

Committee(s):	Date(s):
Public Relations and Economic Development	19 October 2015
Subject:	Public
Update and forward look for the IRSG (International Regulatory Strategy Group)	
Report of: Director of Economic Development	For Information
Summary	
This paper provides an update on recent IRSG work and sets out the anticipated areas of activity over the coming months.	
The key development has been the Commission's publication of its package on CMU (Capital Markets Union). The IRSG will be providing the Commission with advice and comment on how to take forward the package.	
Recommendation(s): Members are asked to note the report and provide input to the IRSG via the Chairman	

Main Report

The IRSG (International Regulatory Strategy Group) is the leading cross-sectoral forum in Europe for the financial and related professional services industry to discuss and act upon regulatory developments. It is a de facto committee sponsored by the City of London Corporation and TheCityUK.

The IRSG retains governance links with TheCityUK and the City of London Corporation, and is an advisory body to both. The Chair, supported by the Deputy Chair (ex-officio the Chairman of Policy), reports on IRSG progress to TheCityUK Advisory Council and the City of London Corporation.

It is currently focusing on five key areas.

1. CAPITAL MARKETS UNION

IRSG Objective: the creation of a capital market across the 28 Member States without barriers, with appropriate regulation and open to global business.

City of London input: an EDO officer is member of the IRSG workstream. The Brussels Office is in very regular contact with the relevant officials in the Commission.

Latest Developments

The European Commission published an action plan for the Capital Markets Union on 30 October. The main areas are:

Increasing funding options for business by:

- Modernising the Prospectus Directive to make it less costly and easier for businesses to raise funds publicly.
- Supporting venture capital and equity financing.
- Promoting innovative financing (eg crowd-funding, private placement).

- Better connecting SMEs to a range of funding sources.

Ensuring appropriate regulation by:

- Revising Solvency II calibrations better to reflect the true risk of infrastructure investment.
- Reviewing the treatment under the Capital Requirements Regulation for bank exposures to infrastructure.
- Assessing the cumulative impact of previous regulatory reforms

Increasing investment options (retail and institutional) by:

- Seeking to boost choice and competition in cross-border retail financial services.
- Exploring ways to increase choices for retirement saving.
- Delivering an effective European fund passport.

Enhancing banks' lending capacity by:

- Revitalising simple, transparent and standardised European securitisations.
- Exploring the development of local credit unions across all Member States.
- Assessing the merits of a pan-European covered bond framework.

Reducing cross-border barriers to capital by:

- Consulting on the key insolvency and early-restructuring barriers.
- Tackling uncertainty around securities ownership, and improving the arrangements for cross-border securities transactions.
- Promoting the development of capital markets in all 28 Member States.
- Working with the European Supervisory Authorities (ESAs) to strengthen supervisory convergence.
- Ensuring that national and European macro-prudential authorities have the tools to react appropriately to developments in capital markets.

Next steps: the IRSG working group is preparing a response to the Commission package.

2. SUPERVISION

IRSG Objective: to provide thought leadership on the future of the ESAs (European Supervisory Authorities) and their role as guarantors of the integrity of the Single Market.

City of London input: an EDO officer is member of the IRSG workstream. We maintain good contacts with the ESAs, in particular Adam Farkas at the EBA (European Banking Authority) and Verena Ross at ESMA (European Securities and Markets Authority).

Latest Developments

A new workstream has been established within the IRSG. Its proposed objectives are:

- To provide thought leadership on the future of the ESAs within the European System of Financial Supervision and their role as guarantors of the integrity of the Single Market;
- To develop an industry position on proposals such as the creation of a single supervisor as part of CMU;
- To consider the questions arising in the ESAs Review
- To collate industry views on the issue of the ESAs' staffing and budgets
- To influence the thinking of the European Commission (DG FISMA) and the ESA's staff on these issues.

Next Steps: the first workstream meeting will be held on 22 October with a view to publishing an emerging themes paper/ White Paper in early 2016. The final report, incorporating feedback received on the White Paper, will be published in Q2 2016.

3. TAXATION

IRSG Objective: to continue to build a stronger evidence base regarding the negative impacts the Financial Transactions Tax (FTT) would have on end users (corporate, institutional and retail investors), market efficiency and competitiveness.

City of London input: an EDO officer provides the secretariat function to the IRSG workstream, which includes the drafting of position papers and facilitating EU level engagement. We maintain contact with the relevant officials in the Permanent Representations in Brussels and have hosted events on the FTT.

Latest Developments:

On 12 September, the EU-11 made progress on the FTT dossier by agreeing that the tax would apply to gross transactions. Working documents suggest that only the 'Scope of Derivatives' under the FTT remains to be agreed upon. However, while not covered in the working document, taxation rates and the distribution of FTT revenue must also be agreed upon, with smaller members wanting to ensure that they do not lose out financially. Commissioner Moscovici believes that an agreement can be reached in early 2016, with the tax being implemented across the EU-11 in 2017.

An EU-28 FTT Working Party convened on 29 September to discuss the impact of the FTT on the real economy, as well as insurance and pension provision. The IRSG paper on "The Effects of a Financial Transaction Tax on European Households' Savings" was sent to members of the Working Party.

Next Steps: the next meeting of the IRSG Taxation workstream is on 8 October. The agenda will centre on the FTT developments and the OECD BEPS Tax Package (expected 5 October). The future chairmanship of the workstream will also be on the agenda. The workstream has also prepared a position paper stressing the inconsistencies of an FTT with proposals for a Capital Markets Union and may look to update and publish the paper following the meeting.

4. DATA PROTECTION

IRSG Objective: to set out the need for a proportionate data regime which is fit for purpose for both consumers and the business community within a global context and the growing digital world economy.

City of London input: an EDO officer provides the secretariat function to the IRSG workstream, which includes the drafting of position papers and facilitating EU level engagement. We maintain contact with the relevant officials in the Permanent Representations in Brussels and Member States.

Latest Developments

The General Data Protection Regulation is currently at the trilogue stage (ie between Commission, Parliament and Council). Recent discussions have focused on International data transfers and the territorial scope. The next areas for consideration are the Rights of the data subject. It is anticipated that final agreement will be reached by the end of 2015.

A further area for consideration is the recent Opinion from the Advocate General of the European Court of Justice, which could have implications for the transfer of personal data out of the EU. The European Commission decision regarding adequacy of protection of personal data transferred under Safe Harbor is now invalid.

Next Steps: the next meeting of the workstream will take place on 2 November and will include discussion on the progress of the Network and Information Security Directive which aims to ensure a high common level of cybersecurity in the EU.

5. POST TRADE

IRSG Objective: to track and respond to the various proposals impacting on the post trade landscape emanating from the EU, whilst at the same time taking account of the need for consistency with international laws, given that financial services exist within a global marketplace.

City of London input: an EDO officer provides the secretariat function to the IRSG workstream, which includes the drafting of position papers and facilitating EU level engagement. We maintain contact with the relevant officials in the Permanent Representations in Brussels and European Commission.

Latest Developments

A meeting was held in June 2015 between a cross sectoral representation of workstream members of HMT Securities & Markets and Resolution teams to discuss the forthcoming EU proposals on CCP recovery and resolution. Given the different perspectives of the workstream members present, a range of views was provided on certain issues, which HMT found helpful to hear within a single forum.

Next Steps: the European Commission is expected to publish its legislative proposals for the CCP Recovery and Resolution Framework for Financial Institutions other than Banks by the end of 2015.

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