EU Financial Regulation Newsletter, October 2016

To support the creation of a Capital Markets Union (CMU), which mainly aims to foster retail and institutional investment of investment funds, the European Commission has launched on **2nd June 2016** for public consultation the document "*CMU action on cross-border distribution of funds (UCITS, AIF, ELTIF, EUVECA AND EUSEF) across the EU*". This consultation is seeking to obtain feedback in the following areas: Marketing restrictions, Distribution costs and regulatory fees, Administrative arrangements, Distribution networks, Notification processes and Taxation (see http://ec.europa.eu/finance/consultations/2016/cross-borders-investment-funds/index_en.htm). Also, in the context of the European Commission concerns to create a true Capital Markets Union (CMU) that will strengthen the European economy and create jobs in all 28 Member States, on 27 July 2016 was released for public consultation the document "*Capital Markets Union: action on a potential EU personal pension framework*". The consultation seeks to get to know points of view / opinions on how it should be addressed the current obstacles within the personal pensions market. It is also considered that the consultation will help identify key features which will assess the feasibility of a potential EU policy framework to establish a successful European market for simple, efficient and competitive personal pensions (see http://ec.europa.eu/finance/consultations/2016/personal-pension-framework/index_en.htm).

On **1st August 2016** the European Commission published for public consultation the document " *Review of the EU macro-prudential policy framework*" in order to receive points of view on the reforms needed to make the existing macro-prudential framework more effective. It is appreciated that the responses received from stakeholders are providing support for a potential expansion of the macro-prudential framework beyond the banking sector, but also are providing support to enhance the role and functions of European Systemic Risk Board (see http://ec.europa.eu/finance/consultations/2016/macroprudential-framework/docs/consultation-document_en.pdf).

The European Commission adopted on **14 September 2016** a proposal for a *new Financial Regulation*, which merges the current two legal acts (the Financial Regulation and the Rules of Application) into a single set of rules and makes a number of improvements in terms of simplification of financial rules. The Commission proposes in a single act an ambitious revision of the general financial rules accompanied by corresponding changes to the sectorial financial

This event is an action of the project JM Chair EU Financial Regulation /EUFIRE

574702-EPP-1-RO-EPP JMO-CHAIR, within the Erasmus+ Programme of the European Union

rules set out in 15 legislative acts concerning multiannual programmes. European Commission proposals cover the following key areas: simplification for recipients of EU funds; from multiple layers of controls to cross reliance on audit, assessment or authorisation, and harmonisation of reporting requirements; measures to avoid the parallel application of different rules and procedures, notably through facilitating the combination of European Structural and Investment Funds funding with financial instruments and the European Fund for Strategic Investments; more effective use of financial instruments; more flexible budget management; focus on results and streamlining of reporting; simpler and leaner EU administration; providing possibility for citizen engagement (see European Commission, Proposal for a Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014,(EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council, COM(2016) 605 final, Brussels, 14.9.2016).

On **14 September 2016**, the European Commission presented several measures to help *accelerate the completion of the Capital Markets Union (CMU).* The objective of Capital Markets Union is to facilitate the access of enterprises to alternative, more diverse sources of funding so they can thrive (see European Commission, Capital Markets Union - Accelerating Reform, COM(2016) 601 final, Brussels, 14.9.2016).

On **4 October 2016**, the European Commission adopts *new rules to mitigate risks in non-cleared OTC derivative transactions* (see http://europa.eu/rapid/midday-express-4-10-2016.htm).

On **19 October 2016**, the European Commission published a *Report on Credit Rating Agencies* (CRAs), which highlights the importance of continuous effort of the EU to reduce the reliance on external credit ratings and to assess the effect of rules introduced to increase investor protection and restore market confidence (Report from the Commission to the European Parliament and the Council on alternative tools to external credit ratings, the state of the credit rating market, competition and governance in the credit rating industry, the state of the structured finance instruments rating market and on the feasibility of a European Credit Rating Agency, COM(2016) 664 final, Brussels, 19.10.2016).

On **25 October 2016**, the European Commission proposes *major corporate tax reform for the EU*. The Commission publishes plans to overhaul the way in which companies are taxed in the Single Market, delivering a growth-friendly and fair corporate tax system. The Commission has proposed to re-launch the Common Consolidated Corporate Tax Base (CCCTB) seeking to ensure fairer, more competitive and more growth-friendly corporate tax system. The Commission has also proposed an improved system to resolve double taxation disputes in the EU. European Commission proposals aim also new measures to stop companies from exploiting loopholes, known as hybrid mismatches, between Member States' and non-EU countries' tax systems to escape taxation (see http://europa.eu/rapid/press-release_IP-16-3471_en.htm).