

<b>Committee(s):</b>	<b>Date(s):</b>
Public Relations and Economic Development	18 February 2016
<b>Subject:</b>	<b>Public</b>
Update and forward look for the IRSG (International Regulatory Strategy Group)	
<b>Report of:</b> Director of Economic Development	<b>For Information</b>
<b>Summary</b>	
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 IRSG's response to the Commission's CMU (Capital Market Union) Action Plan which provides the Commission with advice and comment on how to take forward the package.	
<b>Recommendation:</b>	
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.

Members should note that Rachel Lomax's term as Chair of the IRSG Council has now come to an end, and she has been replaced by Mark Hoban, the former City Minister.

The IRSG is currently focusing on four 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 IRSG produced a response to the CMU Action Plan which draws on the IRSG response to the Green Paper on CMU and the policy priorities identified by TheCityUK members. This response was sent to Lord Hill on 14 December. The letter comments on:

- Re-calibration of Solvency II Capital Requirements;
- Prospectus Directive;
- Third country access;
- Cumulative impact of regulation;
- Insolvency; and
- Enforcement.

As part of the CMU, the European Commission has also launched a call for evidence to evaluate the interactions between EU financial services rules and the cumulative impact of financial reforms on the investment landscape. The aim is to assess the overall coherence of the existing framework and to make sure that it is working as intended without unintended consequences, overlapping reporting requirements, or inconsistencies between the various laws. The IRSG will submit a targeted response to the *Call for evidence – EU regulatory framework for financial services*.

Given the scope of this work, the IRSG has submitted initial findings of its analysis in line with the Commission's deadline on 31 January 2016. The response highlighted key issues and illustrated these by way of examples. It will submit a more detailed response later in the year.

**Next steps:** A comprehensive report providing a more detailed analysis and response to the questions asked in the Call for Evidence will be published during the summer. The report will also contain recommendations on how to improve the legislative process more generally.

## **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***

The IRSG supervision workstream will oversee the production of two separate reports on CMU supervision and the future of the ESFS (European System of Financial Supervision), including the funding and governance of the ESAs, respectively. The first report (to be launched in Q1/Q2 2016) will aim to influence the debate on supervision as part of CMU. The second report which will, at the earliest, be launched in Q4 2016 and will respond to some of the themes set out in the Commission's forthcoming White Paper on the governance and the financing of the ESAs.

The objectives of the first report are:

- To develop an industry position on the proposals made in the Five Presidents Report in reference to the creation of a single supervisor as part of CMU; and
- To respond to the CMU consultation feedback set out in the CMU Action Plan calling on ESMA in particular to play a stronger role in enhancing supervisory convergence in capital market regulation and market reporting, and ensuring that the single rulebook is consistently applied across the EU.

The first workstream meeting was held on 22 October. The meeting discussed the ToR and scope and outline of the first report.

**Next Steps:** The next meeting will take place in mid-February which will discuss the group's first output in greater detail.

### **3. TAXATION**

#### **IRSG Objective:**

To exchange views and establish positions on tax proposals and measures at EU and international levels which:

- Do not impact one financial sector alone (i.e. not solely impactful on banks, asset managers or insurers etc.).
- Have, or could potentially have, a material impact on London as Europe's leading financial centre.

To contribute to the evidence base on the impacts of multi-jurisdictional tax proposals and measures, taking into account effects on markets, corporates, customers and the global competitiveness of the EU. The Group will also take into account other EU agendas such as the European Commission's Investment Plan, the Capital Markets Union Action Plan and the Better Regulation agenda.

#### **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 previously hosted events on the FTT.

#### **Latest Developments:**

**Corporate Taxation:** On 28 January, the European Commission published its Anti Tax Avoidance Package (ATAP) which comprises an Anti Tax Avoidance Directive, a revision to the Directive on Administrative Cooperation (DAC) [which relates to country-by-country reporting of MNE tax/business operations between national competent authorities], a recommendation on tax treaties [to avoid treaty abuse] and an External Strategy for Effective Taxation [countering extra-EU threats to the tax bases of Member States].

ATAP follows the Organisation for Economic Cooperation and Development's (OECD) work on Base Erosion and Profit Shifting (BEPS). The Group had engaged with EU officials on the subject of BEPS including Commission officials and government representatives in Brussels, supporting the consideration of BEPS at an EU level while also highlighting some concerns relating to the implementation of EU-wide corporate tax proposals.

**FTT:** At the 8 December ECOFIN Council a [statement](#) on 'core engines' of the tax signed by 10 of the Member States participating in the enhanced cooperation procedure was the main talking point. Estonia did not sign the statement and withdrew from the ECP. Belgium has recently voiced its [discontent](#) at recent proposals.

#### **Next Steps:**

The next meeting of the IRSG Taxation Working Group is on 1 March. The agenda will centre on the European Commission's Anti Tax Avoidance Package, released on 28 January, and the Group's engagement with EU officials following the publication of the EU BEPS letter. There will also be an exchange of views on latest FTT news. Finally, the Group will agree upon its Terms of Reference for high level sign-off.

#### **4. CONSUMER AGENDA**

##### **IRSG Objective:**

The main objective of this initiative is to help policymakers create the right regulatory and policy framework to promote consumer trust in financial services to enable them to spend, save and invest in more efficient and innovative ways. It will present convincing evidence about the importance of addressing this issue as a matter of urgency, to ensure Europe remains competitive and exploits the opportunities provided by disruptive technologies.

**City of London input: an EDO officer is a member on the 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**

The IRSG consumer workstream will contribute to the retail debate and the associated Retail Green Paper through the production of a report to be launched on 15 March.

This report will:

- Explore the changing nature of the financial services ecosystem, including the effects of disruptive technology and the modern, mobile, European customer.
- Examine the barriers to a single market in financial services
- Make granular recommendations to help produce the optimal regulatory and legislative environment to encourage consumer trust in financial markets and to ensure that markets work better for consumers. These recommendations are grouped into the following areas:
  - Adapting to the changing nature of the financial services ecosystem
  - Leveraging the opportunities of digitalisation
  - The Single Market in Retail Financial Services
  - Better information and products for customers
- Quantify the benefits of implementing these recommendations through an econometric model, produced by Accenture.

The last meeting of the workstream was held on the 28th January, which discussed the near-final content of the report and the latest output from the econometric model. The next and final meeting will be on 18th February, in which the final report will be discussed alongside the engagement and communication strategy.

An IRSG consumer consultation group is supporting the IRSG consumer workstream. It is being used to enhance the work stream's output by challenging its proposals and providing additional expertise, including from other sectors and backgrounds. The last meeting of the consultation group was held on 29th January. This meeting discussed the near-final draft of the report and its recommendations in detail.

##### **Next Steps:**

The report will be launched on March 15th in Brussels.

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