

<b>Committee:</b>	<b>Date:</b>
Public Relations and Economic Development Sub-Committee	8 May 2014
<b>Subject:</b> Update and forward look on the activities of <b>Public</b> International Regulatory Strategy Group (IRSG)	
<b>Report of:</b> Director of Economic Development	<b>For Information</b>
<b>Summary</b>	
<p>Following the report presented in February 2014, this paper updates members on the activity undertaken by the International Regulatory Strategy Group in 2014 and sets out the anticipated areas of activity over the coming months.</p> <p><b>Recommendation</b> Members are asked to note the report.</p>	

### Main Report

#### **Background**

1. It was agreed at the meeting of the Public Relations and Economic Development Sub-Committee on 20 February that activities of the International Regulatory Strategy Group (IRSG) would be a standing item on your agenda.
2. This paper provides an update on recent IRSG activity and sets out the anticipated areas of activity over the coming months.

#### **Recent IRSG activity**

3. Since January 2014 the Policy Chairman has visited Berlin, Madrid and Lisbon and engaged with regulators, politicians and senior officials to promote the contribution of financial services to the wider economy, to discuss the impact of measures in the regulatory pipeline e.g. FTT, and to explain the City's role as Europe's international financial and business centre.
4. He also visited Switzerland in January and met policymakers and financial and professional services leaders. This dialogue provides a useful insight from a non EU Member State on the European regulatory debate.
5. The Lord Mayor, Policy Chairman and IRSG Chair took part in a Pre Presidency visit to Rome and Milan in April 2014 in preparation for the Italian EU Presidency. This was preceded by a business delegation from TheCityUK which met Italian business leaders and policymakers in Rome in

March 2014. Both visits are being co-ordinated as a single undertaking in conjunction with the British Embassy in Rome enabling a wider and deeper engagement than would be possible through a single visit.

6. The City of London hosted the Irish Taoiseach at a breakfast meeting on 9 April and is following up on the development of an Anglo-Irish financial services dialogue.
7. TheCityUK is also deepening engagement with EU ambassadors to London and held a roundtable with economic counsellors from France, Germany, Hungary, Lithuania and the Netherlands in March 2014. It is also developing bespoke programmes in selected Member States including the Netherlands and Italy.

#### Finance for Jobs and Growth in the EU

8. The Blue Skies Group has published a new Report on Finance for Jobs and Growth in the EU, launched in the European Parliament in Brussels in March 2014. This has been preceded by significant engagement with European policymakers including an extensive set of bilateral meetings with both UK and non-UK MEPS and a presentation to the Kangaroo Group in the European Parliament in Strasbourg in February 2014.

#### Financial Transactions Tax (FTT)

9. Two further City of London reports on the implications of an FTT have been published recently under IRSG auspices. The first was produced by Deloitte on "The implications of a Financial Transaction Tax for the EU Regulatory Reform agenda". It has been circulated to fiscal and financial attaches, Ministry of Finance officials and key regulators and central banks. The report can be found here:

<http://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Pages/The-impact-of-the-financial-transaction-tax-on-financial-stability.aspx>

10. The second report, authored by London Economics, looked at the potential impact of the FTT on six European Union member countries for which relevant data was available. Four (Germany, Italy, Spain and Slovakia) are planning to participate in the FTT; and two (United Kingdom and Luxembourg) are not. The report was launched with the support of IRSG Council member, Allianz Global Investors, in Berlin on 18 February. A link to the report can be found here:

<http://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Pages/The-effects-of-a-financial-transaction-tax-on-European-households'-savings.aspx>

## Transatlantic Trade and Investment Partnership (TTIP)

11. As one of TheCityUK's major objectives, every opportunity is being taken to ensure the sector's issues remain within the ambit of the negotiations. Activities here have included:

- a personal briefing to the Deputy Prime Minister in advance of his trip to Washington DC in September 2013. These points were raised in his meeting with Vice President Joe Biden and subsequently on a public platform
- discussions with senior officials in Whitehall and Brussels, including the lead TTIP negotiators
- participation in the BIS multi-stakeholder TTIP consultative group to represent the sector
- publication of two brochures detailing the key issues and sector's positions. The latest brochure on TTIP was widely circulated during Washington meetings including the Global Services Summit, which TheCityUK attended.
- sponsorship (with Thomson-Reuters) of the Atlantic Council Report "The Danger of Divergence: Transatlantic Financial Reform & the G20 Agenda" published December 2013 and launched in Washington DC (January 2014) and Brussels and London (February 2014) to much acclaim

## IRSG future engagement

### Engaging with the new European Parliament and the new Commission

12. We are preparing for significant change following the elections to the European Parliament in May, which is expected to result in an increase in the representation of Eurosceptic and populist parties and a further fragmentation of UK representation. TheCityUK has completed an information mailing to UK candidates and selected non-UK candidates and is planning to hold a series of targeted roundtables with the main UK parties in advance of the elections. We are also offering guidance to the UK Government on UK Commissioner candidates. The City of London is sponsoring British Influence's 'Our Biggest Market' project, a cross party campaign for Britain to remain in the Single Market, and we are working with Open Europe on a conference on financial services and EU reform.

13. We plan to use the "Finance for Jobs and growth in the EU" (referred to above) in our future dialogue with European policymakers, going beyond tactical engagement. The goal of this dialogue is to demonstrate that financial and related professional services are a catalyst for growth in the European economy — with an overarching aim to enhance the competitiveness of the European financial and related professional services sector.

14. As part of the work of the City of London's Anglo-French Committee, our briefing for new MEPs will include a further paper on Liquidity, in the Wholesale Financial Markets series of papers produced (with the support of Accenture) in conjunction with Paris-Europlace, the CBI, and their French counterpart MEDEF. The papers will then be repackaged and re-launched, with a foreword by Commissioner Barnier in the run up to the European Parliament elections.
15. Research into non-bank intermediation for SMEs and infrastructure is being finalised, and we will be engaging with the European Commission to highlight policies which are good practice in infrastructure investment.

## **IRSG Workstreams Update**

### **Banking Union and structural reform of the banking sector**

16. The IRSG Executive Board agreed (21 March) that the IRSG should set up two new working groups to engage on the development of the banking union and on the structural reform proposals for the banking sector. It was concluded that though the initial focus is on banks both developments will have far reaching cross-sectoral implications.
17. The key goal of the working group on banking union will be to develop proactive engagement between the IRSG and the European Central Bank – in particular with Danièle Nouy and officials in the Single Supervisory Mechanism department. Through this the IRSG will encourage the ECB to take fully into account the interests on the non-participating Member States and in particular the role of the City as the EU wholesale financial centre. In parallel it will work on developing a good relationship with the Prudential Regulatory Authority department of the Bank of England (including the Governor's work on the Financial Stability Board), the Financial Conduct Authority and also with the European Banking Authority.
18. The key goal for the group on bank structure will be to provide technical input during the co-decision process, to ensure the final rules allow banking groups to continue to operate efficiently without undue restrictions on their activities or inappropriate capital allocation requirements. The targets for this working group would be the ECON committee in the EP and Council members. The timeframe allows preparatory work to be undertaken now before the serious negotiations commence in the autumn.

### **Balance of Competences (BOC)**

19. The IRSG Balance of Competences Working Group produced an IRSG submission on "Financial Services and Capital Markets" to HM Treasury in January 2014. Support was given from IRSG Council member, PWC.

## EU/UK relationship

20. We – the City of London and TheCityUK – continue to promote an informed debate on UK/EU issues, working with other organisations such as the CBI. The Lords EU Sub Committee on Economic Affairs published its report on Genuine Economic and Monetary Union on 14 February. There is a section in the report on the impact on the City (paras 164-168) which makes several references to the oral evidence given by the Policy Chairman.

<http://www.publications.parliament.uk/pa/ld201314/ldselect/ldecom/134/134.pdf>

21. We also continue to roll out a research and engagement programme focussed on the benefits to the UK of the Single Market in Financial Services.

### **Background Papers:**

Development of the City of London Corporation's engagement with the EU institutions, development of policy on EU regulatory issues, and the role of the International Regulatory Strategy Group (IRSG)  
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