



Newsletter - EU Financial Reforms

October 2010

This newsletter is part of the project "[Towards a Global Finance System at the Service of Sustainable Development](#)", implemented by six European NGOs with the aim of ensuring that European economic stimulus packages do not impact negatively on development.

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Editorial

This newsletter is published on 8 October 2010, before the Council of EU Ministers of Finance on 19 October 2010 meet to prepare the G20 meetings on 22-23 October and 11-12 November (Seoul Summit). In the next few months, these meetings will decide on what is officially seen as some major financial reforms. An important decision will be on the new 'capital requirements' for banks (Basel III), that is the imposition of more capital buffers on banks and related rules. Also, the EU might finally come to an agreement about new regulations on hedge funds, private equity and similar funds, which are major speculators on the stock, bond and derivatives markets. However, the financial lobby has again proven to be successful in watering down the draft proposals so far, while civil society, trade unions and other critics have had little influence in making the financial sector serving current economic and societal needs.

The necessity for much more stringent and fundamental reforms, however, is very apparent from the following examples of 'mini-crises'.

The large public protests all over the EU by trade unions on 29 September 2010, as well as the

French protests against later retirement, show the major economic and social impact the bailing out of failing banks and the economic crisis have had on workers and families. The crisis and bank bail-outs resulted in severe governmental budget cuts as well as job losses. The EU governments have turned to new EU procedures for economic governance and the EU's stability and growth pact, to improve coordination of the member states' economic policies and help strengthen budgetary discipline and macro-economic stability. This is again a neo-liberal response to financial markets that became nervous these past months about large governmental budget deficits and budget cuts, and the value of governmental bonds.

In the meantime, bankers, deal makers and financial speculators on the financial markets are again receiving high bonuses, since the still unregulated derivatives markets have hardly decreased as compared to before the crisis. Newly agreed EU rules on bonus payments might just put some restrictions on excesses. Other measures to ensure that tax payers are not paying for speculators' and bank failures are still to be decided. NGOs have heavily campaigned for taxing speculative and other financial transactions (FTT), but the EU Ministers have not yet agreed to do so at EU level, although they will promote the FTT at the G20. Another measure to prevent governmental budget deficits is to fight tax evasion and avoidance by the banking sector which the EC now recognises as being 'under-taxed', while being largely dependant on tax payers' money.

Recent months have shown how financial markets are still prone to huge instability.

A major civil society concern is the instability in the commodity derivatives markets which have resulted in prices spikes, and sometime sudden price falls, in commodity prices related to food and export products from developing countries. Examples are huge price increases and falls in wheat and cocoa and related derivative contracts. The latter was the result of huge cocoa derivative speculation by a hedge fund, which resulted in the hedge fund actually holding 7% (!) of annual cocoa production. As this newsletter outlines, NGOs have started advocacy activities against financial speculation in (agricultural) commodity derivatives about which the European Commission has finally started to make concrete proposals for new regulations. For those who want to join such activities, this newsletter pays some special attention to reforms of the speculative derivative markets, which also include speculation in currencies (of developing countries).

The stock markets also became volatile at some point in September, after it became clear that the stress test of banks in the EU, undertaken in July 2010 to detect potential failing banks, was not fully taking into account the risks of EU banks that had bought bonds from countries such as Greece and Ireland. These countries have major financial problems due to the crisis and are considered to possibly default. This also showed that fundamental problems of credit rating agencies still need to be tackled, since they continue to determine many aspects of valuation in the financial markets. Also, the EU still does not discuss how to deal with "too big to fail" banks.

Lately, the fundamental problems of the international monetary and capital system have become apparent when warnings were being made by the IMF against "international currency wars". Since financial and trade imbalances have not been tackled, and capital can still continue to roam freely around the world in search of profits, China and increasingly other developing countries are intervening to keep the value of their currency low against the dollar and the Euro. This makes exports from the US and the EU more expensive which made the EU and US warn against 'undervalued' currencies. This issue might become very prominent at the G20 meeting. In the meantime, the EU signs new free trade and investment agreements like the one with South Korea, which restricts control over free flow of capital and prevents solutions to the imbalance of trade flows and balance of payments. Such agreements also include rules to liberalise financial services, which are incoherent with EU financial reforms, an issue which the EU refuses to accept.

Coherence and effectiveness might still be a real problem when the EC acts on a whole series of new financial reforms in the coming months, which are just briefly mentioned in this newsletter. It

remains to be seen how much of these will deal with the fundamental problems of the EU's financial sector and the international financial and monetary system, and whether new regulations will incorporate some measures that support financing sustainable societies, not only in the EU but also in developing countries. So far, the needs of the financial sector have received priority over an above those of society and a sustainable economy.

'Third country' issue still splitting EU member states and EP on regulating hedge funds



The final text on the EU regulation of managers of hedge funds, private equity funds and other [alternative investment funds](#) (AIF) is not expected to be approved before 19 October 2010. Not only is there disagreement between the European Parliament (EP) and the Council of Finance Ministers (see newsletters from [April](#) and [June](#) this year), but Council members also disagree, with France and the UK still having strong opposing views after talks on 4 October 2010. The last major obstacle are divergent views about how to allow managers of non-EU funds to raise money

from European investors (the so-called 'third country' fund marketing issue). If member states and the EP will come to an agreement on a watered down Alternative Investment Fund Managers (AIFM) Directive in mid-October as planned, the AIF industry will be regulated for the first time and be more transparent. The Directive intends to restrict some of the industry's risky and non-transparent behaviour that contributed to the financial crisis. The very complex discussions took place under fierce lobby pressure by the AIF industry and while trade unions could somewhat influence regulation of damaging activities by private equity funds, civil society had no capacity to raise its voice.

The proposed AIFM Directive (AIFMD) intends to regulate managers of funds which are not yet covered by EU legislation (such as the [UCITS](#) Directive), and will mostly include [hedge funds](#), [private equity funds](#) and venture capital firms. After differing texts were voted on, in May 2010 by, respectively the [Council of Finance Ministers \(ECOFIN\)](#) and the [EP's committee responsible for the AIFMD, the \(ECON\)](#), many attempts were made to find a compromise that could result in the final text to be voted on at the EP's plenary session: 'trialogues' took place between the EP, the Council and the Commission, resulting in a compromise proposal drafted by the Belgian presidency. Since talks on 4 October still failed to reach a full compromise, it is not clear whether the EP plans to go ahead with a vote on the Directive during its plenary session on 18-19 October 2010. For the AIFMD to come into force on the planned date of July 2012, the implementation process has to start in early 2011.

The issues the two EU co-decision bodies (the EP's ECON and the Council of Finance Ministers) reached a compromise on after disagreements and watering down draft texts are:

- the scope of the Directive,
- exemptions of the Directive for some funds,
- the minimum level of capital reserves to be held by the funds,
- regulation of the remuneration policy of the funds

- the use of external money ([leverage](#)), and
- rules to restrict [short selling](#).

The main issues still pending are the questions on transparency and the ‘third country’ issue.

Transparency

Regarding transparency, the Council and the EP have not yet agreed whether AIFs have to disclose information on, for example, operational developments or remuneration policies, of companies of which they have at least 50% of the voting rights, or information on companies of which they have a 10% ownership (the EP’s position).

Third country issue

The third country dispute relates to what conditions funds and fund managers domiciled outside the EU can manage and ‘market’ such funds within the EU so that European investors can invest in them. The EP wants member states to only permit access for these non-EU funds and their managers on the basis of the AIFM Directive and if these non-EU funds, and their country of origin, comply with conditions such as anti-money laundering standards and tax cooperation aiming at proper taxation of funds, managers and investors. These conditions also aim at protecting investors against off-shore funds. Such conditions and rules would come into force after a transition period of three years after which European investors would have no access to non-EU AIFMs or AIFs that do not meet the conditions.

EU member states, on the other hand, are more interested to marketing rules for non-EU funds and managers at the national level, as long as certain conditions are met, but clash whether such non-EU managers should be able to then operate all over the EU (using an “EU passport”). France has long opposed an EU-wide marketing passport because it wants to keep strict control over which non-EU funds and managers are admitted on its territory. On 7 October 2010, France changed its position after a letter by the US Treasury Secretary Geithner. France accepted an EU passport for non-EU funds and AIFM but only if the newly created European Securities and Markets Authority (ESMA: see [this newsletter](#)) would set strong rules and strict admission processes. Others like the UK (supported by the Netherlands, the Czech Republic, and Scandinavian bloc) would prefer national admission rules for a European passport but would be able to accept a Belgian compromise that would temporarily allow countries to retain their own national admission rules until it is clear that a newly created European-wide system works. This system would enable non-EU managers to do business across the EU once they qualify under EU rules.

In light of new EU regulations, some hedge funds are already moving out of the EU or adapting to (existing) EU rules.

For the different texts and latest dates for decision-making, see the [legal overview](#). A more detailed overview on the outstanding issues in AIFM Directive negotiations, see, for instance, an update from [Loyens & Loeff](#).

[A glossary of terms relating to the AIFM Directive](#) is provided on the EP website.

For discussions about hedge funds and private equity by civil society and trade unions, see [ETUC](#), ‘The Private Sector Turn: Private equity, financial intermediaries and what they mean for development’, a [conference organised on 22 November 2010 in London](#).

First steps in EU regulation against derivative speculation



On 15 September 2010, the European Commission (EC) made initial and rather timid proposals to make large unregulated [over-the-counter](#) derivative markets [less risky](#), more transparent and [less prone to destabilising activities](#) (e.g. [short selling](#)). The EC aims at avoiding speculation against government bonds and the Euro, as was the case in Spring 2010. The EC wants to pay particular attention to speculation through food commodity derivatives which NGOs want to be strictly limited and regulated. [Huge volatility](#) in the wheat and cocoa market over recent months (in which

speculation by hedge funds played a role) is proof of the negative impact that unregulated agricultural commodity derivative markets have on developing countries who are dependent on commodity exports (e.g. of cocoa) or food imports. The EC announced to submit more legislative proposals over the next months to deal with the speculative financial markets through a series of new or revised EU laws, making new EU regulation of food speculation and other casino aspects of the financial system very slow and resulting in a complex set of rules.

The two [legislative proposals](#) which the European Commission (EC) issued on 15 September 2010, related to regulating (1) the destabilising practices of [short-selling](#), and (2) the so-called [over-the-counter](#) (OTC) derivatives market, which constitutes 80-90% of [derivatives](#) trade. Both proposals (on [derivatives](#) and [short selling](#)) are now up for co-decision by the European Parliament (EP) and the Council of Finance Ministers (ECOFIN), and, if passed, will become EU 'regulations' (i.e. directly applicable in EU member states) from mid-2012 onwards.

The up to now wholly unregulated OTC derivatives markets, which grew rapidly since 2000, were valued at the end of 2009 at around € 435 trillion based on the value of their underlying assets ('notional value outstanding'). This was only 10% less than at the peak of the OTC derivatives market mid-2008 before the financial crisis. As NGOs such as the [World Development Movement](#) and [SOMO](#) have shown, the real drivers of the derivatives markets are a few large US and European investment banks, which continue to pay high bonuses out of high profits from derivative trading.

(1) Transparency on short-selling and credit default swaps

On 15 September 2010, the EC made specific [proposals](#) to deal with [short-selling](#), i.e. the sale of a security the seller does not own but borrows with the intention of buying it in time to deliver it to the buyer. In the meantime, the short seller hopes to make a profit. The EC does not prohibit short-selling but imposes conditions to:

- increase transparency through different reporting requirements,
- ensure delivery of borrowed securities that are sold, and
- limit or ban short-selling by regulators/supervisors in emergency situations.

The measures give special attention to avoiding speculation against governmental bonds through [credit default swaps](#).

(2) Regulating OTC derivative markets

The most important and controversial EC [proposals](#) on OTC derivative markets, issued on 15 September 2010, relate to:

- **Increasing transparency** by reporting all derivatives trade to central data centres, so-called [trade repositories](#) to which regulators have access and which publish general overviews to market participants, but not the public.
- **Reducing the risks** of OTC derivative trading by mechanisms that ensure and even oblige that more derivatives (especially 'standardised' OTC-derivatives) are [cleared](#) through [central counter parties](#) (CCPs). This means that CCPs ensure that financial buffers exist in case one of the two derivative contract holders defaults.
- **Ensuring that CCPs do not become themselves a source of financial instability** by imposing new stringent prudential and operational CCP rules.
- **No clearing obligation for so-called end-users** who enter into commodity derivatives contracts which they use to ensure delivery or guarantee prices for commodities that are part of their commercial activities ('commercial hedging'); derivative contracts by end-users other than for commercial hedging will need to be reported to trade repositories and/or cleared from a stipulated value onwards.
- **New risk mitigation** techniques are to be applied to non-cleared OTC derivatives.

Some details of the EC proposals have to be decided separately by the newly created EU regulators/supervisors (European Securities and Markets Authority, ESMA).

Weak regulations

The current EC proposals only deal with very specific problems of the non-transparent OTC markets that became visible during the crisis. The lack of information on who was trading how much and what with whom resulted in halting the financial markets in autumn 2008 because of distrust among financial firms after the fall of Lehman Brothers. Also, regulators were not able to access all information and could not intervene.

Further, the EC proposals so far clearly reflect lobby pressures to not mandate all derivative traders to clear, thus still leaving many risks. Also, CCPs themselves and supervisors (in this case the newly founded ESMA) will still need to decide which kind of derivatives need to be cleared. The exemption for end-users, who are using commodities for their operations (see above 'commercial hedging'), from clearing and reporting obligations, reflects protests by large end-users about higher costs. As a result, transparency and stability of the derivative markets can still not be guaranteed and volatility can actually harm end-users.

Overall, there are no limits on the kind of derivatives that can be traded, for instance, there is no ban on excessive food speculation or on socially useless and purely gambling derivatives.

Getting ready for new legislation

Several NGOs (see list of publications below) have become active around the EC's new legislation on commodity derivatives as well as "emission allowance" derivatives based on contracts of carbon trading and CO2 offsetting credits. They have organised an NGO workshop (announced in the [June newsletter](#)) on 21 September 2010, to explain the problems in the commodity derivatives markets. They call on other civil society organisations to join activities at the EU level to stop speculation on food commodities (for contacts, see list of publications and events below).

A group of NGOs was also present at the [hearings](#) organised by the EC on 21-22 September about further regulation of derivative markets through a revision of the Markets in Financial Instruments Directive ([MiFID](#), provides for harmonised regulation for investment services). The EU only allowed two civil society panelists to join the debate when commodity derivatives markets were discussed, and even then only after pressure to do so. All other panelists, including the chairs, were from the financial industry (e.g. Goldman Sachs), the commodity industry (e.g. Cargill) and supervisors/regulators.

The Commissioner for the Internal Market, Michel Barnier, stressed in his keynote speech the

urgency of curbing commodity speculation and repeated his earlier statement that speculation on agricultural markets is scandalous. He is supported by initiatives of the French government. Also present was the US Commodity Futures Trading Commission (CFTC), who is now implementing this summer's financial reform act, the Dodd-Frank Act. The EC [declared](#) it wanted to closely cooperate with the CFTC in order to avoid that speculators use weaknesses in other regulatory regimes to avoid regulation ("regulatory arbitrage"), a major concern.

Civil society wants stronger action

It remains to be seen in how far the EC will include demands from NGOs in its future legislative proposals, such as:

- introducing the precautionary principle in regulation to prevent rather than repair food commodity speculation,
- well-defined and strict limits on financial speculative participants and contracts in (agricultural) commodity derivative markets,
- a specific and strong capable supervisor for commodity derivative markets with close institutional links with supervisors and regulators of physical commodity markets,
- much more information about all commodity derivative trading not only to supervisors but also to the public who should furthermore have more access to supervisors, and
- clearing of all commodity derivatives.

More information about civil society publications, positions, and events can be found below.

New and planned regulation on derivatives markets

Further regulation of (agricultural commodity) derivatives is going to take place through the following new and revised legislative proposals:

- Review of the Directive on Markets in Financial Instruments (MiFID) which could include limits on financial speculators: legislative proposals beginning/Spring 2011
- Creation of an [Expert Group on Market Infrastructures \(EGMI\)](#) and its first meeting on 16 September 2010
- Review of the Market Abuse Directive (MAD) in order to prevent market manipulation and fraud: legislative proposals beginning/Spring 2011
- Reviews of the Capital Requirements Directive ([CRD 2 and CRD 3: see elsewhere in this newsletter](#)) to increase capital requirement for banks that are trading on derivatives markets: implementation in 2011
- Review of the Capital Requirements Directive ([CRD 4, after decisions on Basel III: see elsewhere in this newsletter](#)) to include higher capital reserves for banks that lend money for derivatives trade that is not cleared: legislative proposals beginning/Spring 2011
- New or revised directives and regulations that give additional functions to the European Securities and Markets Authorities (ESMA): from January 2011 onwards
- A new directive on hedge funds and other "alternative" investors which speculate in commodity markets, the [AIFMD](#): decision expected in Autumn 2010, to be implemented in 2012
- Additional reforms of credit rating agencies: Spring 2011 onwards
- [Improvements](#) in the operation of the Directive on Undertakings for Collective Investments in Transferable Securities (UCITS): to be implemented by 1 July 2011, review of UCITS possibly in 2011

Publications, positions and activities of civil society organisations related to agricultural commodity speculation in derivatives markets can be found among others on the following websites:

- [World Development Movement](#)

- [Corporate Europe Observatory \(CEO\)](#)
- [Institute for Agriculture and Trade Policy \(IATP\)](#)
- [Re-define](#)
- [SOMO \(Centre for Research on Multinational Corporations\)](#)
- [UN Special Rapporteur on Food](#)
- [World Economy, Ecology and Development \(WEED\)](#)

New EU legislation after financial industry maintains high bonuses



In 2010, many banks continued to pay its staff very high bonuses despite repeated calls at national, EU and international level to reduce bonus payments to bankers and despite street protests against public austerity measures following the rescue of banks. The UK's one-off tax on all bank bonuses has clearly proven to be ineffective. In July 2010, the European Parliament (EP), rather unexpectedly, agreed on new restrictive conditions on how to pay bonuses in order to reduce risky behaviour. Under the new rules, more than 50% of bonus payments will be delayed until later years

and depend on the banks' performance. The EU remuneration rules should apply from January 2011 onwards and are part of a revised Capital Requirements Directive (CRD 3).

MEPs claim that the new revision of the [Capital Requirements Directive](#) (CRD 3), (see also the [first](#) and current issue of this newsletter), agreed on 7 July 2010, lays down the strictest rules on bonus payments in the world. The remuneration rules aim at changing the so-called bonus culture, whereby staff of financial firms are in large part paid in form of bonuses rather than regular salaries, based on the amount of profit they make for the bank. The bigger the risk taken by staff, the bigger the potential profit and the bigger their bonus, so that staff takes home large bonuses even if the risks taken mean the bank has to be bailed out later with tax payers' money.

The rules also lay down that the overall proportion of bonuses vis a vis salary payments has to be reduced. Further, upfront cash bonuses and payments are limited to later years so that losses can be recouped and staff are given incentives to take into account the bank's long-term stability. The new EU directive stipulates that only 30% of the total bonus will be paid out in cash (for particularly large bonuses, the upfront cash limit is set at 20%). Between 40% to 60% of any bonus must be delayed for at least three years and could be recovered if investments do not perform as expected. Moreover, at least 50% of the total bonus is to be paid as "contingent capital" (funds to be called upon first in case of bank difficulties) and shares. Finally, exceptionally high pension payments must be linked to final value to the overall strength of the bank, so as to avoid that high pensions are paid even if the bank is in trouble.

Before implementation at the national level, EU bank supervisors launched a [public consultation](#) on potential implementation guidelines after they discussed their divergent views.

More [background information](#) and the [full text of the Directive](#).

EP and Commission recommendations on remuneration policies

Separate from the Directive, the European Parliament passed a [non-legislative resolution](#) on 7 July 2010 calling for remuneration policy principles to be extended to cover all financial companies listed on stock exchanges. The Resolution proposes that listed companies explain their remuneration policies if their directors' pay seems to include incentives to take excessive risk or short-term decisions. The resolution also proposes that shareholders be given greater control over the directors of a listed company and to limit high payments to directors who leave early.

The European Commission (EC) already made two recommendations in 2009 on how to deal with bonuses and other remuneration policies for financial sector companies listed on the stock exchange. In June 2010, the EC [reported](#) on how EU member states were implementing those recommendations and found that "a significant number of member states have yet to implement the recommendations fully".

UK bonus tax

In December 2009, the UK had introduced a bonus tax as a one-off tax of 50% on all bank bonuses of more than £25,000. However, employers either paid the higher taxes or avoided them, so that the tax failed to reduce bonuses as intended. A negative consequence of the measure was that the tax even depleted some banks' capital reserves. Continued high bonus payouts (around £7 billion) are expected for 2010, although government ministers have called for restraint and hinted that further regulation on bonuses might be introduced. The UK's regulator, the Financial Services Authority (FSA), has demanded that banks and other financial firms such as hedge funds, defer 40% to 60% of bonuses for at least three years and that at least 50% of the total bonus package must be paid in shares or share-linked instruments.

Protests against the UK government's planned budget cuts were particularly directed at the banks, which are criticised for poor service and poor lending, high interest margins and profits, unfair charges and their seeming lack of humility in restraining levels of pay. The new chief executives of Barclays Bank and HSBC, two of the largest global banks, continue to defend their banking practices and have threatened to relocate operations if regulation, in their view, goes too far.

An issue that is currently not being debated is how the continuation of high bonus payments is linked to the high level of derivatives trading and other risky financial products (see article on [derivative speculation](#) in this newsletter).

First step towards new EU supervision finally taken



On 22 September 2010, the European Parliament (EP) voted on the creation of [new EU-wide supervisory bodies](#). The decision came after protracted disagreements with the Council due to some member states' reluctance to transfer powers to the EU level (see newsletters from [April 2010](#) and [June 2010](#)). While national supervisors keep substantial regulatory powers, the three new EU bodies respectively supervise banks, insurance and pension funds, and financial markets. They will be allowed to directly intervene and have a final say when:

- national authorities do not correctly apply EU laws,
- national authorities supervising a cross-border financial firm have a dispute, and
- when the Council announces an emergency situation and risky financial products need to be stopped.

In addition, the European Systemic Risk Board (ESRB) will warn, but not be able to act, against macro-economic risks such as speculative bubbles in the stock market.

Many have commented that the structures were watered down in the negotiations with member states, rendering them insufficient and ineffective. The decision is therefore seen as only a first step to stricter EU supervision of financial firms operating EU-wide. The new supervisory bodies will be operational from 1 January 2011 onwards.

In the [European System of Financial Supervisors](#), the three new European Supervisory Authorities (ESAs) will be dealing with supervision

- at the financial firm level in the banking sector (European Bank Authority, EBA),
- in the securities sector (European Securities and Market Authority, ESMA), and
- in the insurance and pensions sector (European Insurance and Occupational Pensions Authority, EIOPA).

Their decisions will aim at harmonisation of a core set of specific rules or key standards, e.g. on reporting, and effective implementation of EU law by EU member states' financial authorities.

The main points of disagreement between the Council and the EC were solved as follows :

- a "fiscal safeguard clause": there are strict safeguards and procedures which prohibit ESAs to take decisions that will have budgetary (i.e. fiscal) consequences for the member states, such as ordering to bail out a bank.
- ESAs have final decision making power when different national supervisors overseeing an EU wide operating financial firm are in disagreement.
- In case of an emergency, ESAs receive the power to take direct action towards member states' authorities, and if these still do not act, directly to the financial firms. The Council insisted it had the final power to declare an emergency. ESAs have powers to stop speculation and trading in dangerous financial products, e.g. [short selling](#), when the EU Council declares an emergency and when future EU legislation provides for such powers.
- The chairperson of the [ERSB](#) is the chair of the European Central Bank to guarantee some status of independence.

Supervision exclusively at the EU level was attributed to ESMA for inspecting Credit Rating Agencies registered in the EU. In future, ESMA and other ESAs might directly supervise EU financial operators after new EU legislation has given such powers. It is likely that ESMA will be provided with direct supervision of operators in derivatives markets after relevant new EC proposals will be approved (see [this newsletter](#)).

Disagreement came especially from the UK, who did not want to 'give away the keys of the City of London', but also some Eastern and Central European countries, as well as Spain and France.

The following critique has been voiced by commentators of the newly agreed EU's financial supervision mechanism:

- ESAs and the ESRB do not have sufficient powers or regulatory reach to strongly intervene to prevent financial instability, nor to supervise financial firms regarding their impact on society and the environment. Systemic risk, which they have to prevent, is narrowly defined as instability within the financial system sector.

- The ESRB has no power to act and can only provide early warnings and recommendations about “interconnected, complex, sectoral and cross-sectional systemic risks”.
- Too little supervisory powers are being transferred to the EU level, especially when considering that many banks operate EU-wide and that there is a single financial and capital market.
- Too little coordination between the different ESAs, because based in three different European capitals (EBA in London, EIOPA in Frankfurt and ESMA in Paris) and only coordinated through a ‘Joint Committee’.
- It is not clear whether the power struggle between the national and EU level will end or will continue within the operation of the ESAs.
- Insufficient funding has been allocated to properly staff the supervisory bodies: the total budget of the three ESAs (€ 40 million), starting with 150 staff members (300 staff members after four years), is very low compared to e.g. the UK Financial Supervisory Authority which has around 3.300 staff.

[Business groups welcomed](#) the new supervisory system as it will decrease costly divergent compliance and reporting requirements per country, and called for open access to the new ESA's through advisory bodies. Business already has great influence on the existing supervisory bodies that will be replaced by the ESAs, e.g. at [CEBS](#). The Greens were able to insert into the text that non-profit organisations will be invited to participate in advisory stakeholder groups and that adequate financial compensation be provided.

The ESAs will replace the existing advisory supervisory committees as of 1 January 2010. According to a revision clause, the effectiveness of the supervisory system needs to be assessed every three years. Proposals for strengthening the supervisory system could therefore be made and agreed by the EP and the Council.

For more explanation and overviews see, for instance, the [Commission website](#) (see pdf format), and European press articles [\(1\)](#) and [\(2\)](#). For the full texts see [here](#).

Meanwhile the UK government is planning to re-organise national supervision by mid-2012, by moving macro-prudential regulation of banks and insurance companies to the Bank of England and supervision of financial markets and overall conduct to a new Consumer Protection and Markets Authority (CPMA). Previously, responsibilities were divided in a tripartite system between the Financial Services Authority (FSA), the finance ministry (Treasury) and the central bank (Bank of England). There are concerns that the UK's influence in EU supervision will be diminished if only the CPMA will represent the UK on ESMA.

EU Finance ministers still disagree on a Financial Transaction Tax

At their meetings on 7 and 30 September, the EU Finance Ministers (ECOFIN) could not agree on the implementation of a Financial Transaction Tax (FTT) or a bank levy. They will, however, continue to discuss the issue at EU and G20 level and civil society will continue to campaign at all levels. On 7 October 2010, the European Commission submitted proposals on how to make the financial sector contribute to the costs of the crisis and suggested a ‘financial activities tax’ (FAT) at EU level, which needs to be further discussed.

The current EU governments in favour of an FTT are Austria, Belgium, France, Germany and Greece. They meet strong opposition from the UK, the Netherlands, Sweden and the Czech Republic, for technical as well as political reasons. The reports from the European Commission



(EC) have not at all been supportive of an FTT, and even its latest [staff document](#) (167 KB) on financial sector taxation (7 October 2010) uses outdated arguments. Due to political and public pressure, however, the EC's [Communication](#) (38 KB) on taxation of the financial sector (7 October 2010) does not reject an FTT but recommends that it be applied at the global level. At the G20 meeting in June 2010, various countries opposed an FTT and there was no unanimity on its level of implementation. France announced to raise the issue of the FTT again at the G20, and the EC declared it will continue to promote an FTT at the G20 level. Germany announced that in case that an implementation at EU level would not be possible, an implementation in the Euro zone should be considered. However, the

finance minister of Luxemburg stated that an FTT "in the Euro zone only is not acceptable."

The EC proposed on 7 October that EU countries should introduce a 'financial activities tax' (FAT), arguing that the financial sector is currently under-taxed. A FAT would tax profits and wages of financial firms. This proposal needs to be discussed by the Finance Ministers on 19 October and the leaders of member states, especially in preparation of the G20 Summit in November 2010. The EC announced that it will carry out an assessment of the impact which different options to tax the financial sector would have on the economy and will come forward with policy initiatives in 2011.

Although EU member states had agreed on 17 June 2010 that member states should introduce systems of levies and taxes on financial institutions, they rejected an [EC proposal](#) a uniform approach through an EU bank levy that would be used for an (EU or national) fund to deal with bankrupt banks. The UK, France and Germany jointly stated on 22 June 2010 that they would introduce a bank levy. During its formal and [informal meetings](#) in September 2010 and on 1 October, ECOFIN could not reach an agreement on an EU-wide bank levy but called for coordination among those countries introducing a levy in different ways. Germany and [the UK](#) are already working out the necessary procedures to introduce a bank levy from 1 January 2011 onwards. In France, no similar official procedures have been observed. Hungary introduced a bank levy which is estimated to generate budget revenue in 2010 of about 0.7 % of projected GDP.

Notwithstanding the slow progress at official level to accept an FTT, civil society organisations and unions from around the world and in the EU continue to campaign for an FTT as a way to reduce huge speculative transactions, compensate those suffering from the financial crisis, and pay for the many global needs for a sustainable and socially just world. They will present an International Civil Society Statement to G-20 Leaders Summit in Seoul (11-12 November 2010): for signing on, contact amy [AT] campaignforeducation.org.

For more information on civil society and other publications, positions and events see for instance:

Campaigns and latest information:

- UK: [Robin Hood Campaign](#)
- France: [Attac](#)

- Germany: [Steuer gegen Armut](#)
- EU: [Make Finance Work Campaign](#), [Europeans for Financial Reforms](#)
- The European Trade Union Confederation ([ETUC](#)) [work on financial reform](#) and its [letter to EU leaders](#)
- [Re-Define](#)
- The [Leading Group on Innovative Financing for Development](#)
- US: [Center Economic and Policy Research](#)

New Studies:

- [European Greens \(September 2010\)](#)
- [EU working paper and communication \(7 October 2010\)](#)
- EED assessments of EU FTT policy: [FTT fact sheet](#) (185 KB)
- Opinions on the EU October communication: see [WEED](#) (126 KB) and the [ETUC](#)
- [Stiftung Wissenschaft und Politik \(German\)](#) (262 KB)

Preparing for the G20 Seoul Summit



[The next G20 Summit](#) will be held in Seoul on 11-12 November 2010 after the Ministers of Finance and Central Bank Governors will have met on 22-23 October. A major issue will be to agree on new capital requirements for banks while other issues, such as 'currency wars' are appearing as well. The Korean government also wants to put 'development' on the agenda. Korea will be the first non-G8 nation to host and chair a G20 Summit and will invite additional developing country representatives. After the Summit, France will take over the G20 presidency with an ambitious agenda. Korean civil society has taken up the challenge to organise an alternative international People's Summit, activities and protests from 6 to 12 November 2010. Business has its own summit on 10-11

November.

The [agenda](#) proposed by the Korean government includes:

- international cooperation to ensure economic recovery, financial reforms and social policies, avoiding high levels of unemployment and budget deficits and global imbalances and volatilities in the financial and currency markets (related to the Toronto agreed 'Framework for Strong, Sustainable, and Balanced Growth'),
- improving international financial regulation, with a focus on discussing (and agreeing) the draft proposal of the Basle Committee on Banking Supervision for a new agreement on capital requirements for banks ('Basle III': [see this newsletter](#)) as well as on recommendations by the Financial Stability Board (FSB) on standards for big financial conglomerates ('systemically important financial institutions', SIFIs), and

- reforming international financial institutions, especially the decision-making structure and oversight function of the IMF.

The EU will prepare a common position for the G20 Ministers of Finance meeting, prepared by the EU Ministers of Finance (ECOFIN) on 19 October and the EU heads of state at the European Council (28-29 October 2010).

Korea has proposed to put development, i.e. private sector-led development, on the agenda aiming at conveying the message that Korea could serve as a development model. A respective paper from the Ministry of Finance has been submitted for debate already in July. It reads like a World Bank Paper from the nineties of the last century, reflecting the right-wing neo-liberal policies of the current government. However, it is controversial among the G20 as well as in civil society whether development (as well as environment) should be dealt with by the G20. If the G20 takes these issues on board, the UN would be further marginalised. On the other hand, some argue that a more balanced presence of issues other than finance could pose a counterweight to the influence of finance ministers, who tend to be more conservative than their colleagues from development or environment desks.

France, which holds the G20 after the Seoul Summit, has suggested to deal with financing development and climate change. In addition, France has declared an ambitious programme until it hosts the G20 summit in November 2011, including reform of the international monetary and currency system, reform of the commodities and commodity derivative markets, and extending the G20 governance (a permanent secretariat for the G20) and its remit. In early October 2010, discussions were raised about 'currency wars', whereby some countries intervened to keep their currencies and export prices low. The IMF already called to avoid such 'competitive currency adjustments' and the issue is likely to be on the agenda of the planned G20 in 2010.

Enlargement of the G20 is another issue currently discussed. As a reaction to the strong criticism about the lack of global representation, US president Obama suggested that five additional players should be invited to each summit by the respective host country. As a kind of informal agreement, four out of these five could be there on a continuous basis. Under discussion are the African Union, ASEAN, Spain and one other African country besides South Africa.

The G20 summit will be significant for Korean civil society as well, as it takes on the challenge of organising alternative summit events with international civil society. A broad alliance has been built, including development NGOs, such as DCAP Korea, environmentalists and human rights group. Trade unions also form a strong component of the platform. They have set up a preparatory committee for an International People's Conference to take place in Seoul from 7 to 10 November. A week of action from 6 to 12 November will include street actions, demonstrations and the alternative summit conference. Civil society from all over the world is invited to participate and an [international call of action](#) has been launched by Our World Is Not For Sale.

The domestic environment in Korea is characterised by tough right-wing policies of the government. The trend towards authoritarian rule and rolling back labour and human rights is reinforced by [repressive actions](#) in the name of a successful opening of the G20 summit. Therefore, alternative G20 events in Seoul represent a demonstration of support for democracy as well as a call for meaningful financial reform and questions of global governance.

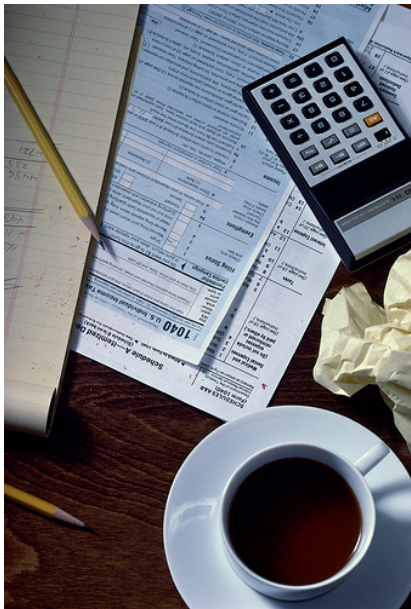
Some civil society initiatives, updates of events and publications can be found, among others, at the following websites:

- [New Rules for Global Finance Coalition](#)
- [The Heinrich Böll Foundation](#)
- [Rethinking finance website](#)

- P. Quintos, [What is missing in the G-20 agenda?](#)
- [WEED](#)

For signing the International Civil Society Statement on the G20 Heads of State Summit in Seoul (11-12 November 2010), contact amy [AT] campaignforeducation.org

Proposals for new capital requirements hotly debated



New requirements for banks to hold aside capital when they are lending is being decided within the EU and by the Basel Committee on Banking Supervision (BCBS), an international standard setting body by central bankers from rich countries and all G20 countries. In the meantime, new regulations on banks are being included in the new rules (see also [April newsletter](#)), which are contested by the financial industry, until now successfully. The G20 will discuss and probably approve these new standards (so-called Basel III) on 11-12 November 2010. After approval, the standards will be transposed into national and EU legislation, also by countries that were not involved in the decision making process at the BCBS.

In a revision of the existing [capital requirements](#) standards (Basel II), the BCBS recently released [information](#) about draft new standards (Basel III) on how much capital reserves banks should hold when lending. The draft new standards meet with strong resistance by the financial industry, which is successfully lobbying against measures that will limit its profit making. Arguments by banks and some politicians and

supervisors that additional costs will reduce lending to small companies, economic growth and jobs, have resulted in a draft implementation timetable that is stretched until early 2019.

The BCBS will present a package of the draft revisions, so-called Basel III, at the G20 in November 2010, which includes new standards about:

- **Raising the quality and transparency of the capital used as capital reserves** so that it is less risky and less crisis-sensitive (i.e. capable of being sold in times of crisis).
- **Strengthening the capital requirements for risks of lending to finance trading in derivatives and securities.**
- **Introducing a 'leverage ratio'** i.e. how much a bank is allowed to borrow itself.
- **Capital buffers to be built up in financially stable times** and to be used in periods of crisis.
- **A global standard for internationally active banks** regarding how much liquidity, i.e. available capital that can be quickly converted in cash, they need to hold.
- **Additional capital, liquidity or other supervisory measures for so-called systemically important institutions.**

The EP already released a report on the earlier revision (Basel II) by the BCBS in order to influence the European Commission and member states' central bankers who are participating in the BCBS' discussions on Basel III. On 7 October 2010, a plenary sitting of the European

Parliament (EP) adopted an [opinion report](#) by Othmar Karas (MEP of the PPE fraction), which expressed many concerns about visible shortcomings of the negotiations on the revised standards. The report warns that the framework as presented by the BCBS in previous months puts the European economy at a competitive disadvantage, among others, because the EU business sector is more dependent on bank loans than US corporations, and because US banks might implement the new standards less stringently. The report is also concerned about some negative side effects, such as more shadow banking, if the new requirements to hold more money and use less debt ('leverage ratio') are not well formulated.

The report calls for not penalising some cooperative banks. Further, the report calls for the implementation of Basel III at EU level to be fine-tuned to the circumstances of banks operating in the EU, after a thorough assessment of potential impacts, so that the European industry and economy are not disadvantaged.

Regarding credit risks, the Karas report calls for "assessments of long term social and environmental risks arising from companies and projects receiving bank loans". This is the only sentence in the report that refers to sustainability.

CRD 3: small EU changes in existing capital requirement rules agreed

On 14 July 2010, the European Parliament (EP) already decided on a small revision (the so-called [CRD3](#)) of the current Capital Requirements Directive (CRD), which related to:

- increased capital requirements for [re-securitisations](#) (these are very complex products which make others buy up repackaged loans from the banks which also buy such products),
- better requirements to banks and other financial institutions to be transparent on how much they are exposed to risks from securitisation (packaged loans (partly) sold by banks to others and also bought by banks), and
- other ways to assess the risks connected with their trading of derivatives etc. ([trading books](#)), which is expected to result in banks having to hold three to four times more capital against their trading risk than they do at present,
- remuneration policy (see elsewhere in this [newsletter](#)).

Implementation of the CRD 3 will have different deadlines:

- the bonus provisions will have to be implemented by January 2010,
- the capital requirements provisions not later than 31 December 2011, and
- the rules on re-securitisations in the trading book not later than 31 December 2013.

Calls for tax transparency to support developing countries



Capital flight and tax evasion have been identified as major obstacles to financing development, which the EU should address not only in its development policy agenda but particularly in its financial reform efforts. Recent EU developments include draft reports by Committees of the European Parliament (EP) and the Communication on Tax and Development by the European Commission (EC), calling for transparency and information exchange measures to stop

capital flight in the form of tax evasion from developing countries (see "[EU regulation on tax evasion and development](#)" in the June newsletter). While little progress is made to review the EU Savings Tax Directive (EUSTD), NGOs have called to extend the Directive to support developing countries by creating an automatic and multilateral tax-information exchange mechanism.

EP committee draft opinions on Tax and Development Communication

The Commission initiative on tax and development (see the [Communication](#) (56 KB) and [Staff Document](#) (128 KB)) is currently awaiting full parliamentary approval (see [Procedure File](#), with draft opinions recently published by the EP Committee on International Trade ([INTA](#)) and the Economic and Monetary Affairs Committee ([ECON](#)).

The International Trade Committee made the link between trade liberalisation and taxation by calling for:

- the creation, in the framework of Economic Partnership Agreement's (EPAs), of "an independent monitoring mechanism to assess the net tax impact of removing customs duties and at the same time [for] progress being made in the area of tax reform in each country", and
- a mandatory overall review of all EPAs after five years and for potential amendments to the agreement as seen necessary by the review.

This would reinforce the EU's commitment to [Policy Coherence for Development](#) which, amongst others, covers financial reforms and trade legislation. Indeed, the negative impact of the removal of custom's duties on a poor country's tax revenue has since long been a serious concern for EPA negotiating African countries who rely heavily on these types of duties for their domestic revenues.

The ECON position strongly supports three central civil society demands regarding tax and development, namely:

- increased financial transparency,
- automatic and multi-lateral information exchange, and
- country by country reporting of financial accounts.

On 11 October, the chair of ECON, Liberal Democrat MEP Sharon Bowles, reiterated the demand for transparency with a [strongly worded call](#) on the EU to "stop dithering, start doing" to end the practice of large companies to avoid paying taxes in developing countries. She said:

"We have all heard of blood diamonds, but what about blood phones? If we knew that the manufacturer of a phone was paying a corrupt and brutal government for the materials in it, would we buy it? This is happening all the time, and it's not just mobile phones - it's widespread, from mp3 players to laptops. It must be stopped. By raising transparency we can also reduce developing countries' reliance on aid by helping them to collect tax from multinationals working within their borders. [...]"

Tax conditionalities imposed on developing countries?

The ECON draft opinion also calls for "more stringent criteria for the identification of tax havens" as well as for automatic tax-information exchange agreements to contain "countermeasures in the event of non-compliance". This raises the question whether pressure for higher tax collection or cooperation in tax matters (which after all might be hampered by a lack of administrative capacity or non-cooperation from developed countries as well) be used by donor countries in trade and aid negotiations as a conditionality imposed on poorer countries. ECON linked the EU's aid and trade agreements with tax governance by:

- calling for coherence between EU financial support and the provision of access to EU markets for particular countries with their level of cooperation with the principles of good governance in the area of taxation,
- proposing the inclusion of a specific provision related to good tax governance in the review of the Cotonou Agreement, and
- calling on the EU Member States, under their bilateral assistance programmes, to take similar measures.

Moves towards conditionalities rather than cooperation within the tax and development nexus can also be heard outside the EU political arena, e.g. by the German Institute for Development Policy (see its [briefing paper](#), December 2009).

EU Savings Tax Directive could help developing countries tackle tax evasion

Practical support rather than conditionalities were suggested recently by the Tax Justice Network (TJN) on how the EU could support developing countries in their efforts to retrieve lost revenues through tax evasion. Tax evasion and avoidance is, after all facilitated by [secrecy jurisdictions](#), many of which are located in the EU or non-EU European countries, as well as the form of [banking deposits](#) originating from developing countries in European banks, laying the question of responsibility firmly on the EU's doorstep.

The [TJN briefing paper](#) (1 MB) argues that the European Union Savings Tax Directive (EUSTD, for more information, see below) should be extended to a multilateral instrument for developing countries to establish automatic information exchange mechanisms. The paper elaborates on individuals' tax evasion through holdings of foreign portfolio assets, not on corporate tax avoidance and evasion. Cross-border tax evasion by wealthy individuals who are resident in developing countries is responsible for large amounts of foregone revenue.

By creating the political opportunities and technical possibilities to extend the EU's savings directive, automatic information exchange "would provide tax administrations in the participating countries with systematic data they can use to match with tax returns submitted by their tax residents." These data would represent a completely new source of information on income payments, which so far is nearly non-existent.

TJN and other civil society organisations are currently exploring partnerships with developing countries as well as the European Commission to scope the feasibility of the extension of the EUSTD.

Discussions on the EUSTD are still ongoing at Council (ECOFIN) level, after the Parliament (ECON) gave its [opinion](#) in April 2009 (ECON has no co-decision making power). On 19 January 2010, ECOFIN examined a package of measures aimed at improving tax governance and clamping down on tax evasion in Europe, including the EUSTD. The Council came to an agreement on a general approach and agreed on a [draft directive](#) aimed at strengthening mutual assistance between member states in the recovery of taxes, in an overhaul of Directive 76/308/EEC.

To follow the decision-making process on amending the EUSTD, check the EC Directorate-General Taxation and Customs Union ([TAXUD](#)), the relevant [EU Procedure File](#) or the EU database on inter-institutional procedures ([Pre-Lex](#)). Latest documents can be found on the [Council Secretariat's website](#).

For background information on a series of related recommendations and reports published by the EC and the EP (see "[EU regulation on tax evasion and development](#)" in the previous newsletter). For comments, criticisms and alternative proposals to the review of the EUSTD, see chapter 3 of [An Oversight of Selected Financial Reforms on the EU Agenda \(SOMO, 2009\)](#) and [Plugging the gaps: reform of the EU savings tax directive](#) (173 KB) (Tax Justice Network, 2008).

Planned financial sector reform proposals not yet mentioned in this newsletter

On 12 July, the European Commission announced it will submit a series of additional [proposals for financial sector reform](#) in the coming months, on which the European Parliament and the Council will have to agree upon. The proposals listed below have not been mentioned in the EU financial reform newsletter as yet, and cover issues ranging from the regulation of credit rating agencies to international accounting standards.

For a brief explanatory overview of legislative measures the European Commission is proposing to the European Parliament and Council of Ministers “to prevent any repetition of the present economic and financial crisis”, see [The European Union's roadmap for Financial Reform](#).

- Legislative [proposal to amend the Regulation on Credit rating agencies](#) to allow supervision by ESMA: the [co-decision process](#) by the EP and Council started on 2 June 2010
- An additional legal revision to [amend the Deposit Guarantee Scheme Directive](#) in order to protect clients who saved money at a bank that goes bankrupt: the [co-decision making process](#) at the EP and Council started in July 2010
- Legal [revision](#) to amend the [Investor Compensation Schemes Directive](#) in order to protect (retail) investors in cases where an investment firm is unable to return assets belonging to an investor: the [co-decision making process](#) at the EP and Council started in July 2010
- Legal revision to amend the [Financial Conglomerates Directive](#) regarding the supplementary supervision of financial entities in a financial conglomerate: the [co-decision making process](#) at the EP and Council started on 16 August 2010
- Setting up a [Financial Services User Group \(FSUG\)](#): after September 2010
- Action plan on [crisis management in the banking sector](#) for the prevention and resolution of failing banks: to be published in October 2010 to be followed by legislative proposals in Spring 2011; [comments and recommendations](#) by the EP
- Measures to improve economic governance and the enforcement of the Stability and Growth Pact of the EU, in particular in the Euro area: ongoing [reports, decisions and discussions](#) by the European Commission (EC) and the European Parliament; Task Force on economic governance at the Council under the presidency of H. Van Rompuy : a report with proposals to prevent and sanction too high budget deficits in EU member states is expected in October 2010
- Regulation of trading in financial instruments - "dark pools" etc.: an own initiative [report](#) by the EP will be voted on in the ECON Committee on 26 October 2010
- Green paper about adequate, sustainable and safe European pension systems: [consultation](#) for comments by the public to be submitted by 15 November 2010
- Measures to ensure access to a basic payment account by all consumers: [consultation](#) for public comments to be submitted by 17 November 2010, and to be followed by a legislative proposal in February 2011
- [White Paper](#) on Insurance Guarantee Schemes to protect consumers when insurers are unable to fulfill their contract commitments: [consultation](#) and [comments](#) by the public to be submitted by 30 November 2010
- Legislative proposals to review of the [Market Abuse Directive \(MAD\)](#): to be issued in December 2010
- Communication on sanctions in the financial services sector to avoid differences among EU member when imposing sanctions on different financial operators: planned to be issued in December 2010
- Green Paper on improving [corporate governance in financial institutions](#) and their remuneration policies, including more effective management of risks : published in June

- 2010, and proposals for legislation on corporate governance in financial firms expected in Spring 2011
- Legal revision of [Directive on Undertakings in Collective Investment in Transferable Securities \(UCITS\)](#) to improve the depositories function: expected in Spring 2011
 - Further amendments to the [Credit Rating Agencies Regulation http://ec.europa.eu/internal_market/securities/agencies/index_en.htm] to improve EU supervision of credit rating agencies: expected in Spring 2011
 - Legislative proposals on [packaged retail investment products](#) to promote consumers' interests in the sales process: expected in Spring 2011
 - Revision of the Insurance mediation Directive: expected in Spring 2011
 - [Harmonisation of Securities Law Directive on legal certainty of securities holding and transactions](#)
 - Regulation on Single European Payments Area (SEPA), setting a deadline for transition to [SEPA](#)
 - Modernisation of the [Directive on transparency requirements for listed companies](#)
 - Legislative proposals on packaged retail investment products to “promote consumers’ interests in the sales process
 - Actions towards a global convergence on one set of high quality international accounting standards
 - [Refined rules for implementing the Directive on Undertakings in Collective Investment in Transferable Securities \(UCITS\)](#) including better information for investors and the conduct of UCITS management companies: implemented from 1 July 2011 onwards.
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Calendar of official events

For more background to the official agenda of European institutions, see the following websites:

The [European Commission \(EC\)](#)

The [Economic and Financial Affairs Council \(ECOFIN\)](#)

The [Economics and Monetary Affairs Committee \(ECON\) of the European Parliament](#)

For more information about the G20 summit agenda, see the [official website of the G20](#) and the [G20 Seoul Summit website \(11-12 November 2010\)](#)

October

- **7, Washington (G20)** meeting of G-20 Deputy Ministers of Finance
- **8-10, Washington (World Bank/IMF)** Annual meeting
- **18-19, Brussels (EP)** plenary vote on AIFMD (indicative date)
- **19, Brussels (ECOFIN)** including preparation for G20 Finance Minister’s meeting (adoption of terms of reference) and G20 Summit
- **20, London (CEBS)** meeting with banking representatives (Consultative Panel)
- **21, Gyeongj, S-Korea (G20)** Meeting of Deputy Ministers of Finance and Deputy Governors of Central Banks
- **22 – 23, Gyeongj, S-Korea (G20)** Ministers of Finance and Governors of Central Banks
- **28, Brussels (European Council, heads of state summit)** preparations for G20
- **October, Brussels (EC)** communication on a framework for crisis management

November

- **10, Seoul, S-Korea (G20)** Business summit
- **11-12, Seoul, S-Korea (G20 summit)** including consideration of the Basel III proposal

- **17, Brussels (ECOFIN)** possibly follow-up to the G20 Summit and European Council of 28-29 October

December

- **7, Brussels (ECOFIN)** possibly deciding on amending the Regulation on credit rating agencies
- **9–10, London (CEBS)** meeting of Committee of European Banking Supervisors
- **16-17, Brussels (European Council, EU heads of state summit)**

February

- **4, Brussels (European Council, EU heads of state summit)**

March

- **24-25, Brussels (European Council)**

