

Committees:	Date:
Public Relations and Economic Development Sub-Committee	6 November 2014
Subject: Update and forward look on the activities of International Regulatory Strategy Group (IRSG)	Public
Report of: Director of Economic Development	For Information
<p>Summary</p> <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 May.</p> <p>Recommendation:</p> <p>Members are asked to note the report.</p>	

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.
2. An interim report was circulated on 8 September.

Capital Markets Union

3. In his political guidelines for the incoming European Commission, Jean-Claude Juncker (Commission President Elect) proposed a Capital Markets Union (CMU) to develop and integrate European capital markets. The IRSG has agreed a set of principles to feed into the debate on the development of a CMU. It believes that these principles should underpin the development of a more balanced European financial system to better support business investment and economic growth.
4. These principles represent the high-level views of a cross-sectoral group of financial institutions and their advisers about how a CMU might best be developed.
5. They are set out below:
 - a. Dynamic and innovative capital markets can facilitate sustainable economic growth
 - b. A Capital Markets Union should include all 28 Member States

- c. The global competitiveness of the EU's financial sector should be maintained
 - d. Financial stability, investor protection and market integrity are essential elements of sustainable capital markets
 - e. Europe can benefit from innovation and new technologies
 - f. Non-legislative and market-based solutions approaches should be used wherever possible
 - g. Capital markets development can work in tandem with other policy priorities
6. A more detailed briefing paper has been sent out to key decision makers and further more granular work is now being developed.

Finance for Jobs and Growth in Europe

- 7. The objective of this workstream is to make a positive, powerful and evidence-based case for the benefits that long-term investment can bring to Europe.
- 8. The group's first meeting was held on 9 September. This meeting agreed the terms of reference and a work programme for the group. The main output will be a piece of collateral to deploy during engagement with UK and EU policymakers as well as key influencers in EU Member States. It will be a follow-up report to two existing pieces of work - Finance for Jobs and Growth in Europe and Financing Europe's Investment and Economic Growth. It will be launched in March/ April 2015.
- 9. The European Commission's recent Communication on long-term finance sets out Commission priorities in this area and indicates a receptiveness to well-developed policy proposals.

Engaging with the new European Parliament and the new Commission

- 10. The City Office in Brussels has held introductory meetings with over a dozen UK MEPs, including most of those on the ECON Committee, to explain the role of the City and the work of the City Office in Brussels. A programme of introductory meetings with non-UK MEPs and their assistants in ECON is underway. The IRSG hosted a drinks reception in Strasbourg for ECON MEPs on 21 October, chaired by Neena Gill.
- 11. The upcoming Annual Reception in Brussels on 3 November will be another opportunity to introduce the City of London to new MEPs. During his visit to Brussels, the Chairman will also meet the leaders of the Socialists and Liberal groups in the European Parliament.

Member State Dialogues

Anglo-French Dialogue

- 12. The next meeting of the Anglo French Committee will be held in the City on 14 November. The Committee will continue discussions on trends in currencies for

global trade and payments as well as exchanging views on Capital Markets Union, bank structural reform, benchmarks and FTT. The Committee will also consider further joint activity, and under IRSG auspices, in promoting ideas in long term finance (jobs and growth) and for increased engagement with the European Parliament and new Commission, in particular with regards to possibly organising a joint event in the European Parliament.

Anglo-Italian Dialogue

13. The first meeting of the Anglo-Italian dialogue will be held in Rome on 23/24 October. Mark Garvin, JP Morgan and IRSG Council member, will lead the UK side, which will include the Policy Chairman and other IRSG Council members. Following preparatory work over the past few months, the principal themes will be around long term finance, infrastructure funding and SME finance.

City/IFSC Ireland Dialogue

14. Following a preparatory visit to Dublin on 1 October, ideas for the proposed Irish dialogue, styled the City/IFSC Ireland Financial Services dialogue, are being considered. These include the possibility of a pilot phase which could focus on a specific theme eg RMB workshop, Fintech related event or access to finance. These suggestions will be refined and feature as part of the visit to Dublin by the Lord Mayor and Policy Chairman on 15/16 December. There have been a number of expressions of interest in participating in this dialogue from IRSG Council members.

IRSG Workstreams Update

Structural reform of the banking sector

15. A new working group has been formed and has held two meetings to date. A high level position, backed by all present, was agreed. The group believes that the current EU proposal is too broad and does not sit well with a jobs and growth agenda and, in particular, the Commission President's wish for a Capital Markets Union and an economic agenda which would encourage a greater shift of business from bank lending to greater use of capital markets. Bearing this in mind the IRSG should not oppose a proprietary trading ban provided it is well defined and does not hamper the growth agenda.

16. A possible piece of supporting research is also under consideration.

17. There is common recognition that the IRSG should hold back on direct lobbying within Europe until the European Commission has been officially appointed.

Benchmarks

18. Following a scoping exercise over the summer, a working group has been established under the leadership of Steven Travers, London Stock Exchange and IRSG Executive member.

19. It was concluded that the time is right to try to influence the outcome of this regulation. Though the discussions are heading in the right direction under the Italian Presidency in the Council there is still work to be done. The Italians are looking to reach a political agreement in the Council by the end of the year.
20. The group agreed to focus its work on three horizontal themes; scope of application, proportionality and the 3rd country regime.
21. A position paper is being drafted and an event in Brussels to provide MEP assistants with information and meetings with financial attachés are being planned.

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ANNEX

List of MEPs met by City Office in Brussels

Vicky Ford (UK, ECR)

Kay Swinburne (UK, ECR)

David Campbell Bannerman (UK, ECR)

Ashley Fox (UK, ECR)

Julie Girling (UK, ECR)

Catherine Bearder (UK, ALDE)

Anneliese Dodds, (UK, S&D)

Neena Gill (UK, S&D)

Jude Kirton-Darling (UK, S&D)

Richard Corbett (UK, S&D)

Catherine Stihler (UK, S&D)

Seb Dance (UK, S&D)

Steven Woolfe (UK, EFDD)

Hugues Bayet (Belgium, S&D)

Mady Delvaux (Luxembourg, S&D)

Markus Ferber (Germany, EPP)