



Regulatory Radar

Regulatory Newsletter, Issue 23, April 2010

Newsletter on banking and financial regulation

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As the saying goes, there are only two certainties in life, namely death and taxes.

It is therefore a pleasure to announce that going forward, our Regulatory Radar will address what is moving in the field of taxation. May we ask you to forward the Regulatory Radar to your colleagues in the Tax department, such that they can register themselves for future issues. As always, we welcome your feedback.

Which brings us to the second certainty in life, namely death. A few weeks ago, the Wall Street Journal published some stories of sophisticated professionals, taking out life insurance on the head of individuals to which they have no social tie, but which are suffering from a disease, betting on an exceptional financial return should the individual underlying the insurance contract pass away prematurely. Often, such people are in need for cash to cover high medical expenses, and are open to such structures.

This activity allegedly involves the exploitation of loopholes in the legislation, since speculating (looking for an extra return) in function of the health of a totally strange human being is not a very ethical thing to do. In the context of the current financial crisis, and most recently with the Greek debt crisis, a similar discussion arose relating to CDS (Credit Default Swaps).

The story goes as follows (according to the reading of some):

CDS spreads started rising as market participants perceived an increased risk of default, and started betting on a default of Greece, even though they did not own any Greek government bonds and where hence not exposed to the risk. New debt issues by the Greek government are priced taking into account, e.g. these same CDS spreads. This led to an increased cost of borrowing of the Greek government, increasing the likelihood of default. Hence, concluded the politicians, there is an urgent need for a rule that only people who own bonds of a particular issuer, should be allowed to

buy CDS protection on that issuer. It should not be possible to buy CDS protection on a default of say Greece, unless you own Greek bonds and are expected to suffer a loss in case of its default.

In principle, in well-functioning, liquid markets, a bond and the cash, interest rate and credit risk markets that constitute its components, should constantly be arbitrated against each other, and it is difficult to say which market drives the other. Admittedly, tracing dependencies explicitly is difficult, but it does seem a quick conclusion to state that CDS speculation caused the crisis. Moreover, a similar ban on naked use of derivatives applied to other derivatives like equity or currency sounds less obvious. And further, what about the reverse cycle? Imagine that investors are willing (as they were in the past) to sell CDS protection on Greece (i.e. take on credit risk) at a lower and lower rate, the lending cost of Greece would decrease, triggering a virtuous cycle for the issuer. We do not remember any politician raising objections against this a few years ago...

The Radar thinks this debate is an important one, but would like to suggest that all arguments are balanced before rushing to a conclusion.

In April, interesting publications have been issued on topics such as the functioning of European financial market infrastructures, cross border financial surveillance and cross border risk management, Basel III, 'CRD 3/CRD 4', IFRS 9, Solvency II and double taxation problems in the EU.

We hope you enjoy the reading.

The Editorial Board.



Financial Services Industry

Normative documents

Official Journal of the European Union (OJ)

AML/CFT

During April the following documents related to AML/CFT have been published in OJ:

- [Commission Regulation EU No 366/2010 of 28 April 2010](#) amending for the 125th time Council Regulation EC No 881/2002 imposing certain specific restrictive measures directed against certain persons and entities associated with Usama bin Laden, the Al-Qaida network and the Taliban in OJ L 107 of 29/04/2010.

- ➔ [Council Decision 2010/232/CFSP of 26/04/2010](#) renewing restrictive measures against Burma/Myanmar in OJ L 105 of 27/04/2010.
- ➔ [Council Regulation EU No 356/2010 of 26/04/2010](#) imposing certain specific restrictive measures directed against certain natural or legal persons, entities or bodies, in view of the situation in Somalia in OJ L 105 of 27/04/2010.
- ➔ [Council Decision 2010/231/CFSP of 26/04/2010](#) concerning restrictive measures against Somalia and repealing Common Position 2009/138/CFSP in OJ L 105 of 27/04/2010.
- ➔ [Commission Regulation EU No 318/2010 of 16/04/2010](#) amending for the 124th time Council Regulation EC No 881/2002 imposing certain specific restrictive measures directed against certain persons and entities associated with Usama bin Laden, the Al-Qaida network and the Taliban.
- ➔ [Commission Regulation EU No 290/2010 of 6/04/2010](#) amending for the 123rd time Council Regulation EC No 881/2002 imposing certain specific restrictive measures directed against certain persons and entities associated with Usama bin Laden, the Al-Qaida network and the Taliban in OJ L 87 of 07/04/2010.
- ➔ [Commission Regulation EU 279/2010 of 31/03/2010](#) amending Council Regulation EU No 1284/2009 imposing certain specific restrictive measures in respect of the Republic of Guinea in OJ L 86 of 01/04/2010.

Banking, Finance and Insurance Commission (CBFA)

AML and terrorist financing

On 8 April, the CBFA has published an updated circular letter (in [Dutch](#) and in [French](#)) on the obligations of customer due diligence, on preventing the use of the financial system for purposes of money laundering and terrorist financing, and on preventing the financing of the proliferation of weapons of mass destruction.

Prudential reporting

Following the Royal Decree of 23 September 1992 on the annual accounts of credit institutions, amended in October 2008 to allow it also to apply to investment firms and management companies of UCI, the Banking, Finance and Insurance Commission (CBFA) drew up a schedule for prudential reporting that basically relates to the financial information.

- ⇒ Decision of the CBFA.
- ⇒ Schedule of periodic reporting by investment firms and management companies of collective-investment undertakings on their financial situation.

Official Journal of Belgium

Market practices and consumer protection

On 12 April, the Official Journal of Belgium has published [the law of 6 April 2010](#) that deals with the regulation of certain procedures in the context of [the law of 6 April 2010 regarding market practices and consumer protection](#).

Governance

On 23 April, the Official Journal of Belgium has published [the law of 6 April 2010](#) for the enforcement of sound governance in quoted company's and autonomous government institutions and for the modification of the regulation concerning work prohibitions in the banking and financial sector.

Payment Services

On 27 April, the Official Journal of Belgium has published [the Ministerial Decree of 19 April](#) regarding the appointment of civil servants in charge with the investigation and detection of violations against the law of 10 December 2009 regarding the payment services.

Consultative or informative documents

Banking, Finance and Insurance Commission (CBFA)

Officially appointed mechanism

On 13 April, a Royal Decree has been published in the Belgian Official Journal appointing the CBFA as OAM ("officially appointed mechanism"). The OAM is a kind of virtual library to be created in each EU Member State under the European Transparency Directive, with the objective to contribute in the harmonization of national laws applicable to listed companies (in ⇒Dutch and in ⇒French).

Committee of European Securities Regulators (CESR)

Extending major shareholding notifications

In a ⇒press release of 27 April, CESR has published the ⇒responses received to its consultation on extending

major shareholding notifications to instruments of similar economic effect to holding shares and entitlements to acquire shares.

Council of the European Union

European Authorities

In April, the Council of European Union published the following documents regarding the Proposal for a Directive of the European Parliament and of the Council amending Directives 1998/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC, and 2009/65/EC in respect of the powers of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority:

- [General approach.](#)
- [Addendum to the General approach.](#)
- [Presidency compromise.](#)
- [Presidency note on "delegated and implementing acts".](#)

European Central Bank (ECB)

European financial market infrastructures

In a [press release](#) of 19 April, the ECB has published a [report](#) on the lessons learned from the financial crisis with regard to the functioning of European financial market infrastructures.

European Commission

Commission services issue an analysis of the main innovative financing options

In a [press release](#) of 6 April, the European Commission announced the publication of an [analysis](#) of the main innovative financing options. The analysis shows that for some of the instruments a "double dividend" of both raising revenues and improving market efficiency and stability could be reaped, in particular by putting a price on risk-taking in the financial sector and on carbon emissions. It also emphasizes that global coordination will be essential for a successful implementation of most instruments of innovative financing. It shows, however, that actions at the EU level alone should not be discarded.

European Parliament

Remuneration Policies in the Financial Sector

On 6 April, the European Parliament updated the procedure file on [☞ Remuneration of directors of listed companies and remuneration policies in the financial services sector \(INI/2010/2009\)](#). The [☞draft report](#) has been published by the European Parliament.

Financial Stability Board (FSB)

Strengthening financial stability

In a [☞press release](#) of 23 April, the FSB has issued a [☞report](#) to the G20 Finance Ministers and Central Bank Governors that deals with the progress in implementing the G20 recommendations for strengthening financial stability. The progress report consists of two complementary parts: the first part on the policy development work at international level; and the second part describing implementation at national and regional levels by FSB member jurisdictions.

International Monetary Fund (IMF)

Foreign Participation in Emerging Markets' Local currency Bond Markets

On 5 April, IMF published its [☞Working Paper No. 10/88](#) on Foreign Participation in Emerging Markets' Local Currency Bond Markets. This working paper investigates the impact of foreign participation in determining long-term local currency government bond yields and volatility for emerging markets.

Quantitative Properties of Sovereign Default Models: Solution Methods Matter

On 16 April, IMF published its [☞Working Paper No. 10/100](#) on Quantitative Properties of Sovereign Default Models: Solution Methods Matter.

Cross-Border Financial Surveillance: A Network Perspective

On 23 April, IMF published its [☞Working Paper No. 10/105](#) on Cross-Border Financial Surveillance: A Network Perspective. This paper investigates how effective cross-border financial surveillance requires the monitoring of direct and indirect systemic linkages. It illustrates how network analysis could make a significant contribution in this regard by simulating different credit and funding shocks to the banking systems of a number of selected countries. In addition, this working paper also further investigates the impact of risk transfers and how they could modify the risk profile of entire financial systems.



Credit institutions and investment firms

Consultative or informative documents

Committee of European Banking Supervisors (CEBS)

Draft guidelines on joint assessment and joint decision regarding the capital adequacy of cross border banking groups

In a [press release](#) of 7 April, the CEBS announced the publication for consultation of [draft guidelines](#) for the joint assessment of the elements covered by the supervisory review and evaluation process and the joint decision regarding the capital adequacy of cross border banking groups. Comments to this consultation will have to be sent to the CEBS before 9 July 2010.

Principles for disclosures in times of stress

In a [press release](#) of 26 April, the CEBS announced the publication of its [principles for disclosures in times of stress](#) which intended to guide financial institutions in the preparation of public disclosures made to conform with existing disclosure requirements or recommendations or on an ad hoc basis, incorporating the lessons learnt from the financial crisis.

European Association of Co-operative Banks (EACB)

Financial and Economic Turmoil

On 8 April, EACB published its [research paper](#) on Cooperative Banks in the financial and economic turmoil.

Capital Requirement Directive IV and III

On 20 April, EACB published its [response](#) to EC consultation on CRD4.

Liquidity

On 20 April, EACB published its [response](#) to Basel consultation on Liquidity.

European Banking Federation (EBF)

Banking Remuneration Policy under the Spotlight

In a [press release](#) of 30 April, the EBF announced the publication of a report entitled "[Remuneration Policies after the Crisis](#)". In this report, the EBF gives an overview of the various measures put in place in each country to regulate remuneration in the sector.

European Banking Industry Committee (EBIC)

Capital Requirements Directive

On 9 April, EBIC has published a [position paper](#) concerning the draft legislation amending the Capital Requirements Directive as regards the trading book, re-securitizations, and the supervisory review of remuneration policies ("CRD 3").

European Central Bank (ECB)

Bank lending survey

In a [press release](#) of 28 April, the ECB has published its [report](#) on the results of the April 2010 bank lending survey for the euro area. The bank lending survey was developed by the Eurosystem in order to enhance the understanding of bank lending behaviour in the euro area.

European Credit Research Institute (ECRI)

Retail banking

On 9 April, ECRI has published a [research report](#) on the future of retail banking in Europe and the competition and regulatory challenges.

European Investment Bank (EIB)

Multilateral Development Banks (MDBs) step up their fight against corruption with joint sanction accord

In a [press release](#) on 9 April, the European Investment Bank reports on the major step in the global fight against fraud and corruption: leading Multilateral Development Banks (MDBs) today signed an agreement to cross debar firms and individuals found to have engaged in wrongdoing in MDB-financed development projects. The new accord, which applies to debarments that exceed one year, includes: the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank Group, and the World Bank Group.

European Savings Banks Group (ESBG)

Liquidity

On 16 April, ESBG published jointly with WSBI its [WSBI-ESBG Position for the Basel consultation on an "international framework for liquidity risk measurement, standards and monitoring"](#) (BCBS 165).

Strengthening the Resilience of Banking Sector

On 16 April, ESBG published jointly with WSBI its [↻WSBI-ESBG Position for the Basel consultation on a "strengthening the resilience of the banking sector" \(BCBS 164\)](#).

Basel III and CRD4

On 27 April, ESBG published its [↻ESBG comments on Basel Committee and European Commission proposals for new rules for the banking sector \('Basel III' and 'CRD4'\)](#).
On 20 April, ESBG published its [↻ESBG Response to Commission services staff working document from February 2010 on possible further changes to the Capital Requirements Directive \(CRD 4\)](#).

IFRS 9 Financial Instruments: Classification and Measurement

On 29 April, ESBG published its [↻ESBG letter to the Commission on IFRS 9 Financial Instruments: Classification and measurement](#).

European Mortgage Federation (EMF)

EMF Methodological Note and Survey on Non-Performing Loans

This [↻study](#), published on 9 March, serves as an update to the 2003 study on definitions of Non-Performing Loans (NPLs) in EU Member States and provides statistical data on the evolution of NPL indicators in individual countries, taking into account national differences and focusing on country-specific analysis.

EMF – Eurofinas Position on Pre-contractual Information, Advice, Suitability Assessment, Product Standardization and Foreclosure

On 20 April, both Federations, the EMF and Eurofinas, have contributed to and endorsed each other's position on issues related to Pre-contractual Information, Financial Advice, Suitability Assessment, Product Standardization and Foreclosure in following [↻position paper](#).

European Parliament

Cross-border Crisis Management

On 7 April, the European Parliament updated the procedure file on [↻ Cross-border crisis management in the banking sector \(INI/2010/2006\)](#). The [↻draft report](#) has been published by the European Parliament.

International Monetary Fund (IMF)

The Gulf Cooperation Council Banking Sector:

Topography and Analysis

On 2 April, IMF published its [Working Paper No. 10/87](#) on The Gulf Cooperation Council Banking Sector: Topography and Analysis.

Regulatory Capital Charges for Too-Connected-to-Fail Institutions: A Practical Proposal

On 13 April, IMF published its [Working Paper No. 10/98](#) on Regulatory Capital Charges for Too-Connected-to-Fail Institutions: A Practical Proposal.

Balance Sheet Network Analysis of Too-Connected-to-Fail Risk in Global and Domestic Banking Systems

On 27 April, IMF published its [Working Paper No. 10/107](#) on Balance Sheet Network Analysis of Too-Connected-to-Fail Risk in Global and Domestic Banking Systems.

World Savings Bank Institute

WSBI-ESBG Position for the Basel consultation

On 16 April, the World Savings Bank Institute published 2 position papers for the Basel consultation. The first paper comments on a [strengthening the resilience of the banking sector \(BCBS 164\)](#) and the second concerns an [international framework for liquidity risk measurement, standards and monitoring \(BCBS 165\)](#).

European Commission

Transfer of assets within a cross border banking group during a financial crisis

On 20 April, the European Commission published a study on [the feasibility of reducing obstacles to the transfer of assets within a cross border banking group during a financial crisis](#). The importance of cross-border activities of banking groups, in particular within the EU, is such that EU regulations are necessary to ensure that transfers between banks belonging to the same group are organized in a coherent, ethical and economically sound manner. Such regulations are even more important in times of crisis where transfers of assets within banking groups can be key to avoiding cross-border systemic effects.

Pre-insolvency - Early intervention – Reorganization – Liquidation

On 20 April, the European Commission published a study on [Pre-insolvency - Early intervention – Reorganization – Liquidation in Member States](#).



Investment products and asset management

Normative documents

Official Journal of Belgium

Financial instruments and trading facilities

On 13 April, the Official Journal of Belgium has published [the Royal Decree of 23 February 2010](#) for modification of the Royal Decree of 14 November 2007 regarding the obligations of issuers of financial instruments admitted to trade on a regulated market. These modifications are related to the rules for the storage of regulated information. In addition, this Royal Decree also modifies the Royal Decree of 21 August 2008 regarding the rules for certain multilateral trading facilities.

Consultative or informative documents

European Central Bank (ECB)

ABS loan-level information in the Eurosystem collateral framework

In a [press release](#) of 23 April, the ECB has published the [results](#) of the public consultation on ABS loan-level information in the Eurosystem collateral framework. The vast majority of respondents support the initiative, as it would increase transparency, contribute to more informed risk assessments and help to restore confidence in ABS markets.

Committee of European Securities Regulators (CESR)

Market abuse director

In a [press release](#) of 6 April, CESR has published a review ([Ref. CESR/09-1120](#)) of how securities regulators across Europe use options and discretions applied by CESR Members under the European Market Abuse Directive (MAD) regime. CESR's stock take found divergence in how national supervisors disclose information on supervisory measures or sanctions, inside information directors' dealings and suspicious transaction reports.

MiFID Consultations

In a [press release](#) of 13 April, CESR publishes CESR publishes today three consultation papers on its technical advice to the Commission. The papers are to be seen in the context of reviewing MiFID, the Markets in Financial Instruments Directive that entered into force in November 2007. The review includes proposed technical

advice by CESR on investor protection and intermediaries ([↻Ref. CESR/10-417](#)), equity markets ([↻Ref. CESR/10-394](#)) and transaction reporting ([↻Ref. CESR/10-292](#)). CESR invites stakeholders to comment on all of the three consultation papers by 31 May 2010. In addition, CESR received a request from the Commission ([MARKT G3/SH/cr Ares \(2009\)](#)) for additional information in the context of the MiFID review.

Global exposure and counterparty risk for UCITS

On 19 April, CESR has published a [↻consultation paper](#) with guidelines on risk measurement and the calculation of global exposure and counterparty risk for UCITS.

European Fund and Asset Management Association (EFAMA)

Asset Management in Europe

On 29 April, EFAMA published its [↻Third Annual Review of Asset Management in Europe](#). Read the [↻Press Release](#). The review provides a snapshot of the industry, looking at its overall size, general structure, asset allocation and client base.

International Statistics

On 28 April, EFAMA published its [↻International industry statistics in Q4/2009](#). Read the [↻highlights and trends](#) in the fourth quarter 2009 of the (Worldwide) Investment Fund Assets and Flows.

Monthly Industry Fact Sheet

On 15 April, EFAMA published its [↻February Monthly Industry Fact Sheet](#). Read the [↻highlights](#).

Financial Law Institute

MiFID and the regulation of funds

In April 2010, the Financial Law Institute has published a [↻working paper](#) on civil law effects of MiFID in a comparative law perspective and a [↻working paper](#) on the regulation of private equity, hedge funds and state funds.

International Monetary Fund (IMF)

Collateral, Netting and Systemic Risk in the OTC Derivatives Market

On 13 April, IMF published its [↻Working Paper No. 10/99](#) on Collateral, Netting and Systemic Risk in the OTC Derivatives Market.

International Organization of Securities Commissions (IOSCO)

Disclosures principles for ABS

In a [press release](#) of 8 April, the Technical Committee of the International Organization of Securities Commission (IOSCO) has published a final [report](#) containing principles designed to provide guidance to securities regulators who are developing or reviewing their regulatory disclosure regimes for public offerings and listings of asset-backed securities (ABS).

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Insurance, reinsurance and pensions

Normative documents

Banking, Finance and Insurance Commission (CBFA)

eCorporate

On 1 April, the CBFA has published a circular letter (in [Dutch](#) and in [French](#)) for the Institutions for occupational pensions concerning eCorporate.

Consultative or informative documents

Banking, Finance and Insurance Commission (CBFA)

Supplementary Pensions

On 6 April, the CBFA has published the opinion of the Commission for Supplementary Pensions (in [Dutch](#) and in [French](#)) on supplementary pensions.

Notes to the accounts of the insurance and reinsurance Enterprises

On 22 April, the CBFA has published the [opinion](#) of the "Insurance Commission" on Articles 3 and 4 of the draft royal decree on the annual and consolidated accounts of credit institutions, investment firms, management companies of collective investment, insurance and reinsurance companies.

European Commission (Internal Markets Insurance)

Fifth Quantitative Impact Study: Consultation on Call for Advice and Technical Specifications

The European Commission has today published for consultation draft technical specifications for the fifth Quantitative Impact Study (QIS5) exercise that will be run from August to November this year.

European Insurance and reinsurance federation (CEA)

Solvency II why 'expected future profits' must be treated as tier 1 capital

The role of 'expected future profits' in determining a firm's own funds is attracting much discussion, with suggestions that they should be excluded from tier 1 capital. CEA believes this is at least in part due to a misunderstanding of their nature – even the term 'expected future profits' is misleading and they prefer to refer to them as in-force cash flows. [This paper](#) discusses how in-force cash flows from existing business should be treated in the calculation of own funds. We argue that in-force cash flows should be treated as tier 1 capital under Solvency II.

Committee of European Insurance and Occupational Pension Supervisors (CEIOPS)

CEIOPS provides clear evidence of improvement in supervisory cooperation

In a [press release](#) on 1 April, CEIOPS announced the publication of its 2010 [Report on the Functioning of Colleges](#) providing clear evidence of overall improvement in cooperation between supervisory authorities. CEIOPS' Report is based on data collected from all member supervisory authorities that oversight the 108 insurance groups operating cross-border activities within the EEA area. The report provides detailed statistics as to 53 of the most active Supervisory Colleges including those established for the largest 30 groups in 2009.

Solvency II Calibration: Advice for Level 2 implementing measures on Solvency II

On 1 April, CEIOPS publishes its final [Advice for Level 2 implementing measures on Solvency II](#): Technical criteria for assessing third country equivalence in relation to article 172, 227 and 260. CEIOPS final Advice aims at providing technical criteria that will allow equivalence assessments to ensure that the third country regulatory and supervisory regimes provide a similar level of protection for policyholders/beneficiaries as the one provided under the Solvency II Directive.

And on 8 April, following formal approval by Members, CEIOPS publishes today its [final Advice for Level 2](#)

implementing measures advice as to calibration of the MCR and of underwriting risks in Non-Life and Health insurance.

On 15 April, CEIOPS published an [exhaustive calibration paper](#), which is the main supporting document for its L2 advice on calibrations. The calibration paper provides background information and compiles all the technical analysis carried out by CEIOPS.

International Association of Insurance Supervisors (IAIS)

Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame)

In a [presentation](#) on 6 April, The International Association of Insurance Supervisors (IAIS) presented the [first outlines](#) of her [Common Framework for the Supervision of Internationally Active Insurance Groups \(ComFrame\)](#). ComFrame is intended to provide supervisors with a supervisory framework for internationally active insurance groups. ComFrame should become the multilateral tool of preference for assessing internationally active insurance groups.

Regulatory gaps with guidance on treatment of non-regulated entities

In a [press release](#) published on 12 April, The International Association of Insurance Supervisors (IAIS) announced the publication of the Guidance paper on treatment of non-regulated entities in group-wide supervision to support insurance supervisors worldwide to address some of the key regulatory gaps as observed from the global financial crisis and to minimize regulatory arbitrage opportunities.

IAIS Newsletter Issue 1, 2010

The IAIS presented on 29 April, her first [newsletter](#) this year, which contains:

- News from Basel Tri-annual Meetings
- Recent activities
- Seminars and workshops
- International cooperation
- Secretariat update
- Members and Observers pages

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Tax

Consultative or informative documents

EU Commission (EC)

Analysis of main innovative financing options

In a [press release](#) of 6 April 2010, the EC issued the publication of a commission staff working document on [global innovative financing options](#), **which** assesses the main sources of innovative financing under discussion for raising revenues. It analyses amongst others the impact of a global financial transactions on tax.

Public consultation on double taxation problems in the EU

In a [press release](#) of 27 April 2010, the EC launched an [online public consultation on double taxation problems](#) encountered by individuals and companies when operating across borders within the EU. The consultation concerns all direct taxes – income taxes, corporate taxes, capital gains taxes, withholding taxes, inheritance taxes and gift taxes. The consultation will run until 30 June 2010.

Cross border venture capital investment

In a [press release](#) of 30 April 2010, the EC issued the publication of a [report outlining the double taxation problems](#) that arise when venture capital is invested cross-border, as well as possible solutions to remove the main tax barriers to cross-border investment in venture capital. The report sets out the findings and recommendations of an independent group of EU tax experts, which was set up by the Commission.

European Court of Justice (ECJ)

Referral on VAT treatment of sale of defaulted debt

In a case concerning GFKL Financial Services AG (C-93/10), the German Bundesfinanzhof referred questions to the ECJ on the taxable nature of the sale (purchase) of defaulted debts and on the taxable base of such transaction.

Council of the European Union

VAT Treatment

On 18 April, the Council of European Union published [VAT treatment of services specific to and essential for exempt insurance and financial services and the management of investment funds](#)

CEA

US proposal disallowing tax deduction of certain affiliated reinsurance premiums

In a [position paper](#) published on 12 April 2010, CEA has

commented on a US proposal on disallowing tax deduction of certain reinsurance premiums paid to affiliated foreign reinsurers, as outlined in the US Administration's 2011 Budget Proposal.

Deferred Tax under Solvency II

On 26 March 2010, CEA has published a [note with a holistic view of deferred tax under Solvency II](#). It presents the CEA's views on a market consistent approach to deferred tax in Solvency II in line with the economic valuation principles contained within the Framework Directive.

Belgian Parliament

Investment funds and Mutual Assistance Directive 77/779/EEC

On 1 April 2010 a [new bill](#) containing tax provisions was introduced in House of Representatives. Amongst others, the new bill contains provisions on taxation on income derived from investment funds and on the implementation of the Mutual Assistance Directive with respect to direct taxation and taxation of insurance premiums (77/799/EEC).

Belgian Tax Authorities (FOD Financiën)

Implement Savings Directive – Exchange of information

On 1 April 2010, the Tax Authorities published a circular letter on the [implemented Savings Directive](#), in which the system of automatic exchange of information is described in detail.

We are always interested in your feedback. Please let us know what you think of this newsletter and send your comments to [Regulatory Radar](#).

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