[redacted] (FISMA)

From: [redacted] (MARKT)
Sent: 27 March 2013 16:27
To: CALVINO Nadia (MARKT); PAULIS Emil (MARKT); FABREGAS FERNANDEZ Maria Teresa (MARKT); LUEDER Tilman (MARKT); PEARSON Patrick (MARKT); MARKT LIST G3
Subject: Meeting with ICMA

On Tuesday, March 26th, Emil Paulis, Maite Fabregas, Patrick Pearson, Tilman Lueder et al. met with [redacted], and [redacted] of ICMA.

On prospectus, ICMA note that many issuers chose to update their prospectuses prior to entry into force of the new rules, so there is now an overhang of new issues that will have to comply with the new rules. There is a tendency to only include structures the issuer intends to use, to remove retail denomination, and to split programs. They are concerned that the provisions are not applied consistently across the membership. Retail investors do not read prospectuses, nor do they read KID. The aim should be that risks are properly disclosed; not that the prospectus is in plain language.

For PRIPs, they urge not to extend the regime to shares and bonds, for which it is not possible to produce a synthetic number for risk. It is also difficult to predict the price in a number of years' time. The purpose should be to serve as a search tool, while the prospectus is there to inform the investment decision.

On MAR, they consider that the "reasonable investor" test is too broad for determining what constitutes inside information. Price impact should be the main criterion, and one should be able to make a profit trading on it. Large investors need to speak to directors of issuers, and this should not be hindered.

With regard to CSDR, ICMA consider that commercial bank money is needed to settle transactions in other currency zones and for triparty repo's. It imposes costs on liquidity providers, so the proceeds should flow to those who are disadvantaged by settlement failure.

On shadow banking, they note that mandatory haircuts hurt the interbank market. CCP's sometimes exaggerate margins for repo transactions.

For the FTT, they argue that the nominal value is the wrong base on which to calculate the tax. It hurts monetary policy transmission, and pushes the market to unsecured deals. It impacts bond market liquidity, with the risk of issuance being limited to times when there is direct investor interest. Collateral transformation would be taxed excessively.

On MiFID, they are concerned that liquidity will be hurt by excessive transparency. There needs to be calibration across products and currencies, as currency areas have their own characteristics. The calibration needs to be dynamic, and take into account that ticket sizes change over time. For the third country regime, they note that Switzerland is an important market. An equivalence assessment may work for the US and Japan, but not for countries such as Brazil. Asset managers need access to third countries, and brokers from those countries should be able to approach them. The operator of an OTF should be able to commit capital, because the SI regime only works for retail sizes.

On bank resolution, they note that forced bail-in is difficult for asset managers due to their fiduciary obligations to their clients.

Finally, with regard to Cyprus, they expressed concern over the introduction of emergency capital controls.

[redacted] | Policy Officer | Securities Markets Unit | DG Internal Market and Services | Phone : +(32) [redacted]@ec.europa.eu