

EU MATTERS: your newsletter on EU matters



November, 2018

Institutional affairs

Brexit

- Some progress in the negotiations between the UK and the EU are reported. However, at the EU27 Brexit meeting on 17 October, leaders concluded **not enough progress** had been achieved to close a deal. The Irish border is still the main tumbling block. The next regular Summit where an agreement can be confirmed is in December, but EU27 have declared willingness to convene an extraordinary Summit in November, if needed.
See main results: <https://www.consilium.europa.eu/en/meetings/european-council/2018/10/17/art50/>

Legislative Files

EU Benchmark Regulation

- The European Commission has **added STIBOR to the list of 'critical benchmarks'** used in financial markets according to the EU Benchmark Regulation. The list now consists of four benchmarks: EURIBOR, EONIA, LIBOR and STIBOR.
To read the regulation:
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R1557&from=EN>

Anti money laundering

- The Council has adopted a new anti money laundering directive, introducing **new criminal law provisions**, which will disrupt and block access by criminals to financial resources, including those used for terrorist activities. Member states now have up to 24 months to transpose it into national law. This directive complements, on the criminal law aspects, the directive on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing which was formally adopted in May 2018.

Read more:

<https://www.consilium.europa.eu/en/press/press-releases/2018/10/11/new-rules-to-criminalise-money-laundering-activities-adopted/pdf>

In addition to these now finalised pieces of legislation, political negotiations are still ongoing on a recent proposal from the European Commission to strengthen the role of the European Banking Authority as regards supervision and enforcement of anti money laundering.

Other news

Fintech

- ESMA's Securities Markets Stakeholder Group has published an advice on **Initial Coin Offerings (ICOs) and Crypto-Assets**. The three pieces of advice to ESMA are to:
 - issue guidelines to national supervisors in order to achieve supervisory convergence on issues related to ICOs and crypto-assets;
 - encourage legislative changes aiming at defining tokens as financial instruments according to MiFID; and
 - provide guidelines with minimum criteria for national authorities which operate or want to operate a sandbox or innovation hub.

Read the report:

https://www.esma.europa.eu/sites/default/files/library/esma22-106-1338_msg_advice_-_report_on_icos_and_crypto-assets.pdf

Derivatives

- ESMA has published its first **Annual Statistical Report on EU's derivatives markets**. The Report, based on data submitted under EMIR, provides the first comprehensive market-level view of the EU's derivatives markets. Highlights of the report are:
 - At the end of 2017, trade repositories reported a total of 74mn open transactions amounting to a gross notional outstanding of around EUR 660tn, including both over the counter (86% of the total) and exchange traded derivatives (14%).
 - In notional terms, interest rate derivatives dominate the market, with 69% of the total amount outstanding, followed by currency derivatives, at 12%, while all other asset classes i.e. equity, credit and commodity derivatives, account for less than 5% of the total amount outstanding.
 - Central clearing rates for new transactions have been increasing significantly, demonstrating the effectiveness of the EMIR clearing obligation. For all outstanding contracts in 4Q17, central clearing rates were around 27% (25% in 1Q17) for credit derivatives and 58% (40% in 1Q17) for interest rate derivatives, including also contracts concluded before the clearing obligation came into force.

Read the full report:

<https://www.esma.europa.eu/file/49540/download?token=AWwaSy5I>

Prospectuses

- ESMA has published its Annual Report on Prospectus activity. The report shows that the **amount of prospectus approvals across the EEA increased by 1.9%** from 2016 to 2017. This was a break from the overall decreasing trend seen since 2009, the number of approvals in 2017 amounting to only 34.3% of the 2007 peak level.

Read more here:

<https://www.esma.europa.eu/press-news/esma-news/esma-sees-19-increase-in-prospectus-approvals-across-eea>

Sustainable finance

- The International Organization of Securities Commissions (IOSCO) has created a **Sustainable Finance Network (SFN)**. The network will provide a platform for IOSCO's members to share their experiences and discuss sustainability-related issues. The network was formed at the initiative of the Swedish financial supervisory authority, Finansinspektionen. Its Director General Erik Thedén will chair the network.

Read more:

<https://www.fi.se/en/published/news/2018/iosco-creates-a-sustainable-finance-network-chaired-by-erik-thedeen/>

Pan-Baltic Capital Market

- The European Bank for Reconstruction and Development (EBRD) and the EU have reaffirmed their support for the Baltic countries' joint commitment to create a **pan-Baltic capital market**, by harmonising capital market regulations and dismantling investment barriers. Representatives of the three Baltic countries have reiterated their commitment to fully meet all regulatory obligations according to the highest international standards and best practice. This took place at a "Pan-Baltic Capital Market" conference at the EBRD in London.

Read more:

<https://www.ebrd.com/news/2018/-panbaltic-capital-market-taking-shape-.html>

EVENTS:

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|--------|---|
| 5 Nov | European Commission conference: Europe as an investment destination, Brussels |
| 6 Nov | EPFSF: Brexit: What does the UK's departure mean for EU's financial regulation? Speakers include Henrik Husman, President of Nasdaq Helsinki. Brussels. |
| 7 Nov | ESMA Board meeting |
| 20 Nov | GLOBE EU High-Level Conference – 'Missing links in the evolution of Sustainable Finance', Brussels |

- 26 Nov XBRL Finland / FIN-FSA Conference on the European Single Electronic Format, Helsinki
- 28 Nov The Nordic Financial Ecosystem Forum, organised by Nasdaq and EQT, in Brussels. Speakers include Vice President Valdis Dombrovskis and MEP Markus Ferber
- 30 Nov European Commission Conference on The future of corporate reporting in a digital & sustainable economy, hosted by Commissioner Valdis Dombrovskis, Brussels
- 4 Dec Annual European Small and Mid-Cap Awards, Brussels
- 4 Dec EPFSF: Competitive positioning EU 27 in Financial Markets, Brussels
- 4-5 Dec European Issuers Capital Markets Forum, Brussels
- 18 Dec ESMA Board meeting
- 2019**
- 21-22 Feb 6th CEPS Ideas Lab, Brussels

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