

Committee(s):	Date(s):
Public Relations and Economic Development Sub	3 July 2014
Subject:	Public
Update and forward look on the activities of International Regulatory Strategy Group (IRSG)	
Report of: Director of Economic Development	For Information
Summary	
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 May.	
Recommendation(s)	
Members are asked to 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.

Recent IRSG related visits

2. Since the last meeting of the Sub-Committee, the Policy Chairman has visited Prague 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. Discussions also reflected on the recent European Parliamentary elections and the mandate of the new Commission.

Finance for Jobs and Growth in the EU

3. The steering group responsible for Finance for Jobs and Growth in Europe will also produce a follow up report on long term finance. The membership of the steering group will be refreshed as appropriate and the group will continue its work within the current governance framework. The report will:

- set out how long term finance drives jobs, growth and investment, and how this is complementary to ‘short term finance’;
 - highlight trends in European financial markets, including disintermediation and the rise of non-bank sources of lending;
 - illustrate how long term finance operates through case studies;
 - make policy recommendations about how the European institutions and Member States can facilitate long term finance; and
4. John Llewellyn Consulting has produced a major report (considered by the Sub-Committee elsewhere on the agenda) initiated by the Anglo-French Committee on financing growth and investment in Europe Plans for the launch of the report and follow up in Brussels and other Member States (in addition to UK and France) are being drawn up. The reports key recommendations are as follows:
- Developing Europe’s capital markets and non-traditional sources of finance;
 - Encouraging a greater role for long-term investors eg pension funds by overcoming restraints;
 - Encouraging the investment banking sell-side to do more to stimulate and underwrite long term investment;
 - Enabling market-based intermediation to play a more prominent and stable role in financing by promoting its constructive aspects, while discouraging its more destructive aspects; and
 - Reviving and developing securitisation.

Since being finalised with our French counterparts, it has also been endorsed by the IRSG Council at its meeting on 16 June and is now branded an IRSG document.

Financial Transactions Tax (FTT)

5. The FTT Working Group has been following-up the two research reports published earlier this year, and organised a roundtable event in partnership with the British Embassy in Rome on 28 May, in advance of the Italian Presidency of the EU, on the potential impact on household wealth.

IRSG future engagement

Engaging with the new European Parliament and the new Commission

6. The results of the European Parliamentary elections were widely anticipated, and saw significant gains by ‘non-mainstream’ parties across Europe. Work has been underway since before the elections as to how the IRSG and others will engage and brief the new Parliament.

7. The City of London Corporation has sent a brochure to all UK MEPs explaining the role of London as Europe's international financial centre, as well as the role of the City Corporation in promoting London.
8. The City Corporation and TheCityUK are coordinating their engagement with new MEPs, and the plans will evolve to reflect the various appointments to various Committees in the next few weeks. For more information, see *Member State Dialogues*.

Member State Dialogues

Anglo-French Dialogue

9. The next meeting will be held in Paris on 1 July. As per paragraph 4, the Anglo-French Committee has finalised a paper on financing growth and investment in Europe. Plans for the launch of the report and follow up in Brussels and other Member States (in addition to UK and France) are being drawn up. This report complements the Financing Jobs and Growth report by TheCityUK.
10. A joint brochure has been produced by the City Corporation and Paris Europlace, to be sent to all UK and French MEPs, as well as targeted MEPs from other Member States, explaining the role of financial services in the wider economy.

Anglo-Italian Dialogue

11. Following a number of successful meetings in London and Rome with TheCityUK, progress has been made on establishing the Anglo-Italian dialogue on Financial Services (AIDoFS).
12. Senior members of Banca d'Italia have shown strong interest in supporting the dialogue. The Italian Banking, Insurance and Finance Federation (FeBAF) has also expressed an interest in providing secretariat support to the Italian side of the dialogue and the British Embassy in Rome is also keen to be involved. In addition, following meetings between TheCityUK and Italian Banking Association (ABI), the ABI and Banca d'Italia will liaise on the AIDoFS going forward.

Anglo-Irish Dialogue

13. The Irish State visit and business meetings with the Taoiseach in April have led to an agreement to establish an Anglo-Irish financial services dialogue, led by the City of London Corporation under the auspices of the IRSG. The Irish Co-Chair is expected to be John Bruton, the former Irish Prime Minister and Chair of the IFSC Ireland. Accenture have kindly agreed to provide support for this initiative in both London and Dublin.

IRSG Workstreams Update

Structural reform of the banking sector

14. A new working group has been formed, and the first meeting took place on 17 June. The major issue will be how in practice any derogations are implemented for Member States who already have, or are in the process of, introducing structural reforms for their respective banking sectors. The group plans to commission research looking at the banking structures in a representative number of member states with a particular focus on the universal banking model. Targets for the group will be the ECON committee in the EP and Council members. The timeframe allows preparatory work to be undertaken now before serious negotiations commence in the autumn.

Balance of Competences (BOC)

15. The IRSG Working Group on Genuine Economic and Monetary Union is producing a submission as part of the Balance of Competences consultation on Economic and Monetary Policy. A draft of the submission has been circulated to Members of the Public Relations and Economic Development Sub-Committee for comments prior to submission.

16. The report by HM Treasury on *Financial Services and Capital Markets*, to which the IRSG made a submission to the consultation in January 2014, is due to be published in the summer. A precise date is to be confirmed.

EU/UK relationship

17. TheCityUK recently published an economic report entitled "Analysing the case for EU Membership" and a legal research report "A legal assessment of the UK's relationship with the EU". The reports were launched at an event entitled "A Critical Analysis of the Economic Case for EU Membership and the Legal Implications of Other Membership Scenarios" which was hosted by Clifford Chance on 28th April 2014.

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