The European Commission published a Communication dealing with long-term financing of the economy. The package includes several parts:

1. **Long-term financing**, which talks about developing European capital markets, and recognizes the long-term decrease in IPOs (read about EU IPO under FESE heading) and foresees actions such as calibration of MiFID level 2 measures on SME growth markets, further fostering of transparency and liquidity in bond markets, prospectus directive for the SMEs, investment eligibility of UCITS and ELTIF, securitization, covered bonds and private placement.

2. **Actions on Corporate governance**: the revision of the Shareholder Rights Directive.

3. **Proposal to have Country-specific recommendations** to the Council for a growth-friendly fiscal policy.

4. **Proposal to revise the rules for occupational pension funds** - Directive on the activities and supervision of institutions for occupational retirement provision - IORP Directive to support the further development of an important type of long-term investor in the EU.

5. **Communication on crowdfunding** to offer alternative financing options for SMEs.

### UNDER NEGOTIATION

#### FTT

Eleven EU Member States negotiate currently in the Council. While the negotiations are difficult, the Member States would like to come to a political declaration on the topic, marking the current state of play, before the May European Parliament elections.

#### BENCHMARKS

This file is also currently on hold, as the Parliament’s committee responsible (ECON) failed to agree on a position. The file is on hold until the EP elections. The Council held its first meeting on the topic in March.

### REVIEW OF EUROPEAN SYSTEM OF FINANCIAL SUPERVISION (ESFS)

The EP’s ECON Committee adopted recommendations to the Commission on the ESFS Reform (ESFS = ESMA/EBA/EIOPA). The recommendations include: further adaptation of the ESFS to the Single Supervisory Mechanism (SSM), improving the functioning of the ESFS by enhancing their powers and also powers of their chairpersons, increasing transparency by balancing Management boards and Boards of supervisors and finally increasing supervisory convergence among the three agencies and the national FSAs.

### CROSS BORDER DERIVATIVES

The US CFTC and European Commission announced that they made significant progress under the “Path Forward” cooperation, towards harmonizing a regulatory framework for CFTC-regulated swap execution facilities (SEFs) and EU-regulated multilateral trading facilities (MTFs), as contemplated under the statement from July 2013.

Another grouping of regulators, the informal OTC Derivatives Regulators Group (ODRG) on Cross-Border Implementation Issues, published a progress report.

### FINALIZED

#### NON-FINANCIAL DISCLOSURE

The Council and the Parliament agreed on a directive that will require large EU companies to compile annually a statement on a “comply or explain” basis on environmental, social and employee-related matters, especially diversity, respect for human rights and anti-corruption.

#### CONCLUSIONS ON ENERGY

In March the European Council issued conclusions on energy and climate, where it re-commits to the Emission Trading System for reaching the 2030 CO2 targets and further addresses the energy independence and emphasis of renewables in light of recent events in Ukraine.

#### DEPOSIT GUARANTEE SCHEMES

The Council confirmed an agreement with the European Parliament on a recast of rules on deposit guarantee schemes (DGSs). Maintaining a coverage level of €100 000 per deposit, the draft directive harmonizes the framework for DGSs across the EU and enhances depositor protection, simplifying in particular coverage and pay-out arrangements.

#### BANKING UNION UPDATE

The European Parliament and the Council reached an agreement on Single Resolution Mechanism (SRM), one of the two major building blocks of the EU’s banking union. It complements the Single Supervisory Mechanism (SSM) that will see the ECB take responsibility for the supervision of banks in the euro area and in other EU Member States that decide to join the banking union.
European Securities and Markets Authority - ESMA

TRENDS, RISks, VULNERABILITIES: CYBERSECURITY
The three European financial regulators (ESMA, EBA, EIOPA) published its first Report on Trends, Risks and Vulnerabilities. The report identified following risks:
1. weak and uneven economic recovery; 2. uncertain outlook in emerging economies; 3. asset price imbalances & sharp adjustment; 4. increased search for yield in a protracted low interest rate environment; 5. conduct of business risks; 6. IT-related operational risks—the supervisors they ask financial institutions to strengthen their defences against cyber-attacks. Cyber and IT risks should be regarded as important components of operational risks, and institutions should consider holding capital against them.

CLARIFICATION OF DERIVATIVES UNDER EMIR
ESMA sent a letter to the Commission, asking to clarify the definition of derivatives under EMIR. Due to different transpositions of MiFID in the Member States, there is no single, commonly adopted definition of derivative or derivative contract in the EU (in particular foreign exchange forwards and physically settled commodity forwards) which prevents the convergent application of EMIR. The Commission in its reply invited ESMA to consider issuing guidelines in the area.

TRANSPARENCY DIRECTIVE
ESMA launched consultation on draft Regulatory Technical Standards (RTS) relating to the notification of major shareholdings and the indicative list of financial instruments subject to notification requirements. The consultation runs until 30 May. Further a consultation on Guidelines on Alternative Performance Measures (APMs), aiming to encourage European issuers to publish transparent and comparable information on their financial performance, such as EBIT and EBITDA until 14 May.

CSD TECHNICAL STANDARDS
ESMA issued a discussion paper on possible content to draft technical standards on matters such as settlement discipline, CSD registration and requirements, including confirmation rules for trading venues and investment firms, as well as access to CSDs by other CSDs, participants and other market infrastructures.

International Organization of Securities Commissions - IOSCO

PRUDENTIAL STANDARDS IN THE SECURITIES SECTOR
IOSCO published a consultation report entitled “A Comparison and Analysis of Prudential Standards in the Securities Sector,” which undertakes a high level comparative analysis of the key prudential/capital frameworks for securities firms.

IOSCO - A GLOBAL INSTITUTION!
The discussion during the IOSCO board meeting highlighted IOSCO’s role as a standard setter and suggested that it is time to start thinking about global institutions, possibly treaty based, to avoid fragmented regulation. The Board further discussed emerging markets, crowdfunding, cyber risk and resilience, liquidity in corporate bond markets, audit quality, approaches to deterrence and investor education. The Board also informed that IOSCO is also setting up a new Task Force on Long Term Finance to examine the impediments to long-term financing through capital markets and consider measures regulators can pursue to encourage its development.

Federation of European Securities Exchanges - FESE

IPO TASKFORCE
FESE together with European issuers and the European Private Equity and Venture Capital Association are setting up a new industry task force to offer the next European Commission and Parliament solutions to Europe’s long-term IPO challenges. This complements the European Commission’s efforts to boost the long-term financing capacity of European financial markets (see Communication on page 1). The Task Force will present its findings by November 2014. A similar task force in the United States led to the JOBS Act in 2012. An IPO Roundtable will be organized in Zürich on 18th June 2014 at which preliminary findings of the Task Force will be discussed publicly. Magnus Billing is a member of the taskforce.

EUROFI 2014
Eurofi High Level Seminar took place in Athens on 31 March – 1 April. The seminar gathered over 600 participants including all key European policy makers and offered a platform for exchange of views between them and the industry representatives. Hans-Ole Jochumsen spoke on a panel answering the question “What are the main issues to be addressed by the forthcoming Commission in the securities market area?” Magnus Billing spoke on a panel dealing with “Providing appropriate financing tools for EU SMEs and midcaps”.

UPCOMING EVENTS:
9 April: European Commission adopts a company law and corporate governance package
29 April: Publication of ACER’s “Green Paper: Energy Regulation: A Bridge to 2025”
22-25 May: European Parliament elections
18-19 June: FESE Convention in Zürich, incl. FESE IPO Roundtable, Magnus Billing is a speaker

Other news

This Newsletter provides you with a summary of the most important news from EU institutions, other organizations as well as other news on European topical issues. It has been compiled by the European Affairs Unit. For further information regarding this Newsletter please contact: Beata Sivak: beata.sivak@nasdaqomx.com, +32 2735 80 31.