



EU Financial Regulation Newsletter, February 2019

2 November 2018- *the European Banking Authority (EBA) published the results of stress tests designed to measure how well the EU's banks could cope with an adverse shock.* The objective of the exercise is to assess, in a consistent way, the resilience of banks to a common set of adverse shocks. The results are an input to the supervisory decision-making process and promote market discipline (see <https://eba.europa.eu/risk-analysis-and-data/eu-wide-stress-testing/2018>).

5 November 2018- *euro area finance ministers reviewed the status of the ongoing assessment of the euro area Member States' draft budgetary plans for 2019.* The Eurogroup also held a thematic discussion on financial stability in the Economic and Monetary Union (EMU) based on analysis by the Commission as well as on a presentation by French economics professor and Nobel prize laureate Jean Tirole (see <https://www.consilium.europa.eu/en/meetings/eurogroup/2018/11/05/>).

6 November 2018- *EU finance ministers held a policy debate on the Commission proposal to establish a digital services tax.* The discussion focused on the scope of taxable services and the expiry of the directive - the so-called "sunset clause". On the sunset clause, all Member States agree that the directive should expire once there is a comprehensive solution to taxing the digital economy at the OECD level (see <https://www.consilium.europa.eu/en/meetings/ecofin/2018/11/06/>).

20 November 2018- *Agreement reached on screening of foreign direct investment for EU security.* The EU agreed on a Europe-wide mechanism to screen foreign direct investment. The agreement is an important milestone in the process of protecting Europe's critical technology and infrastructure without unnecessarily restricting foreign investment.

28 November 2018- *the Commission has published a review of the European Union's efforts to simplify legislation and reduce regulatory burdens in 2018* in line with our commitment in the Interinstitutional Agreement on Better Law-Making and as part of its Better Regulation Agenda (see http://europa.eu/rapid/press-release_MEX-18-6563_en.htm#4).

29 November 2018- *European Commission reports on progress in risk reduction in the Banking Union and progress towards an even more integrated and stable EU financial system.*

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The Commission highlighted that financial stability has been considerably reinforced in recent years and risk reduction in the EU banking sector is continuing at a sustained pace. The non-performing loans in the European banking sector have declined further, standing at an EU average of 3.4% (see http://europa.eu/rapid/press-release_IP-18-6548_en.htm).

4 December 2018- *the European Parliament and the Council of the European Union reached a provisional political agreement on the banking package*, a comprehensive set of reforms that the Commission proposed to further strengthen the resilience and the resolvability of EU banks (see http://europa.eu/rapid/press-release_IP-18-6659_en.htm).

18 December 2018- *Agreement on measures to prevent the accumulation of non-performing loans*. The political agreement reached by the European Parliament and the Council on prudential measures to further address non-performing loans (NPLs) in Europe is an important step to further reduce risks in the EU banking sector and strengthen its resilience (see http://europa.eu/rapid/press-release_IP-18-6786_en.htm).

19 December 2018- *the European Parliament and the Council reached a political agreement on a Commission proposal that will make cross-border payments in euro cheaper across the entire EU*. The agreed rules will also bring full transparency in currency conversion when consumers are paying by card. The political agreement will allow consumers and businesses in euro and non-euro countries alike to benefit from low-cost euro transactions across borders. The new regulation will also ensure that currency conversion charges are fully transparent and comparable, allowing consumers to save money on currency conversion costs when they travel or shop abroad. (see http://europa.eu/rapid/press-release_IP-18-6856_en.htm).

1 January 2019- *Euro celebrates its 20th birthday*. To mark this anniversary, the five Presidents of the EU institutions and bodies most directly responsible for the euro, the European Commission, the European Parliament, the European Council, the European Central Bank and the Eurogroup, commented on the 20 years of the single currency and on its future, calling for the completion of the Economic and Monetary Union (see http://europa.eu/rapid/press-release_IP-18-6811_en.htm).

21 January 2019- *euro area finance ministers discussed the draft Council recommendations on the economic policy of the euro area for 2019*. Ministers also discussed how the euro can further develop its global role to fully reflect the euro area's political, economic and financial weight (see <https://www.consilium.europa.eu/en/meetings/eurogroup/2019/01/21/>).

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22 January 2019- *EU finance ministers discussed InvestEU*, the proposal which brings together under one programme the different financial instruments currently available to support investment and job creation in the EU. Ministers discussed the governance structure of InvestEU and the financial guarantee provided by the EU to partners. Ministers discussed the legislative implications of further economic and monetary union, as well as the priorities of the Romanian presidency (see <https://www.consilium.europa.eu/en/meetings/ecofin/2019/01/22/>).

25 January 2019- *the Commission launches a targeted consultation on the euro and market liquidity in foreign exchange markets* (see https://ec.europa.eu/info/consultations/finance-2019-euro-foreign-exchange_en).

5 February 2019- *Agreement on measures to improve the EU's investment fund market.* The Commission has welcomed the political agreement reached by the European Parliament and EU Member States today on new rules to make it easier, quicker and cheaper for EU asset managers to sell funds to a wider range of investors (see http://europa.eu/rapid/press-release_IP-19-861_en.htm).

5 February 2019- *Simpler EU rules for derivatives will reduce costs and regulatory burdens for market participants* (see http://europa.eu/rapid/press-release_IP-19-848_en.htm).

13 February 2019- *the political agreement on the proposal for a pan-European personal pension product.* The agreement on the new rules will provide savers with more choice when putting money aside for old age, and will allow them to adapt their retirement savings to their needs, thereby contributing to addressing the pensions' gap in the EU (see http://europa.eu/rapid/press-release_IP-19-1108_en.htm).

26 February 2019- *the political agreement reached by the European Parliament and Member States on more proportionate and effective prudential rules for investment firms (IFR).* This will help to improve investment flows across the EU and delivering better protection for investors. The revised legislation will ensure more proportionate rules and better supervision for all investment firms on capital, liquidity and other risk management requirements (http://europa.eu/rapid/press-release_IP-19-1436_en.htm).

26 February 2019- *agreement on EU rules on covered bonds.* The agreed rules aim to foster the development of covered bonds - financial instruments issued by banks to fund the economy - across the EU, particularly in those Member States where such markets have not yet developed. They will create a harmonised EU framework without disrupting already established and well-functioning national markets. These rules will help financial institutions, in particular

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banks, to finance the real economy across the EU (http://europa.eu/rapid/press-release_IP-19-1435_en.htm).

27 February 2019-*assessing Member States' progress on economic and social priorities.* The European Commission stresses the need to promote investment, pursue responsible fiscal policies and implement well-designed reforms. The Commission launches a discussion on investment challenges and priorities in the Member States and sets out first ideas as to how EU funds, in particular EU Cohesion Policy funds, can help in the forthcoming programming period 2021-2027 (see http://europa.eu/rapid/press-release_IP-19-1389_en.htm).

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