

Committee(s):	Date(s):
Public Relations and Economic Development Sub (Policy and Resources) Committee	19 February 2015
Subject:	Public
Update and forward look on the activities of International Regulatory Strategy Group (IRSG)	
Report of: Director of Economic Development	For Information
Summary	
<p>The report provides Members with an update on the work of the International Regulatory Strategy Group (IRSG) since the last meeting of the Public Relations and Economic Development Sub-Committee in November.</p>	
Recommendation(s)	
Members are asked to:	
<ul style="list-style-type: none"> • Note the report 	

Main Report

Background

1. This paper provides an update on recent IRSG activity and sets out the anticipated areas of activity over the coming months.

European Commission

2. The first Vice President of the Commission, Frans Timmermans invited submissions to a Better Regulation Review with suggestions of pending EU legislation which should either be withdrawn or revised. An IRSG submission (appendix 1) was made, identifying the proposals for Institutions for Occupational Retirement Provision (IORP), bank structure reform and the FTT.

Capital Markets and EU Reform Agenda

3. This is the subject of increased debate in Brussels and EU capitals and is the responsibility of Lord Hill, the Commissioner for Financial Stability, Financial Services and Capital Markets Union, who has stressed that this must be a project

for the EU28. A Green Paper is due to be published on the 18 or 19 February and will be circulated to Members of the Sub-Committee.

4. The IRSG has already made an input to the debate through its briefing paper “Principles for Capital Markets Union”. In addition the following analyses will be undertaken:
 - A corporate view of CMU (Q1 2015). This report will include a survey of EU corporates, across industries, countries and firm size, an analysis of corporate financing requirements and the potential benefit from CMU, and include case studies from across Member States.
 - A legal analysis (Q1 2015) of the barriers to the development and integration of capital markets in the EU.
5. A new IRSG workstream, which will be chaired by Nick Collier of Thomson Reuters (a member of the IRSG Council and Executive Board) will develop a policy document to flesh out industry proposals on how this initiative should be taken forward by the European authorities. Given the complexity of this workstream, it will be overseen by a steering group co-chaired by Paul Sizeland and Chris Cummings and including trade association representatives.

EU Engagement including bilateral dialogues

6. The inaugural meeting of the Anglo Italian Financial Services Dialogue (AIFSD) was held on 24 and 25 October 2014 in Rome. Council member Mark Garvin (JP Morgan) is the UK Chairman for the dialogue and the Italian side is led by Professor Innocenzo Cipolletta. One output of the dialogue was a joint letter to the Italian Prime Minister, the European Commission President and other senior figures highlighting that the key areas for joint activity will be around the development of an effective Capital Markets Union; securitisation and SME finance; and long term investment in infrastructure.
7. The annual City of London Brussels reception and dinner on 3 November provided a platform for Martin Wheatley, FCA Chief Executive, to set out his views to a European audience. He stated that regulation did not have to be a barrier to more economic growth. The challenge for regulators is to set rules that ensure well-ordered markets whilst protecting the interests of consumers, including SMEs.
8. The subsequent dinner provide an opportunity for senior City practitioners to hear from the UK Ambassador to the EU Ivan Rogers.
9. As part of the IRSG work on Benchmarks, the City of London co-hosted an educational seminar for MEP assistants with Paris Europlace and Frankfurt main

Finanz on 18 November 2014. The aim was to provide background on the role of benchmarks in the financial system as negotiations get underway on the regulation.

10. The City Office in Brussels hosted a lunch with the financial attaches of the incoming Latvian Presidency on 21 November 2014. The lunch, which was attended by over 30 industry representatives, provided the Presidency to give an overview of their priorities in the area of financial services, as well as to exchange views with industry representatives on various live dossiers.
11. From 26-28 November 2014 a delegation led by Sir Gerry Grimstone (Chairman, TheCityUK and IRSG Council member) and Lord Green (Chair of TheCityUK's Advisory Council) visited Berlin to meet with German policymakers, officials, industry associations and practitioners. The Policy Chairman was part of the delegation. During the course of this visit there was engagement with over 50 policymakers, officials, practitioners and representatives of industry associations. Regulatory issues, questions about EU reform and the UK's EU relationship were discussed. In general, all stakeholders welcomed the visit and the proposal to set up an Anglo-German Financial Services Dialogue. There was broad support for the idea of closer links between the UK and Germany-based financial services sectors. Other issues that were discussed included the risks of a possible Brexit, the need for a more stable and integrated Eurozone and a general willingness to do what is necessary to ensure the UK remains a member of the EU. There was also strong interest in CMU, especially securitisation and private placement.
12. The theme of financing Europe's economic growth was further explored at an IRSG event in Brussels on 1 December with Commission Vice President Katainen at which the latest iteration of the Wholesale Financial Markets series and its report on Financing Europe's Investment and Economic Growth, (developed through the Anglo French Committee) was discussed. At the start of his speech Katainen noted that he had decided to make his first public appearance at the conference because he understood how important the City is to promoting investment in Europe and wanted to hear at first hand the views of financial sector practitioners – as well as the needs of industry, represented by the CBI and MEDEF.
13. The first high level meeting took place on 15 December in Dublin of the dialogue which has recently been established with the Irish financial services sector. The Lord Mayor led the City delegation which included the BBA, Aviva, HSBC, Blackrock, Metlife and Citi. The Irish representation was led by John Bruton (former Taoiseach) who is President of IFSC Ireland, which comprises representatives from the key trade bodies. Discussions included the following issues: Capital Markets Reform, EU Competitiveness, EU Engagement, SME

financing and the Fintech agenda. The next meeting will take place in London in May 2015.

14. The latest meeting of the Anglo French Committee was held in Paris on 19 January 2015. The Committee discussed the Capital Markets Union with representatives of the Tresor and the French Embassy and the Committee will continue to work on developing a joint position on this issue. The Committee also took stock of joint work with SWIFT on payment currencies, which should be launched in April.

15. On 5 February 2015, the Policy Chairman co-hosted a breakfast with Glenis Willmott, Labour delegation leader in the European Parliament, for Labour MEPs. The event, which included representatives from across the City, aimed to demonstrate the role the financial services sector plays outside of London, as well as the wider economy both in the UK and Europe.

IRSG priorities 2015

16. The IRSG Executive Board has proposed a number of priority areas for action in 2015, which are designed to address the new European Commission and European Parliament's priorities in a constructive and informed manner. These are as follows: Capital Markets Union; Long Term Finance; benchmarks; bank structural reform; taxation issues including FTT; data and cyber security; post trade; and the Fair and Effective Markets Review. These priorities are due to be approved at the IRSG Council on 23 February 2015.

City of London Programme for Romania and Bulgaria

17. This year's programme is currently underway, and due to conclude in March. Delegates from Romania and Bulgaria have placements with a number of firms and institutions, including the FCA, Deutsche Bank, JP Morgan, AIG and S&P. Further details available from Youla Faita at youla.faita@cityoflondon.gov.uk

Fair and Effective Markets Review (FEMR)

18. The IRSG has submitted a response to the FEMR. The submission (appendix 2) including three key points:

- a. The regulatory authorities should allow time for recent regulatory reforms time to 'bed in', as several will impact on the fixed income, foreign exchange and commodities (FICC) markets;
- b. Firms should improve the behaviour and standards of employees through training, incentives and effective whistle-blowing processes;

- c. The UK should not take unilateral regulatory action, as this will damage UK competitiveness and simply move the activities to other jurisdictions.

19. The issue also featured at the last IRSG Council meeting in December, where members heard from Council member, Elizabeth Corley, who chairs the independent Market Practitioner Panel and David Lawton of the FCA.

Director of Economic Development

T: 0207 332 3605

E: paul.sizeland@cityoflondon.gov.uk