of information by minimizing the storage of personal data), privacy-friendly default settings and **privacy certification schemes** (Article 39 of the Regulation).

New rights and duties for businesses:

- Data protection authorities will be empowered to **impose sanctions and fine companies that violate EU data protection rules**. This can lead to penalties of up to €1 million or up to 2% of the global annual turnover of a company.

- Instead of the current obligation of all companies to notify all data protection activities to data protection supervisors, the Regulation provides for increased responsibility and accountability : **companies and organisations will have to notify the national supervisory authority of serious data breaches within 24 hours**;
- **EU rules must apply if personal data is handled abroad** by companies that are active in the EU market and offer their services to EU citizens. Foreign legislation (ex: the US Patriot Act) shall not apply to the EU territory;
- Legitimate flows of data to third countries will be made easier by **reinforcing and simplifying rules on international transfers** to countries not covered by an adequacy decision;
- **Obligation to designate a Data Protection Officer** in companies with more than 250 employees and in firms which are involved in processing operations which, by virtue of their nature, their scope or their purposes, present specific risks to the rights and freedoms of individuals. SMEs (less than 250 employees) will be exempted.

Bringing confidence and transparency to citizens/consumers:

- People will have easier access to their own data and be able to transfer personal data from one service provider to another more easily (**right to data portability**);
- Data policies will have to be clear and written in plain language;
- To use the data, it will be necessary to get the explicit consent of the citizen;
- A '**right to be forgotten**' will help people better manage data protection risks online: people will be able to delete their data if there are no legitimate grounds for retaining it;
- Reinforcing **the right to information** so that individuals fully understand how their personal data is handled.

The Commission's proposals will be passed on to the European Parliament and EU Member States (meeting in the Council of Ministers) for discussion. Discussions are expected to take 1 or 2 years and the proposals will take effect two years after they have been adopted. Therefore, **complete implementation is not expected before 2015 or 2016**.

Link to the EC's Communication:

[http://ec.europa.eu/justice/data-protection/document/review2012/com\\_2012\\_9\\_en.pdf](http://ec.europa.eu/justice/data-protection/document/review2012/com_2012_9_en.pdf)

Link to the EC's Draft Regulation:

[http://ec.europa.eu/justice/data-protection/document/review2012/com\\_2012\\_11\\_en.pdf](http://ec.europa.eu/justice/data-protection/document/review2012/com_2012_11_en.pdf)

Link to the EC's Draft Directive:

[http://ec.europa.eu/justice/data-protection/document/review2012/com\\_2012\\_10\\_en.pdf](http://ec.europa.eu/justice/data-protection/document/review2012/com_2012_10_en.pdf)

#### **Impact on EUF members:**

- The revision of the Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data will affect the way factoring and commercial finance professionals collect, retain and distribute consumer data for credit reporting purposes. New stricter rules might induce restrictions on the ways factors assess the credit risk linked to a customer.

+ Harmonised rules will facilitate cross border activity for the factoring and commercial finance industry.

**Stakeholders:** European Commission – DG JUST, Unit C3 "Data protection"; European Parliament – LIBE Committee, MEP Axel Voss (EPP, Germany); European Data Protection Supervisor

European Account Preservation Order for the attachment of bank accounts	Geography: all EU
No update in July	
<p><u>16 March 2012: ECON Committee's opinion published</u></p> <p>The secretariat of the ECON Committee of the European Parliament published the consolidated version of Elena Băsescu's report on the draft Regulation on a European Account Preservation Order for the attachment of bank accounts.</p> <p>Link to the ECON Committee's opinion:  <a href="http://www.europarl.europa.eu/sides/getDoc.do?type=COMPARL&amp;reference=PE-475.906&amp;format=PDF&amp;language=EN&amp;secondRef=02">http://www.europarl.europa.eu/sides/getDoc.do?type=COMPARL&amp;reference=PE-475.906&amp;format=PDF&amp;language=EN&amp;secondRef=02</a> </p>	
<p><u>29 Feb. 2012: ECON Committee votes on Elena Băsescu's report</u></p> <p>On 29 February, the Economic and Monetary Committee (ECON) of the European Parliament voted to establish its opinion on the draft Regulation on a European Account Preservation Order, on the basis of the report established by MEP Elena Băsescu (EPP, Romania). The consolidated report should be available soon.</p> <p>It will be transmitted to the Committee on Legal Affairs, where MEP Raffaele Baldassare (EPP, Italy) is preparing his draft report.</p>	
<p><u>6 Feb. 2012: The ECON Committee discusses amendments to the draft Regulation on European Account Preservation Order</u></p> <p>The Economic and Monetary Committee of the European Parliament, that is required to deliver an opinion on the draft Regulation on a European Account Preservation Order, hold a discussion on 6 February on the amendments that ECON Committee members would like to submit to their colleagues of the Legal Affairs Committee (JURI), which is in charge of the main legislative report.</p> <p>The rapporteur, Elena Băsescu (PPE, Romania), recalled that her main objective was to balance the creditors' right to collect their debts and the protection of the debtors. Ms. Băsescu tabled 27 amendments in her draft opinion and 11 more amendments were tabled by the S&amp;D and ECR shadow rapporteurs, Arlene McCarthy (S&amp;D, United Kingdom) and Ivo Strejček (ECR, Czech Republic).</p> <p>A vote on this draft opinion and amendments will take place in the ECON Committee on 28 February.</p> <p>Link to the draft opinion:  <a href="http://www.europarl.europa.eu/meetdocs/2009_2014/documents/econ/pa/883/883101/883101e">http://www.europarl.europa.eu/meetdocs/2009_2014/documents/econ/pa/883/883101/883101e</a> </p>	



[n.pdf](#)

Link to the tabled amendments:

[http://www.europarl.europa.eu/meetdocs/2009\\_2014/documents/econ/am/888/888964/888964en.pdf](http://www.europarl.europa.eu/meetdocs/2009_2014/documents/econ/am/888/888964/888964en.pdf)

**Impact on EUF members:** The proposal aims at strengthening the certainty of recovery of cross-border debts in the EU, which may open new market opportunities of cross-border business for European factors by lowering the risk of cross-border factoring activity.

**Stakeholders:** European Commission – DG JUST; European Parliament – ECON Committee, Elena Băsescu (EPP, Romania)

Financial transaction tax	Geography: all EU
No update in July	
<p><u>23 May 2012: Resolution of the European Parliament on the project of FTT</u></p> <p>On 23 May, the European Parliament voted in plenary session its resolution on the Commission's draft Directive on a common system of financial transaction tax. In adopting by a large majority the report of the Greek Socialist, Anni Podimata, the European Parliament voted in plenary on 22 May in favor of introducing a financial transaction tax at the Union level or at a lower level in the context of an enhanced cooperation. The wide consensus behind the opinion of the Parliament - which is only consulted on this issue - is a strong signal to the Council, even if it is unlikely that it change the position of the Member States most opposed to the project. The agenda envisaged is the one recommended by the Commission: adoption of the text before 1 January 2014 for an effective application of the tax in the Member States from 1 January 2015.</p> <p>Link to the Parliament's resolution:  <a href="http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0217+0+DOC+XML+V0//EN">http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0217+0+DOC+XML+V0//EN</a> </p>	
<p><u>26 April 2012: ECON vote on FTT</u></p> <p>On 25 April, the Committee on Economic and Monetary Affairs voted on the report prepared by Anni Podimata (S&amp;D, Greece) and amendments proposed by her colleagues on the European Commission's proposal for a Financial Transaction Tax in the EU.</p> <p>The adopted opinion – the European Parliament is only consulted on tax issues, the Council decides alone – estimates that starting 2014, transactions on shares and bonds should be taxed to a minimal rate of 0.1% and transaction on derivatives should be taxed to 0.01%. The MEPs proposed to add to the proposal an “emission principle”, namely the obligation for two foreign financial institutions to pay the tax if the negotiate a financial product that originally issued in the EU. Finally, the Committee agreed on the proposal made by Mrs. Podimata to link the legal ownership of a security to the payment of the FTT: if no FTT has been paid on the transaction, the owner could not legally claim for his ownership on the security.</p> <p>The consolidated report should be soon available.</p>	
<p><u>22 March 2012: IMCO Opinion on FTT</u></p> <p>On 22 March, the Committee on Internal Market and Consumer Protection adopted its opinion on the proposal for a Financial Transaction Tax, to be transmitted to the Committee on Economic and Monetary Affairs, which is responsible for drafting the Parliament's position on the Commission's proposal.</p>	

Link to the IMCO Opinion:

<http://register.consilium.europa.eu/pdf/en/11/st17/st17795.en11.pdf>

#### 29 Feb. 2012: Anni Podimata presents her draft report on FTT to the ECON Committee

The European Parliament, which only gives an advice on the project of Financial Transaction Tax, has published on 10 February the draft report issued by MEP Anni Podimata (S&D, Greece) for the Committee on Economic and Monetary Affairs.

Mrs. Podimata presented her report to her colleagues of the ECON Committee on 29 February. She said she wants “a more watertight framework to capture more trades and to minimise the interest for tax evasion”. Mrs Podimata’s report aims at enlarging the scope of the Commission’s proposal by adding a system that would include transactions between financial institutions located outside the EU made on securities first issued within the EU. The report also proposes to adopt the “stamp duty” approach, like in the UK, to link the acquisition of legal ownership rights to the payment of the FTT.

The ECON Committee plans to vote on the report in April.

Link to the draft report:

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPARL+PE-480.888+01+DOC+PDF+V0//EN&language=EN>

#### 6 Feb. 2012: Hearing on the Financial Transaction Tax in the ECON Committee of the EP

The Committee on Economic and Monetary Affairs (ECON) of the European Parliament hold a public hearing on 6 February on the European Commission’s proposal for a Financial Transaction Tax (FTT), on which the Parliament has to deliver an opinion.

On this occasion, the MEPs received Avinash Persaud, from Intelligence Capital, Snoy Kapoor, from the think tank Re-Define, Stephany Griffith-Jones, from Columbia University, who advocated this tax that would, according to them, not only curb practices that create risk on the financial markets, but could also boost European GDP by 0.25%.

However, MEP Markus Ferber (EPP, Germany), shadow rapporteur, warned that the tax needs to target more closely high-frequency traders and intermediary players to ensure that the cost is not merely transferred to the final users.

The experts pointed out that the Commission’s proposal should be amended regarding the point at which the tax would be levied: the tax should be payable to legalise a financial transaction and not only if one of the financial institutions is resident in a participating Member State. The tax base would then be widened and the tax would remain fully efficient even with some EU Member States joining the initiative at first.

**Impact on EUF members:** **MEDIUM** – Legislative process to be followed: core activities of the factoring industry seem to be out of the scope for now but could be modified when discussed in the EP and the Council.

**Stakeholders:** European Commission – DG Taxation and Custom Union, DG Internal Market; European Parliament – ECON Committee; Council of the Union – Working Group on Tax questions

## Accounting issues

Geography: all EU

26 June 2012: IASB consults on its strategy “Review of IFRS for SMEs”

On 26 June, the International Accounting Standards Board launched a consultation on its strategy for the application of IFRS to SMEs. This consultation is part of a larger process that should end in 2015:

Date	Action
Second quarter of 2012	Review begins. The IASB staff prepares a Request for Information (RFI) incorporating suggestions by the SMEIG. The SMEIG review and approve the RFI, and recommend that the IASB approve the publication of the RFI for public comment.  The IASB reviews and approves the RFI.
26 June 2012	RFI published (posted on the IASB website). The public are invited to make recommendations on possible amendments to the <i>IFRS for SMEs</i> . Five month comment period.
30 November 2012	Comment deadline on the RFI.
First half of 2013	The SMEIG reviews the responses to the RFI and makes recommendations to the IASB on possible amendments.
First half of 2013	The IASB deliberates amendments and develops and approves an Exposure Draft (ED) of proposals.
Second half of 2013	The SMEIG reviews responses to the ED and makes recommendations to the IASB.
Second half of 2013	The IASB deliberates on the amendments to proposals in the ED and agrees final revisions to the <i>IFRS for SMEs</i> .
Second half of 2013 or first half of 2014	The IASB publishes final revisions to the <i>IFRS for SMEs</i> .
Target date in 2015	Effective date of revisions.

Link to the consultation paper:

[http://www.ifrs.org/NR/rdonlyres/C0EE48A5-E43F-42C1-AF22-8AAEDBDC4143/0/RequestforInformation\\_IFRSforSMEs\\_WEBSITE.pdf](http://www.ifrs.org/NR/rdonlyres/C0EE48A5-E43F-42C1-AF22-8AAEDBDC4143/0/RequestforInformation_IFRSforSMEs_WEBSITE.pdf)

4 June 2012: Speech by Hans Hoogervorst, IASB Chairman in the 3<sup>rd</sup> ECB Conference on Accounting

Mr. Hoogervorst pronounced a speech at the European Central Bank conference on Accounting in which he explained what is the vision that the IASB is pursuing in its works: building transparency in

accounting as a contribution to financial stability.

Link to the speech:

<http://www.ifrs.org/NR/rdonlyres/A8F64899-FED7-4037-AA96-21F5F93E4750/0/ECB462012.pdf>

March 2012: Updated IASB's work program

The International Accounting Standard Board updated its work program on international standards on financial reporting.

Link to the work program:

<http://www.ifrs.org/Current+Projects/IASB+Projects/IASB+Work+Plan.htm>

9 March 2012: Meeting between the IASB and EFRAG on four major issues

The International Accounting Standard Boards and the European Financial Reporting Advisory Group met on 9 March to discuss, inter alia, four major projects: insurance contracts, leases, financial instruments and revenue recognition.

Link to the press release:

<http://www.ifrs.org/NR/rdonlyres/F810CAD1-9306-449E-9822-2EDC36FF3514/0/IASBEFRAG13March2012.pdf>

## Other topics of interest

### **Banking crisis management, 6 June 2012: Draft Directive of the Commission**

On 6 June, the European Commission adopted a proposal for a Directive establishing a framework for the recovery and resolution of credit institutions and investment firms. The proposal establishes a set of tools and procedures to be used for the prevention of bank failures as well as for organizing clear resolutions for the credit institutions that could not be saved. One of the main measures of the proposal is the creation of “resolution funds” in each member state, which would be funded by the banks and represent after 10 years 1% of the covered deposits.

Currently limited to banks and big investment firms, this Directive could be a model for a future similar framework for failures of all the other financial institutions.

Link to the Commission’s proposal:

[http://ec.europa.eu/internal\\_market/bank/docs/crisis-management/2012\\_eu\\_framework/COM\\_2012\\_280\\_en.pdf](http://ec.europa.eu/internal_market/bank/docs/crisis-management/2012_eu_framework/COM_2012_280_en.pdf)

### **ECB, 2 Feb. 2012: Quarterly Euro Area Bank Lending Survey**

The percentage of banks attempting to cut down on loans to businesses rose to 35% and 29% on loans to households in the last quarter of 2011, according to the ECB’s quarterly euro area bank lending survey of 124 European banks. Banks argue that they are suffering from a “substantial deterioration” in their ability to fund themselves due to the sovereign debt crisis, while they are at the same time facing recapitalisations pressures. In the meantime, there has also been a drop in demands for loans – -5% from firms, -27% for mortgages.

However, banks are expecting their access to money markets and wholesale markets to improve in 2012, with the ECB’s decision to offer three-year loans at a 1% interest rate.

Link to the ECB’s survey:

[http://www.ecb.europa.eu/stats/pdf/blssurvey\\_201201.pdf?f2ebad8504649793b4b964bb72627385](http://www.ecb.europa.eu/stats/pdf/blssurvey_201201.pdf?f2ebad8504649793b4b964bb72627385)

<b>Ongoing consultations :</b>
<p><u>Until 30 November: IASB consultation on “Review IFRS for SMEs”</u></p> <p>See “Accounting issues” section above.</p>

<b>Agenda August-September 2012</b>
3 September: ECON committee meeting (Brussels)
10 to 13 September: Plenary session of the European Parliament (Strasbourg)
19-20 September: ECON committee meeting (Brussels)
26 September: ECON committee meeting (Brussels)



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