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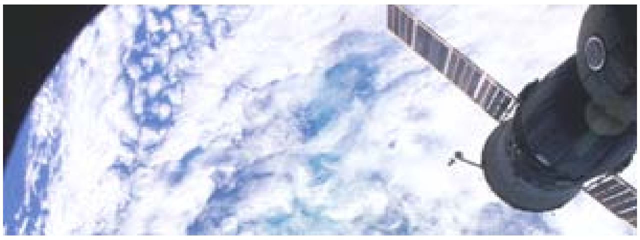
A **G**lobal **P**anorama of **S**ecurities



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SLIB GPS is edited by SLIB in the context of its proactive regulatory watch on capital markets.
This editorial brings forward the main news of the past month.

Editorial

Just a few words about what will probably be, if not the most complex plan, one of the most visible ones in 2014, the **reduction in settlement cycles**. The CSD Regulation will set 1st January 2015 as the deadline for European countries to reduce from T+3 to T+2 the lead time between execution and settlement/delivery of a trade carried out on a market or a multilateral trading facility (MTF). Even though the scope of the regulation is wider than that of T2S, the aim is that the countries concerned should be fully operational for the first wave of T2S scheduled for June 2015.

Most European countries have already decided to take the leap in early October 2014. These include the ESES, Portuguese, UK and Irish markets, the Nordic markets and Italy.
The need to make up for the reduced time they are being given to successfully complete all post-trade tasks is leading financial institutions to initiate organisational and technical work aimed at streamlining their confirmation and settlement/delivery processes.

In addition to making technical modifications to their IT systems aimed at reducing loading breaks and manual processes, the various sell-side and buy-side players must also adapt their operational procedures in an effort to improve their response time in the event of an incident or if the terms of a trade are disputed.
In closing, it is worth noting that Europe seems to have led by example since a number of countries from other regions of the world, such as Singapore and Australia, have also heralded their intention to reduce their settlement/delivery cycle from T+3 to T+2.

As stated in November 2013, **EMIR** took the opportunity in February to take another huge new step, since those involved in the derivatives markets have been obligated since 12 February to report their transactions to a central trade repository. This requirement is a key element in EMIR, one of whose objectives is to increase transparency in the negotiation of derivatives, particularly OTC ones.

But this step is not the last one since other milestones are planned. First, the clearing obligation which in the normal course of events will become effective before the end of the year. Next, theoretically as of late 2015, trades which are still uncleared will be subject to more stringent requirements in terms of collateral.

The clearing obligation requires two conditions to be met: first, the CCPs must be recognised as compliant with EMIR and next, the ESMA technical standards which identify the products involved in this obligation and define the procedures for them must be published.

The same applies to the margin call requirements for uncleared trades, whose standards still have to be defined.

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Last month we mentioned the more widespread use of **FATCA** or, more generally, the more widespread use of the principle of automated data exchange between tax authorities around the world. In 2012, the countries which initiated the intergovernmental agreements (IGA) model asked the OECD to use this agreement to establish a new standard which will serve as a benchmark for the automatic exchange of tax-related information.

And this has actually happened since, at the G20 meeting in Sydney, the OECD has just officially introduced its standard for the automatic exchange of tax data.

Even though the standard defined by the OECD is very close to the FATCA model, it will differ from it in that it will be based on the criterion of residence and not on that of nationality as understood by the United States (US person).

Nevertheless, the adoption of a standardised model will be of considerable interest to the financial institutions concerned in that it will allow them to use a single procedure for the provision of information relating to their non-resident customers, regardless of the country requesting it.
A number of countries, including France, Great Britain and Germany, have already intimated that they will adopt this new model. The technical rules on how it will be implemented are expected to be finalised in the autumn.

Finally, a brief mention again of the **European Financial Transaction Tax** saga to note that the topic was brought up again at the meeting recently held between France and Germany during which both countries reached agreement on the broad principles of implementation. The idea could be to establish a financial transaction tax on equities, under terms less stringent than initially planned, and then extend that tax to all derivatives. The stated goal would be to get the other European partners to reach agreement on these terms prior to the European elections.

SLIB regulatory watch department

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