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3rd edition

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14 most recent issues

- Recently adopted Directives (-7-)
- European Commission current proposals (-5-)
- Consultations launched by the European Commission (-2-)

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Recently approved Directives

- Directive on financial collateral arrangements (May 2002)
- 2 Directives on solvency margins for insurance undertakings (February 2002)
- 2 Directives on harmonised investment funds – UCITS (December 2001)
- Regulation on charges for cross-border payments (December 2001)
- EC decision on standard contractual clauses (January 2002)

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1. Directive on financial collateral arrangements

The approved Directive should resolve the main problems affecting cross-border use of collateral in financial markets by:

- ✓ creating a clear and uniform EU legal framework for the creation of securities and cash collateral;
- ✓ providing limited protection for collateral arrangements from some rules of insolvency law;

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- The New Directive is due to be implemented by Member States within 18 months, i.e. around the end of 2003*

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2. Directives on solvency margins for insurance undertakings

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Main features of the new Directives:

- ✓ the two adopted Directives improve the existing rules for the calculation of the solvency margin requirement for insurance undertakings;
- ✓ as a result, they should reinforce safeguards for policyholders by strengthening the solvency margin requirements;
- ✓ they concentrate on one, but very important, aspect of the financial position of an insurance undertaking;
- ✓ Commission's project «Solvency II» is on it's way!

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3. *Two Directives on harmonised investment funds*

Directives aim to harmonise prudential rules to protect the investor and level the playing field among fund managers all over the Europe.

Technically there are 2 separate Directives, the first one focuses essentially on product, the other one deals with the UCITS management companies.

Main features of the «package»:

- Covering companies managing collective investment undertakings (UCITS) – common funds, unit trusts..., etc.

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3. *Two Directives on harmonised investment funds*

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- The adopted Directives extend the range of assets in which harmonised UCITS can invest and recognise investment management techniques widely and successfully used such as index "tracking" or securities lending
- They also coordinate rules on market access, operating conditions and prudential safeguards to be respected by UCITS management companies
- They should increase investor protection by ensuring that such intermediaries are sound, reliable, and duly supervised professional institutions

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4. *Cross border payments in euros*

The regulation requires:

- the charges for withdrawals from ATM's use of bank cards, credit transfers and cheques to be the same, when denominated in euros, for both national and cross-border transactions;

This provision would apply from July 2002 for card payments and cash dispensers and from July 2003 for bank transfers and cheques.

- customers to be properly informed in advance of the charges they will incur when making cross-border payments;

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4. *Cross border payments in euros*

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- mandatory use of the ISO standard codes (namely IBAN – International Bank Account number - and BIC – Bank Identifier Code) in order to allow banks to process credit transfers in a fully automated way.
- banks will no longer need to declare to the authorities any payments below 12,500 Euro;
- Payments in non-euro currencies also could be subject to this Regulation if the Member States so decide.

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5. EC decision on standard contractual clauses for the transfer of personal data to third countries

- On June 2001, the Commission already approved a Decision providing standard contractual clauses (SCC) for the transfer of personal data to from a controller established in the Community (Data Exporter) to a controller established in a third country (Data Importer)
- This Commission Decision, approved at the end of December 2001, sets out SCC for the transfer of personal data to processors established outside the EU and not recognized as offering an adequate level of data protection.

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[illegible]

5. EC decision on standard contractual clauses for the transfer of personal data to third countries

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- The Decision offers companies straightforward means of complying with their obligation to ensure «adequate protection» for personal data transferred outside the EU.
- The Decision simplifies the process for companies and organizations needing to transfer personal data for processing in third countries.
- Use of these SCC will be voluntary.

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European Commission proposals

- Regulation on the application of International Accounting Standards (IAS)
- Directive on supplementary supervision of financial conglomerates
- Directive on insider dealing and market manipulation (Market abuse Directive)
- Directive on single prospectuses for issuers
- Insurance mediation Directive

6. Regulation on the application of International Accounting Standards

Regulations aims at obliging all listed EU companies to prepare their consolidated accounts in conformity with International Accounting Standards (IAS);

As a result:

- companies' accounts throughout the EU should become more transparent and more easily comparable;
- it should enable companies to prepare their consolidated accounts with a single set of accounting standards;

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[illegible]

6. Regulation on the application of International Accounting Standards

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- it should increase market efficiency and reduce the cost of raising capital for companies;
- these standards (IAS) should be applied for all listed companies in the EU from 2005 onwards;
- Member States would have the option to extend this requirement to unlisted companies and to the production of individual accounts.

- [illegible]

7. Directive on prudential supervision of financial conglomerates

Conglomerates = single financial entities that offer a range of financial services such as banking, insurance and securities.

The four main objectives of the Directive are:

- to ensure that the financial conglomerates are adequately capitalised;
- to introduce methods for calculating a conglomerate's overall solvency position;

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7. Directive on prudential supervision of financial conglomerates

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- to deal with the issues of intra-group transactions, exposure to risk and the suitability and professionalism of management at financial conglomerate level;
- to ensure adequate internal control mechanisms and appropriate risk management processes in a conglomerates.

Member States will be required to ensure that one single authority is designated responsible for the overview of each financial conglomerate.

8. Directive on insider dealing and market manipulation

Main features of the proposed Directive:

- ✓ covers both main categories of market abuse - insider dealing and market manipulation;
- ✓ should increase standards for market integrity in the securities field throughout the EU;
- ✓ should establish a strong commitment to transparency and equal treatment of market participants;
- ✓ it would require closer cooperation and a higher degree of exchange of information between national authorities;

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8. Directive on insider dealing and market manipulation

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- ✓ the scope would be related to all financial instruments admitted to trading on at least one regulated market in the EU, including primary markets
- ✓ the proposal would apply to all transactions concerning those instruments, whether those transactions are undertaken on regulated markets or elsewhere

Member States will have to designate a single regulatory and supervisory authority to tackle insider trading and market manipulation.

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9. Prospectuses Directive

The key features of the Directive are:

- definition of clear conditions for offering securities to the public and for admission to trading ;
- harmonisation of the essential definitions in order to avoid loopholes and different approaches, thus ensuring a level playing field throughout the EU;
- introduction of new disclosure standards in line with international standards for public offer of securities and admission to trading (this should make it easier for EU issuers to offer their securities in non-EU countries, notably the US);

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9. Prospectuses Directive

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- introduction of the registration document system for issuers whose securities are admitted to trading on regulated markets in order to ensure a yearly update of the key information concerning the issuer;
- concentration of the responsibilities in the home country's administrative competent authority;
- introduction of the «single passport» institute: possibility to offer or admit securities to trading on the basis of a simple notification of the prospectus approved by the home competent authority.

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10. Insurance mediation Directive

Main features of the proposed Directive:

- ✓ it should make it easier for insurance intermediaries to sell their products within the EU;
- ✓ simultaneously, it should guarantee proper protection of customer's interests;
- ✓ on the basis of their registration in the home country, insurance intermediaries will be able to do business in other Member States;

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10. Insurance mediation Directive

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- ✓ Directive sets minimum requirements for companies and individuals who carry out insurance or reinsurance mediation:
 - possession of appropriate knowledge and ability;
 - good reputation;
 - possession of professional indemnity insurance;
 - having sufficient financial capacity, in the case of insurance intermediaries who handle customers' money.

Member States will be allowed to adopt stricter provisions, but only for intermediaries registered on their territory.

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Consultations launched by the European Commission

- Second consultation on upgrade the Investment Services Directive (ISD)
- Second consultation on transparency obligations for publicly traded companies

11. Second consultation on Investment Services Directive

Main regulatory issues that Investment Services Directive (ISD) needs to address are:

- updating investor protection safeguards to help investors profit fully from a wider range of investment services;
- enabling investment firms to provide services across borders on the basis of home country authorization and supervision;
- broadening the scope of the Directive to include investment advice and trading of commodity derivatives;
- simplifying the classification of order-execution systems;

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11. Second consultation on Investment Services Directive

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- establishing a level playing field between different ways of executing investment orders through:
 - «regulated markets», like stock exchanges;
 - Alternative Trading Systems;
 - «in-house» order matching by banks who execute client orders to buy/sell securities against other client orders or their own trading positions.

Commission is going to present it's formal proposal for a directive in late 2002.

12. Second consultation on transparency obligations of publicly traded companies

- ❖ On July 2001 the first consultation on the subject was launched by the European Commission.*
- ❖ There were over 90 responses to this consultation.*
- ❖ As a result, a second consultation was launched in May 2002 to tackle some particular aspects of the issue.*

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12. Second consultation on transparency obligations of publicly traded companies

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Main subjects of second consultation are:

- strong focus on particular transparency aspects, like annual and quarterly financial reporting;
- equal treatment of shareholders, ensuring easy and readily access to disclosed information across all the Member States;
- disclosure of the breakdown of voting rights and capital and capital and voting structures in general.

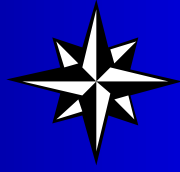
Commission has an intention to issue formal proposal for the Directive by the end of 2002.

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Thank you for your attention!

