



EU Financial Regulation Newsletter, June 2017

March 6, 2017 -*The Vienna Initiative has agreed to establish a Working Group on Capital Markets Union.* This follows the European Union's push to strengthen Capital Markets which will have a major impact on financing of investment and sustaining growth in the Central, Eastern and South-Eastern Europe region (CESEE) (see https://ec.europa.eu/info/news/vienna-initiative-new-working-group-capital-markets-union-cesee-region-2017-mar-06_en).

On **21 March 2017**, the European Commission launches *public consultation on the operation of the European Supervisory Authorities (ESAs)*. These are the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA). The ESAs are a cornerstone of the reforms put in place in the wake of the financial crisis. They have played a key role in ensuring that the financial markets across the EU are well regulated, strong and stable. Since their establishment, the ESAs have contributed to the building of the Single Rulebook for financial services (banking, insurance and capital markets) and to the convergence of supervisory practices, in order to ensure a robust financial framework for the Single Market and to underpin the creation of the Banking Union. The purpose of public consultation is to identify areas where the effectiveness and efficiency of the ESAs can be strengthened and improved (see <http://europa.eu/rapid/midday-express-21-3-2017.htm?locale=en#4>).

23 March 2017- The European Commission is presenting an *Action Plan that sets out ways to provide European consumers with greater choice and better access to financial services across the EU*. Also, the European Commission publishes a consultation on technology and its impact on the European financial services sector (so called 'FinTech') (see http://europa.eu/rapid/press-release_IP-17-609_en.htm?locale=en).

31 March 2017- *Public hearing on the capital markets union mid-term review.* The hearing has started with a high-level discussion on the implementation of the capital markets union action plan and the challenges and priorities for the mid-term review. Then, followed three thematic panels: promoting access to finance for SMEs; better investment opportunities for retail and institutional investors; and improving the functioning of the single market by removing barriers to cross-border flow of capital (see <http://ec.europa.eu/newsroom/fisma/newsletter-specific-archive->

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issue.cfm?newsletter_service_id=166&newsletter_issue_id=3074&page=2&fullDate=Fri%2031%20Mar%202017&lang=en).

7 April 2017-*Public consultation on the conflict of laws rules for third party effects of transactions in securities and claims.* The purpose of this public consultation is to gather stakeholders' views on the practical problems and types of risks caused by the current state of harmonisation of the conflict of laws rules on third party effects of transactions in securities and claims and to gather views on possibilities for improving such rules. Stakeholders' responses will feed into the Commission's assessment of legal risks, the problem's scale and possible EU action. Interested parties were invited to reply between 7 April and 30 June 2017 to the online questionnaire available: http://ec.europa.eu/info/finance-consultations-2017-securities-and-claims_en. The Commission has requested input from all concerned stakeholders, and in particular those who engage in or are affected by the practice of factoring, securitisation, collateralisation, as well as legal counsels and experts familiar with conflict of laws on third party effects of transactions in securities and claims (see https://ec.europa.eu/info/consultations/finance-2017-securities-and-claims_en#references).

27 April 2017- *The European Commission has decided to refer Ireland to the Court of Justice of the EU over failing to transpose the Accounting Directive into its national legal system.* A timely and correct implementation of the Accounting Directive is an important step to improve and simplify financial reporting which is particularly important for small companies (see http://europa.eu/rapid/press-release_IP-17-1050_en.htm).

27 April 2017-*The European Commission has decided to refer Croatia, Cyprus, Portugal and Spain to the Court of Justice of the EU for not enacting the Mortgage Credit Directive (MCD) in their national legal systems.* The Mortgage Credit Directive (Directive 2014/17/EU) aims to create an EU-wide mortgage credit market with a high level of consumer protection. The Member States' failure to implement the Directive means that consumers in these Member States cannot benefit from the protection guaranteed by the Directive when taking out their mortgage loans or when they experience difficulties repaying it. In addition, credit intermediaries cannot passport their commercial activities, depriving consumers in Croatia, Cyprus, Portugal and Spain of potentially better credit offers from lenders from outside these Member States. This impedes competition and leads to less choice and higher prices (see http://europa.eu/rapid/press-release_IP-17-1049_en.htm).

4 May 2017- *The European Commission proposes simpler and more efficient derivatives rules.* The European Commission has proposed some targeted reforms to improve the

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functioning of the derivatives market in the EU. The reforms provide simpler and more proportionate rules for over-the-counter derivatives to reduce costs and regulatory burdens for market participants without compromising financial stability. A good example of better regulation in practice, this is essential to the creation of a Capital Markets Union (CMU), a key part of the Investment Plan for Europe, and for investments, growth and jobs by improving the efficiency of the market while maintaining prudential objectives. The Commission also adopted a Communication setting out its intentions to present further legislative proposals before the summer to address important and emerging challenges in derivatives clearing as its scale and importance grows (see http://europa.eu/rapid/press-release_IP-17-1150_en.htm).

11 May 2017- *Improved outlook for bank lending in emerging Europe* as funding conditions stabilize and stocks of bad loans fall, new Vienna Initiative reports show (see https://ec.europa.eu/info/sites/info/files/170511-vienna-initiative-joint-press-release_en.pdf).

19 May 2017- *Commission presents annual review of EU's financial stability and integration.* European Commission services have published their annual European Financial Stability and Integration Review (EFSIR) report, which takes stock of recent developments in financial markets and the financial sector. The report highlights a positive trend in the recovery of the European economy, in spite of the challenging economic and political environment. It identifies private consumption as the main driver for growth, supported by improved bank funding and a better regulatory and supervisory framework (see https://ec.europa.eu/info/sites/info/files/170519-press-release-efsir_en.pdf).

30 May 2017- *Capital Markets Union: EU reaches agreement on reviving securitization market.* The European Commission has welcomed the agreement to revive the EU's securitisation market, in a move that will broaden investment opportunities for investors and boost lending to Europe's households and businesses. The European Parliament, the Council and the Commission agreed on a package that sets out criteria for simple, transparent and standardised securitisation (STS). Securitisation can allow diversification of funding sources and a broader distribution of risk by allowing banks to transfer the risk of some exposures to other institutions or long-term investors, such as insurance companies and asset managers. This allows banks to free the capital they set aside to cover for risks of those exposures, allowing them to generate new lending to households and SMEs. STS securitisations will also provide new investment opportunities for institutional investors such as pension funds and insurance companies (see http://europa.eu/rapid/press-release_IP-17-1480_en.htm).

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30 May 2017- *Capital Markets Union: EU agrees to more support for venture capital and social enterprises.* Small and growing companies and social enterprises will enjoy better access to finance, thanks to EU rules agreed on 30 May 2017 by the European Parliament, the Council and the Commission. The revamped rules are part of the Commission's drive to stimulate venture capital investments in the EU, a core objective of its Capital Markets Union (CMU) project.

8 June 2017- *Completing the Capital Markets Union: Building on the first round of achievements.* The Commission is taking further steps to drive forward the Capital Markets Union (CMU), a pivotal project of the Juncker Commission to boost jobs and growth in Europe. The Commission is presenting a number of important new initiatives to ensure that this reform programme remains fit for purpose (see http://europa.eu/rapid/press-release_IP-17-1529_en.htm).

13 June 2017- *Commission proposes more robust supervision of central counterparties (CCPs).* The European Commission is proposing targeted reforms to further improve the financial stability of the European Union. The proposal introduces a more pan-European approach to the supervision of EU CCPs, to ensure further supervisory convergence and accelerate certain procedures. The proposal also ensures closer cooperation between supervisory authorities and central banks responsible for EU currencies. To achieve this, a newly-created supervisory mechanism will be established within European Securities and Markets Authority (ESMA) ('CCP Executive Session') which will be responsible for ensuring a more coherent and consistent supervision of EU CCPs as well more robust supervision of CCPs in non-EU countries (see http://europa.eu/rapid/press-release_IP-17-1568_en.htm).

26 June 2017- *The European Commission takes further steps to enhance business transparency on social and environmental matters.* The Commission has adopted guidelines on the disclosure of environmental and social information. These guidelines will help companies to disclose relevant non-financial information in a consistent and more comparable manner. The aim is to boost corporate transparency and performance, as well as encourage companies to embrace a more sustainable approach. The new guidelines will support companies in fulfilling their reporting obligations under current non-financial disclosure requirements and will promote smart company reporting (see http://europa.eu/rapid/press-release_IP-17-1702_en.htm).

29 June 2017- *Commission launches a new pan-European personal pensions label to help consumers save for retirement.* European consumers will benefit from more choice when saving for retirement, thanks to Commission plans to create a new class of pension products. The

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proposal will provide pension providers with the tools to offer a simple and innovative pan-European personal pension product (PEPP). This new type of voluntary personal pension is designed to give savers more choice when they are putting money aside for old age and provide them with more competitive products. PEPPs will have the same standard features wherever they are sold in the EU and can be offered by a broad range of providers, such as insurance companies, banks, occupational pension funds, investment firms and asset managers. They will complement existing state-based, occupational and national personal pensions, but not replace or harmonise national personal pension regimes. The Commission is recommending that Member States grant the same tax treatment to this product as to similar existing national products to ensure that the PEPP gets off to a flying start (see http://europa.eu/rapid/press-release_IP-17-1800_en.htm).

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