

This week's highlights

- **Equivalence:** The presentation of MEP Brian Hayes' draft report on equivalence took place in the Parliament ECON Committee. The rapporteur is calling for one single legislative framework underpinning equivalence in order to ensure greater transparency and consistency in how decisions are taken. There is a general consensus among MEPs on the need to improve transparency and the role of the EP in the decision-making process for equivalence decisions.
- **Brexit:** At a speech at the City Week conference Vice-President Dombrovskis expressed confidence that an equivalence decision can be a functional solution for the UK after Brexit. At the same event, Andrew Bailey, Chair of the FCA, voiced a more sceptical view of equivalence and expressed his support for mutual recognition, citing Brian Hayes' draft report on equivalence. In a speech at the Eurofi conference, Michel Barnier also said that the UK should remain close to EU financial regulation post-Brexit, to avoid the risk of another financial crisis. Maintaining a close alignment to EU financial regulation would make an equivalence regime operate in a more effective manner.
- **Regulatory capital:** CMCE gave its support to amendments proposed by EFET and other energy associations to the Commission's IFR proposal, following consultation with CMCE members in the Regulatory Capital working group.
- **EMIR CCP Supervision:** During the last Council working group on EMIR CCP Supervision, Member States discussed the Bulgarian Presidency's consolidated compromise proposal on third-country CCPs, with most MS agreeing with an extended scope for CBIs, the comply-or-explain principle to be applied and that CBIs' list of powers should be closed. The consideration of amendments to Danuta Hübner's draft report on EMIR CCP Supervision also took place in the Parliament. Both the rapporteur and shadows are in favour of having the same supervision system for EU and third-country CCPs, with some alterations where necessary.

MiFID II		
CMCE priorities	Status / latest developments	CMCE action
AA exemption Position limits Reporting Physical forwards	There were no significant developments in the last week.	<p>During the last CMCE regular members call, options for CMCE action following the ESMA letter to VP Dombrovskis asking for guidance on the entity vs group level interpretation of the ancillary activity test were discussed. It was agreed on the call that CMCE should write a letter to DG FISMA. However, since that call further discussions took place in an ISDA/EFET/FIA meeting involving several CMCE members, where it was agreed that writing to the Commission could be counter-productive and therefore no action should be taken at this point in time.</p> <p>From a procedural perspective, the Commission is unlikely to provide guidance on the AA test through a simple letter in response to ESMA. If the Commission decided that guidance should be provided as requested by ESMA, the most likely way for the Commission to provide this in a legally binding way would be to ask ESMA to revise RTS 20.</p> <p>The CMCE approach will be discussed on the next regular member's call on Wednesday 2 May.</p>

EMIR			
CMCE priorities	Status / latest developments	Next steps	CMCE action
EMIR REFIT	The vote on the ECON Committee report which was originally meant to take place this week was postponed. The new date for the vote has not yet been confirmed. It could at the earliest take place on 16 May when the next ECON Committee meeting is scheduled.	16 May - Vote in ECON (tentative)	
EMIR II.2 – CCP supervision	During the last Council working group on EMIR CCP Supervision which took place on 19 April, the Member States (MS) discussed the Bulgarian Presidency's consolidated compromise proposal on third-country CCPs. Most MS agree with an extended scope for CBIs, the	16-17 May - Vote in the ECON Committee	

	<p>comply-or-explain principle to be applied and agree that the CBLs' list of powers should be closed.</p> <p>On 24 April, the consideration of amendments to Danuta Hübner's draft report on EMIR CCP Supervision took place in the ECON Committee. The rapporteur is advocating for the establishment of an internal committee within ESMA to supervise EU and non-EU CCPs. Both the rapporteur and shadows are in favour of having the same system for EU and third-country CCPs, with some alterations where necessary.</p> <p>However, an important distinction is that the rapporteur is suggesting that non-EU CCPs would be divided into three tiers, tier 1 for less systemically significant CCPs for EU financial markets and tier 3 for very systemically relevant CCPs. A similar system would exist for EU CCPs, but instead of tiering, the idea would be to have 3 "baskets" of supervisory decisions depending on their need for approval or consultation from ESMA. While the vote on the draft report should take place in ECON on 16 May, this is subject to the progress of the negotiating team.</p> <p>Danuta Hübner and Gabriel Mato's draft report on amending art.22 of the ECB statute was also published. The co-rapporteurs stress that Brexit will lead to a situation in which Euroclearing activities that have implications specifically for the conduct of monetary policy should be regulated. They would also like to create an open-ended and non-exhaustive list of powers for the ECB which are relevant to the conduct of monetary policy in areas including liquidity, settlement, collateral, interoperability and margin requirements.</p>		
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Brexit		
Latest developments	Next steps	CMCE action
European Commission Vice-President Valdis Dombrovskis made a speech in London at the City Week conference where he outlined that he is confident that an equivalence decision can be a functional solution for the UK after Brexit.	April - Union negotiator to begin negotiations with the UK on the overall understanding on the framework for the future relationship	

<p>At the same conference, Andrew Bailey, chair of the FCA made a speech reiterating the FCA's position on Brexit and the need for continued supervisory cooperation. He said "the current EU equivalence regime doesn't best suit any of the parties" and suggested mutual recognition would be a better basis for the relationship. This could work by ensuring the two regulatory frameworks are equivalent on day one of Brexit, with each side retaining autonomy in rule-making while also creating cooperation and coordination structures that work to keep rules consistent.</p> <p>Michel Barnier gave a speech at the Eurofi conference on 26 April, commenting that the UK should remain "close" to EU financial regulation post-Brexit, to avoid the risk of another financial crisis. He also said that maintaining a close alignment to EU financial regulation would make an equivalence regime operate in a more effective manner.</p>	<p>June – European Parliament plenary to adopt resolution on Brexit</p> <p>October – EU target timeline for reaching final deal on withdrawal agreement</p>	
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CRR II & Regulatory Capital			
CMCE priorities	Status / latest developments	Next steps	CMCE action
IFR & IFD	There were no significant developments of relevance in the last week.	<p>16/17 May – presentation of draft report in ECON</p> <p>24 May – Deadline for amendments</p> <p>18/19 June – Consideration of amendments</p> <p>24 September – Vote in ECON</p>	CMCE gave its support to amendments proposed by EFET and other energy associations to the Commission's IFR proposal, following consultation with CMCE members in the Regulatory Capital working group.

Benchmarks			
CMCE priorities	Status / latest developments	Next steps	CMCE action
<p>Commodity benchmarks</p> <p>Critical benchmarks</p>	There were no significant developments of relevance in the last week. The reform of the Bank of England's SONIA was implemented on 23 April. The methodology of the benchmark has been changed to now encapsulate a broad scope of overnight unsecured deposits, by including bilaterally		

Third country equivalence	negotiated transactions alongside the brokered transactions which were already included in the previous methodology.		
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European Parliament INI Report on equivalence

Latest developments	Next steps
<p>On 23 April, the presentation Brian Hayes' draft report on relationships between the EU and third countries concerning financial services regulation and supervision took place. The rapporteur calls for one single legislative framework underpinning equivalence in order to ensure greater transparency and consistency in how decisions are taken.</p> <p>There is a general consensus among MEPs on the need to improve transparency and the role of the EP in the decision-making process for equivalence decisions. MEPs generally disagreed on paragraph 5 which mentions mutual recognition. MEPs from the S&D and Greens groups reiterated their support for the equivalence regime.</p>	<p>2 May - Deadline for Amendments</p> <p>28 May - Consideration of Amendments in ECON</p> <p>18-19 June - ECON vote</p>

SFTR

CMCE priorities	Status / latest developments	Next steps
Reporting obligations	There were no significant developments this week.	<p>May – Adoption of SFTR Level 2 measures</p> <p>Q4 - Publication in Official Journal</p>

ESAs review			
CMCE priorities	Status / latest developments	Next steps	CMCE action
Critical benchmarks Supervision	There were no significant developments this week.	23 May – Council Working Party 18-19 June - Presentation of draft report in the ECON Committee 9 July - Deadline for amendments in the ECON Committee 3 September - Consideration of amendments in the ECON Committee 24 September – Vote in the ECON Committee	