



Regulatory Radar

Regulatory Newsletter, Issue 25, June 2010

Newsletter on banking and financial regulation

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Politicians from all sorts of ideology and all over the world are often forced by public opinion and the rules of their leadership role, to react to all sorts of calamities by asserting that it will never happen again, and that the guilty will be punished. So, after the financial crisis, a whirlwind of legislation started to be drafted.

A few weeks ago, President Obama signed into law thousands of pages of legislation that are collectively known as the Dodd-Frank financial Reform.

Just listening to an overview of all the areas and topics that are addressed, is an overwhelming experience. In banking, several entities are created to monitor financial stability (the macro-prudential oversight), minimum capital requirements are adapted, and, following the lead of the UK, "living wills" are introduced.

New approaches are designed to allow the orderly liquidation of systematically important institutions, and the hands of classical savings and loans banks are tied when it comes to capital markets operations and proprietary trading (Volcker Rule). A new Bureau for Consumer Financial Protection is created from scratch, surely an intellectually rewarding endeavour for those who will be invited to do so. For the securities industry, and in particular the OTC derivatives, the central clearing for standardized derivatives is required. Modifications are made to the insurance and fund management framework.

Apart from chiming in with all the topics on the reform agenda in Europe, this overview also demonstrates what an elaborate and delicate construction the entire body of financial legislation has become over the past centuries.

It is, in our mind, therefore difficult to predict what the impact of all this is going to be. This view seems confirmed by a few polling questions during a recent webcast of our Deloitte US member firm with an audience of a few thousand professionals, trying to gauge the likely impact of the new law. "Don't know" was a very frequent (and probably honest) answer.

Human activity is like water in a river: it always finds a way around the rocks and the stones. The question is then, whether all our politicians are merely shifting stones in a mountain river when trying to reform the financial industry, or whether they are really building a

dam of coherent and robust regulation? Time will tell whether a financial meltdown is now a once-every-200 year event.

History does not make this a promising endeavour, but at least new legislation gives new reasons to hope and trust that this time is different.

In June, interesting publications have been issued on topics such as the regulation of Credit Rating Agencies, SEPA, Remuneration Policies, the implementation of the Payment Services Directive and Mifid.

We hope you enjoy the reading.

The Editorial Board.



Financial Services Industry

Normative documents

Official Journal of the European Union (OJ)

AML/CFT

During June, the following documents were published:

- [Council Regulation \(EU\) No 493/2010 of 7 June 2010](#) amending Regulation (EC) No 234/2004 concerning certain restrictive measures in respect of Liberia in OJ L 140 of 08/06/2010
- [Commission Regulation \(EU\) No 507/2010 of 11 June 2010](#) amending for the 129th 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 149 15/06/2010
- [Commission Regulation \(EU\) No 532/2010 of 18 June 2010](#) amending Council Regulation (EC) No 423/2007 concerning restrictive measures against Iran in OJ L 154 19/06/2010 and a ➤ [Notice for the attention of the persons, entities and bodies added to the list referred to in Articles 7\(1\) and 7\(3\) of Council Regulation \(EC\) No 423/2007](#) concerning restrictive measures against Iran, by virtue of Commission Regulation (EU) No 532/2010 in OJ C 160 of 19/06/2010
- [Council Regulation \(EU\) No 555/2010 of 24 June 2010](#) amending Regulation (EC) No 1412/2006 concerning certain restrictive measures in respect of Lebanon in OJ L 159 25/06/2010
- [Council Regulation \(EU\) No 567/2010 of 29 June 2010](#) amending Regulation (EC) No 329/2007 concerning restrictive measures against the Democratic People's Republic of Korea in OJ L 163 30/06/2010

IFRS 1

On 24 June, the [Commission Regulation \(EU\) No 550/2010 of 23 June 2010 amending Regulation \(EC\) No 1126/2008](#) adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 1 was published in OJ L 157.

Official Journal of Belgium

Redress measures for undertakings in the banking and financial sector

The Official Journal published the [Law of 2 June 2010](#) regarding the extension of redress measures for undertakings in the banking and financial sector.

In addition, the Official Journal published [the Law of 2 June 2010](#) supplementing, insofar as appeal procedures are concerned, the Law of 2 June 2010.

Consumer Credit

13 JUNE 2010. – The Law amending the Law of June 12, 1991 on consumer credit.

Consultative or informative documents

Bank for International Settlements (BIS)

80th annual report

In a [press release](#) of 28 June, the BIS announced the publication of its [80th annual report](#) which shows, in particular, that the steps taken by governments and central banks prevented a financial system meltdown and helped bring to an end the great contraction in global economic activity.

Comité Européen des Assurances (CEA)

Supervisory legislative package

On 17 June, the CEA has published a [comment](#) on the EU supervisory legislative package.

SEPA

On 23 June, the CEA has published a [comment](#) on the European Commission's Working Document on SEPA migration end-date.

Impairments

On 28 June, the CEA has published a [comment](#) letter on IASB exposure draft on impairment.

CEA urges G-20 to recognise differences between insurers and banks

The CEA calls in a [letter](#) on the G-20 to take full account of the specific characteristics of insurance when designing regulatory initiatives to respond to the global financial crisis. The CEA highlights the fundamental differences between insurance and banking and making recommendations for the effective regulation of insurers in its report "Insurance: a unique sector - Why insurers differ from banks".

Committee of European Banking Supervisors (CEBS)

Comments on the IASB's Amortised Cost and Impairment Exposure Draft

In a [press release](#) of 30 June, the CEBS announced the publication of its [comments](#) on the IASB's Exposure Draft on Financial Instruments entitled "Amortised Cost and Impairment".

Committee of European Securities Regulators (CESR)

Annual report

In a [press release](#) of 18 June, CESR has published its [annual report](#) for 2009. The regulatory follow-up of the financial crisis has greatly dominated the agenda, in particular, evidenced by CESR's work on financial reporting in times of crises, follow-up work on Lehman's default and on short selling. Elements of learning from the financial crisis have also greatly influenced other work streams in CESR's Work Programme, such as the review of MiFID, and these work streams lead to work on a significant number of advisory statements addressed to the European Commission, covering all pillars of the EU financial regulatory framework in the field of securities.

Credit rating agencies

In a [press release](#) of 6 June, CESR has published two sets of [guidance](#) on the current CRA regulation. This guidance will be applicable from Monday 7 June. CESR also published a [feedback statement](#) on the consultation held to develop the guidance on registration, as well as an updated [Q&A](#) on CRAs.

Credit rating agencies

On 30 June, CESR has published the responses received to the two consultations on Credit Rating Agencies. The first [consultation](#) focuses on **the enforcement practices and activities to be conducted under Article 21.3(a) of the regulation. The second [consultation](#) focuses on** guidance on common standards for assessment of compliance of credit rating methodologies with the requirements set out in Article 8(3).

Council of the European Union

Securities: Prospectus and Transparency

During June, the Council published the following documents regarding Securities: Offer to the Public and Harmonisation of Transparency Requirements:

- On 1 June, the [Cover Note 10354](#) related to the Report from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions Operation of Directive 2004/109*/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and the [Addendum Commission Staff Working Document - The review of the operation of Directive 2004/109/EC: emerging issues](#).
- On 2 June, a [first Addendum](#) and a [second Addendum](#) to Note 10254 related to the Proposal for a Directive of the European Parliament and of the Council amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market - Letter to European Parliament. The first Addendum has been [revised a first time on the 6 June](#), and [a second time on the 8 June](#).
- On 3 June, the [Opinion of the European Central Bank](#) related to the Proposal for a Directive of the European Parliament and of the Council amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market. (French only at this stage).
- On 29 June, the [Note 10974](#) related to the Proposal for a Directive of the European Parliament and of the Council amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market - Outcome of the European Parliament's first reading.

Regime for the Remuneration of Directors of Listed Companies

On 10 June, the Council published the [Report from the](#)

Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - [Report on the application by Member States of the EU of the Commission 2009/385/EC Recommendation \(2009 Recommendation on directors' remuneration\)](#) complementing Recommendations 2004/913/EC and 2005/162/EC as regards the regime for the remuneration of directors of listed companies and the [Commission Staff Working Document](#).

Remuneration Policies in the Financial Services Sector

On 10 June, the Council published the [Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Report from the Commission on the application by Member States of the EU of the Commission 2009/384/EC Recommendation on remuneration policies in the financial services sector](#) and the [Commission Staff Working Document](#).

Financial Crisis

During June, the Council published the following documents regarding Financial Crisis:

- On 10 June, [Ecofin Report - Preparation of the European Council on the state of play on measures in the financial sector in response to the crisis](#). The [draft report](#) and the [revised draft report](#) had been published on 3 June.
- On 1 June, the [Report from the Commission State Aid Scoreboard - Spring 2010 Update - Report on recent developments on crisis aid to the financial sector](#) and, on 8 June, the [revised document](#).

Corporate Governance in Financial Institutions and Remuneration Policies

On 11 June, the Council published the [Green Paper on Corporate governance in financial institutions and remuneration policies](#) and [Commission Staff Working Document - Corporate Governance in Financial Institutions: Lessons to be drawn from the current financial crisis, best practices](#).

Credit Rating Agencies

On 10 June, the Council published a [Proposal for a Regulation of the European Parliament and of the Council on amending Regulation \(EC\) No 1060/2009 on credit rating agencies](#), a [Commission Staff Working Document - Impact Assessment](#) and a [Commission Staff Working Document - Summary of the Impact Assessment](#) accompanying document to this Proposal for a Regulation.

European Commission

Commission proposes improved EU supervision of

Credit Rating Agencies and launches debate on corporate governance in financial institutions

In a [press release](#) of 2 June, the European Commission announced the publication of several [amendments](#) to the EU rules on Credit Rating Agencies and launched a [public consultation](#) on reforming corporate governance in financial institutions. The consultation period will end on 1 **September 2010**.

In a [press release](#) of 2 June, a communication has been brought forward by the commission in which it committed itself to table the remaining proposals financial reform proposals needed to implement fully our G20 Commitments in the next six to nine months from now. Key proposals include: Transparency, Responsibility and Crisis prevention and management.

SEPA

On 2 June, the European Commission published its working paper: [SEPA migration end date](#). This working paper is intended for consultation purposes and comments and contributions should be obtained by 23 June 2010.

Payment Services Directive

In order to ensure that EU citizens and businesses fully benefit from the Internal Market, the European Commission has taken action against a total of 8 Member States. Cyprus, Greece, Spain, Poland, Romania and Sweden will receive reasoned opinions requesting them to fully implement the Payment Services Directive (PSD) in their national laws.

[This communication was published on 3 June.](#)

Semi-annual info letter: updates on post trading and financial market infrastructure

On 1 June, the European Commission published its semi-annual info letter which provides updates on the work of the Commission on issues related to post trading and financial market infrastructure. The info letter can be accessed [here](#).

Expert Group on Market Infrastructures (EGMI)

On 7 June, the Commission issued a [call for expressions of interest to list candidates to be appointed to an Expert Group on Market Infrastructures \(EGMI\)](#). The mission of the Group will be to contribute to the development of an efficient, safe and sound European post-trade market.

Consultation on the corporate governance in financial institutions and remuneration policies

The second of June, the Commission has issued a Green Paper launching a public consultation on possible ways forward to improve corporate governance in financial institutions and remuneration policies. The deadline for responses is 1 September 2010.

- [Press release \(02.06.2010\)](#)
- [Frequently asked questions](#)
- [Press conference \(02.06.2010\)](#)

- [Citizens' summary](#)
- [Green Paper](#)
- [Consultation page](#)

The Green Paper is complemented by a Commission Staff Working Document which describes and analyses weaknesses in corporate governance revealed by the recent financial turmoil.

European Association of Co-operative Banks (EACB)

Financial Instruments: Amortised Cost and Impairment

On 30 June, EACB published its [Comments on IASB Exposure Draft on Financial Instruments: Amortised Cost and Impairment \(Review IAS 39 Phase II\)](#).

European Association of Co-operative Banks (EACB)

SEPA

On 23 June, EACB published its [Comments on the Commission Working Document on the SEPA end date](#).

Payment Services Directive

On 15 June, EACB published jointly with EBF an [Addendum to the Guidance for the Implementation of the Payment Services Directive](#).

Annual Report

On 10 June, EACB published its [Annual report 2009](#).

European Parliament

Securities: Prospectus and Transparency

On 17 June, the Parliament updated the [procedure file COD/2009/0132 on Securities: offer to the public and harmonisation of transparency requirements \(amending Directives 2003/71/EC and 2004/109/EC\)](#).

Remuneration in the Financial Services Sector

On 22 June, the Parliament published the press release [Call for laws on financial service sector pay and bank crisis management](#). Two resolutions, calling for legislation on remuneration in the financial service sector and on the management of cross-border banking crises, were passed by the Economic Affairs Committee. These resolutions lend further weight to Parliament's calls to transfer more powers to EU level, as the only way to deal effectively with the EU's highly-interdependent economy and prevent further financial meltdowns and taxpayer bailouts.

Combating the Financing of Terrorism

On 24 June, the Parliament published the press release [↪ Cutting off finance for terrorism: towards a European system](#). Many Civil Liberties Committee MEPs hailed the progress achieved in the new agreement on banking data transfers to the USA for counter-terrorism purposes, four months after rejecting the previous agreement and pressing the European Commission to come up with a new deal. Parliament won firmer Council and Commission commitments to put in place an EU programme to combat finance for terrorism.

Credit Rating Agencies

On 2 June, the Parliament updated the [↪ procedure file COD/2010/0160 on Credit rating Agencies](#) (amending Regulation EC 1060/2009).

European Savings Banks Group (ESBG)

SEPA

On 23 June, ESBG [↪ responded to the EC Working Paper on SEPA Migration End-date](#). On the same topic, it published a position paper [↪ "The SEPA ePayments Framework in the context of the greater ePayments landscape"](#) on 15 June.

Liquidity Cost Benefit Allocation and European Interbank Guidelines

On 15 June, ESBG published jointly with EACB and EBF the following Guidelines:

- [↪ European Interbank Liquidity Management Guidelines - Revision 2010](#)
- [↪ European Interbank Compensation Guidelines - Revision 2010](#)

Financial Action Task Force (FATF)

AML/CFT: Updated Jurisdictions' Lists

On 25 June, FAFT updated the following documents on jurisdictions with strategic AML/CFT deficiencies:

- [↪ FATF Public Statement](#)
- [↪ Improving global AML/CFT Compliance: On-going Process](#)

Financial Stability Board (FSB)

Strengthening financial stability

In a [↪ press release](#) of 27 June, the FSB reported to the G20 Leaders on the progress and remaining challenges in the implementation of the G20 recommendations for strengthening financial stability, including the global effort to reduce the moral hazard posed by systemically important financial institutions. In conjunction with this, the FSB published (1) a [↪ cover letter](#) from the FSB

Chairman to the G20 Leaders; (2) an [interim report](#) on reducing the moral hazard caused by systemically important financial institutions; and (3) an [overview of progress](#) in the implementation of the G20 recommendations for strengthening financial stability.

International Association of Insurance Supervisors (IAIS)

International Federation of Accountants

In a [press release](#) of 11 June, the Monitoring Group of IAIS has issued for public comment a [consultation paper](#) on its assessment of the effectiveness of the reforms to the governance of the International Federation of Accountants (IFAC).

International Organization of Securities Commissions (IOSCO)

Strengthening the regulatory system

On 10 June, IOSCO has published its revised [Objectives and Principles](#) of Securities Regulation (Principles) to incorporate eight new principles, based on the lessons learned from the recent financial crisis and subsequent changes in the regulatory environment, which are designed to strengthen the global regulatory system against future crises.

International Federation of Accountants

On 11 June, IOSCO has published a [consultation paper](#) on its assessment of the effectiveness of the reforms to the governance of the International Federation of Accountants (IFAC) which were agreed upon in 2003 (the Reforms).

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Credit institutions and investment firms

Consultative or informative documents

Basel Committee

Adjustments to the Basel II market risk framework

In a [press release](#) of 18 June, the Basel Committee announced the publication of certain [adjustments](#) on its document entitled "[Revisions to the Basel II market risk framework](#)", released in July 2009.

Committee of European Banking Supervisors (CEBS)

Report on national implementation of CEBS's high-level principles for remuneration policies

In a [press release](#) of 11 June, the CEBS announced the publication of its [report](#) on the national implementation of its high-level principles for remuneration policies.

Guidelines on instruments referred to in Article 57(a) of the CRD

In a [press release](#) of 14 June, the CEBS announced the publication of its [implementation guidelines on capital instruments](#). This work is in response to Article 63a (6) of the revised CRD that requires CEBS to elaborate guidelines for the convergence of supervisory practices with regard to the instruments referred to in point (a) of Article 57.

Annual report 2009

In a [press release](#) of 15 June, the CEBS announced the publication of its [2009 annual report](#).

Guidelines for the operational functioning of colleges

In a [press release](#) of 15 June, the CEBS announced the publication of its [guidelines for the operational functioning of colleges](#). These guidelines are in response to the requirement of the revised CRD according to which CEBS should develop guidelines for the operational functioning of colleges. In addition, the guidelines aim to complement the CRD provisions where additional guidance appears necessary in order to avoid inconsistencies and promote convergence of practices across colleges.

Methodology for the assessment of the equivalence of third countries' confidentiality provisions

In a [press release](#) of 15 June, the CEBS announced the publication of its [methodology](#) for the assessment of the equivalence of third countries' confidentiality provisions to the CRD.

Consultation on the revised guidelines on common reporting

In a [press release](#) of 17 June, the CEBS announced the launch of a [public consultation](#) on its proposed amendments to the Guidelines on Common Reporting (COREP), which will run for three months and will end on 16 **September 2010**.

Revised consultation paper on the management of operational risk in market-related activities

In a [press release](#) of 18 June, the CEBS announced the publication of its [revised consultation paper](#) on its draft guidelines on the management of operational risk in market-related activities. The consultation was open to all interested parties and ended the **23 July 2010**.

Reports presenting the findings of assessment of banks' disclosures

In a [press release](#) of 30 June, the CEBS announced the publication of two follow-up reports setting out the outcome of its efforts in assessing banks' disclosures published, one, in their [2009 audited annual reports](#) and, two, in their [2009 Pillar 3 reports](#).

Eurofinas

Anti-money laundering

In June 2010, Eurofinas has published its [contribution](#) to the Deloitte study on Anti-money Laundering. Eurofinas believes that the provision of consumer credit fundamentally is a low risk transaction for AML purposes.

European Commission

On 14 June, the Commission services launched a public consultation on short selling. Its purpose is to consult market participants, governments, regulators and other stakeholders on possible provisions to be considered in a forthcoming Commission proposal for stand alone legislation dealing with potential risks arising from short selling.

- [Frequently asked questions](#)
- [Consultation \(deadline for responses: 10.07.2010\)](#)

European Parliament

Financial Institutions: Capital Requirements and Remuneration Policies

On the 28 June, the Parliament updated the [procedure file COD/2009/0099](#) on Financial institutions: capital requirements for the trading book and for re-securitisations; supervisory review of remuneration policies (amend. Directives 2006/48/EC and 2006/49/EC).

Bankers' Bonuses

During June, the Parliament published the following press releases relating to bankers' bonuses:

- [European Parliament caps bankers' bonuses on the 30 June](#). New rules on capital requirements for banks and a cap on bonuses for bankers are the results of negotiations between Council and Parliament which were concluded with a deal. The European Parliament is confident that the agreement delivers tough and effective rules that will cover all bonuses awarded or paid from 2011 onwards. It will be the first cap on how bankers are paid worldwide.
- [End "bankers' bonus" culture, says Economic](#)

[Affairs Committee on the 15 June](#). New rules to end the bankers' risk-taking culture that led to the global economic crisis were backed by Economic and Monetary Affairs Committee MEPs. Bailed-out bank directors must get no bonuses until banks have repaid public support, bankers' bonuses must be capped at 50% of total remuneration, and bankers' bonus payments should be deferred until profits are actually earned, not just forecast, added the committee. The rules will be put to a plenary vote in July.

International Monetary Fund (IMF)

Capital Requirements Directive

On 3 June, IMF published the [IMF Staff Comments on "Possible Further Changes to the Capital Requirements Directive"](#).

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Investment products and asset management

Consultative or informative documents

Committee of European Securities Regulators (CESR)

Market transparency

On 4 June, CESR has published the [responses](#) received on the consultation on non-equity market transparency in the context MiFID.

Pre-trade transparency

On 28 June, CESR has published an [update](#) on the pre-trade transparency waivers obligations under the markets in financial instruments directive (MiFID).

Council of the European Union

Implementation of UCITS Directive

On 6 June, the Council published its decision not to oppose the following draft measures proposed by the Commission (regulatory procedure with scrutiny).

➔ (1) Draft Commission Directive implementing [Directive 2009/65/EC](#) of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company; (2) Draft Commission Regulation implementing [Directive 2009/65/EC](#) of the European

Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website; (3) Draft Commission Directive implementing Directive 2009/65/EC of the European Parliament and of the Council as regards certain provisions concerning fund mergers, master-feeder structures and notification procedure

European Commission

Public consultation on the review of the Market Abuse Directive (MAD)

On 28 June, the Commission has launched a public consultation on the review of the Market Abuse Directive. Its objective is to consult financial market participants, governments, competent authorities and other stakeholders on the modifications to the Market Abuse Directive that the Commission is considering for its forthcoming legislative proposal.

➔ [Consultation page](#)

Deadline for responses: 23.07.2010

Changing banks – feedback on implementation to the ‘new’ EU rules

The European Commission launched on 25 June an inquiry to find out whether new banking principles making account switching easier are implemented properly. This inquiry can be accessed ➔[here](#)

European Association of Co-operative Banks (EACB)

MiFID

During June, EACB published its final position on the following CESR MiFID consultations:

- ➔ [Non-Equity Markets Transparency](#)
- ➔ [Investor Protection and Intermediaries](#)
- ➔ [Equity Markets](#)
- ➔ [Transaction Reporting](#)

European Fund and Asset Management Association (EFAMA)

MiFID

During June, EFAMA published its position on the following CESR MiFID consultations:

- ➔ [Non-Equity Markets Transparency](#)
- ➔ [Investor Protection and Intermediaries](#)

- [Equity Markets](#)
- [Transaction Reporting](#)

Fund Processing Passport Portal

On 28 June, EFAMA launched its Fund Processing Passport Portal: read the [press release](#).

UCITS Key Information Document

On 15 June, EFAMA published jointly with PwC a [survey on UCITS Key Information Document](#). Read the [press release](#).

Annual Report

On 9 June, EFAMA published its [Annual Report 2009](#).

International Quarterly Statistics

On the 3 June, EFAMA published its [International Statistical Release Q1 2010](#) on trends in the European Investment Fund Industry: Read the [highlights](#).

European Investment Fund Data

On the 14 June, EFAMA published its [April Monthly Industry Fact Sheet](#). Read the [highlights](#).

Risk Measurement and Calculation of Global Exposure and Counterparty Risk for UCITS

On the 2 June, EFAMA published its [reply](#) to the CESR's Consultation paper on Risk Measurement and Calculation of Global Exposure and Counterparty Risk for UCITS.

European Parliament

AIFM

On the 11 June, the Parliament updated the [procedure file COD/2009/0035 on Alternative Investment Fund Managers \(amending Directives 2004/39/EC and 2009/.../EC \(UCITS Directive\)\)](#)

Derivatives Market

During June, the Parliament published the following press releases relating to derivatives market:

- [More daylight and stricter rules for the derivatives market on the 15 June](#). Proposed EU rules on derivatives trading must be made clearer and tougher, so as to reduce speculative trading and ensure that as many derivatives as possible are traded through open channels that are subject to rules, the European Parliament said in an adopted resolution. The resolution also suggests ways to regulate the trade in credit default swaps and reduce the regulatory burden on corporate end-users of derivatives.
- [Daylight and rules for the derivatives market on the 2 June](#). Proposed EU rules on derivatives trading must be made clearer and tougher, so as to reduce speculative trading and ensure that as many derivatives as possible are traded through

open channels that are subject to standards, said the Economic and Monetary Affairs Committee in an approved resolution. The committee also suggested ways to regulate who may trade in credit default swaps and to reduce the regulatory burden on corporate end-users of derivatives.

European Savings Banks Group (ESBG)

MiFID

During June, ESBG published its position on the following CESR MiFID consultations:

- [Non-Equity Markets Transparency](#)
- [Equity Markets, Investor Protection and Intermediaries and Transaction Reporting](#)

Financial law Institute

Client protection

On 8 June, the financial law institute has published a [working paper](#) that analyses the system of differentiated client protection under the EU Markets in Financial Instruments Directive ("MiFID"), and compares this regime to the approach used by standard private law.

International Capital Market Association (ICMA)

MiFID

On 7 June, ICMA published its [survey on Corporate Bond Markets – Liquidity and Transparency](#) and its [response to CESR consultation in the context of the MiFID review on Non-Equity Markets Transparency](#). Read the [press release](#).

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Insurance, reinsurance and pensions

Normative documents

Banking, Finance and Insurance Commission (CBFA)

[Circular on the supplementary supervision of insurance and reinsurance companies belonging to an insurance or reinsurance group \(23-06-2010\)](#)

This circular (CBFA_21010_12) sets out the prudential rules applicable to the supplementary supervision of the CBFA on insurance and reinsurance companies belonging to an insurance or reinsurance group. Read the [circular letter](#) in [Dutch](#) or in [French](#).

Consultative or informative documents

Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS)

Catastrophe risk

On 15 June, CEIOPS published the [Report](#) of the Catastrophe Task Force, the joint Task Force between the industry and CEIOPS, which has provided CEIOPS with input and guidance on the calibration and application of non-life and health catastrophe standardized scenarios for the standard formula. The standardized scenarios will be tested during the QIS5 exercise.

Financial stability

On 29 June, CEIOPS published its **spring 2010 [report on the financial conditions and financial stability of the insurance and occupational pension fund sectors in the EU/EEA.](#)**

International Association of Insurance Supervisors (IAIS)

Financial stability

On 4 June, the IAIS has published a [position statement](#) on key financial stability issues.

Multilateral memorandum of understanding

In a [press release](#) of 22 June, the IAIS has announced the admission of Comision Nacional de Seguros y Fianzas, Mexico to the list of signatories of the IAIS Multilateral Memorandum of Understanding (MMoU). The MMoU is a framework for cooperation and the exchange of information and sets minimum standards to which signatories must adhere to bolster cross border supervision of insurance companies. It is an essential regulatory tool to ensure sound oversight of the insurance market through exchange of supervisory information and also help to promote financial integrity and appropriate customer protection.

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Tax

Normative documents

Official Journal of Belgium (BS/MB)

Royal Decree on tax deductible pensions

On 2 June, a [Royal Decree](#) changed the rules regarding tax deductibility of contributions and premiums paid in the framework of supplementary pensions.

New exemption of annual tax on insurance transactions

The [law](#) of 18 April 2010 with respect to a new exemption on the annual tax on insurance products has been published on 11 June 2010.

Consultative or informative documents

Council of the European Union

Common System of VAT: Treatment of Insurance and Financial Services

On 20 June, the Council published the following documents as regards the treatment of insurance and financial services:

- [Note 06880](#) related to the Proposal for a Council Directive amending Directive 2006/112/EC on the common system of value added tax, as regards the treatment of insurance and financial services.
- [Note 06879](#) related to the Proposal for a Council Regulation laying down implementing measures for Directive 2006/112/EC on the common system of value added tax, as regards the treatment of insurance and financial services and a [Corrigendum to this Note](#).

European Court of Justice (ECJ)

European Commission sent two reasoned opinions to Belgium on discriminatory aspects of its inbound dividends and foreign investments companies.

The [first request](#) refers to Belgian rules regarding certain inbound dividends received by natural persons. Under Belgian law, residents in Belgium pay a tax of 15 % on dividends paid by a Belgian company of which the majority of the shares are held by natural persons or of which part of the capital is contributed by a private investment company established in Belgium. Dividends paid out by similar companies resident in other European Economic Area countries are subject to a tax rate of 25%. The Commission considers that the Belgian provisions are discriminatory and restrict the free movement of capital and the freedom of establishment.

The [second reasoned](#) opinion refers to legislation which discriminates against foreign investment companies. Under Belgian law, Belgian investment companies do not effectively pay tax on their Belgian-sourced interest and dividend income. They get a refund for any Belgian

withholding taxes on their Belgian-sourced interest and dividend income. Foreign investment companies have to pay withholding taxes of 15 or 25 % on their Belgian-sourced interest and dividend income and cannot claim refunds. The Commission considers that the Belgian law is discriminatory and restricts the free movement of capital and the freedom of establishment.

European Banking Federation (EBF)

IIF-EBF Interim Report on the Cumulative Impact on the Global Economy of Proposed changes in the Banking Regulatory Framework.

On 10 June 2010 the EBF issued an [interim report](#) the Cumulative Impact on the Global Economy of Proposed changes in the Banking Regulatory Framework. The Working Group has been working for a number of months to prepare this report, which analyzes the impact of bank regulatory reform on the United States, Euro Area, Japan and (in aggregate) the emerging economies.

European Association of Co-operative Banks (EACB)

Sixth VAT Directive

On 9 June, EACB published its [Comments regarding the Commission's Consultation on the 6th VAT Directive and Financial Services](#) on modernizing VAT obligations for financial services and insurance.

Belgian Tax Authorities (FOD Financiën)

Circular letter regarding automatic exchange of information

In a [circular letter](#) dated 4 June 2010, the tax administration published its view on the new exchange of information in the framework of the implemented European Savings Directive.

Febelfin

Political memorandum regarding the financial sector for the new government

On June 25, 2010 Febelfin published a [political memorandum](#) regarding topics which should be addressed by the new government. Topics that are covered are e.g. the notional interest deduction, banking secrecy and pensions.

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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