



A comparison between documents received on freedom of information requests from DG MARKT

In 2014 and 2015, Corporate Europe Observatory received documents from the Directorate General on the Internal Market (DG MARKT) on meetings between civil servants and financial lobby groups on separate occasions. One set was heavily censored, whereas the other was left almost untouched. This bears witness to the use of exemptions by DG MARKT. Remarks on the significance are available here:

<http://corporateeurope.org/economy-finance/2015/03/lobbying-finance-private-matter>

European Group of International Accounting Networks, Feb. 2014

First version of document

Meeting with EGIAN
14 January 2014

I. Overview

The meeting was requested by EGIAN (European Group of International Accounting Networks and Associations, representing major international networks and associations apart from the Big Four) to discuss the follow-up to the compromise reached in December 2013 on the audit reform and its practical implications.

Second version of document

7

Ref. Area20141821335 - 04/06/2014

15 January 2014

Meeting with EGIAN
14 January 2014

I. Overview

The meeting was requested by EGIAN (European Group of International Accounting Networks and Associations, representing major international networks and associations apart from the Big Four) to discuss the follow-up to the compromise reached in December 2013 on the audit reform and its practical implications.

II. Summary

1. Questions raised by EGIAN:

- What are the risks facing the reform at the plenary vote?
- How do you anticipate MSs will react to the options outlined on rotation? How many will go for shorter duration periods? How many will apply the joint audit option? Are these options not an obstacle to the Single Market for audit?
- Do companies need to tender after 10 years if they want to go with joint audit?
- Will the audit reform have an impact on legislations in other countries (US)?
- Will the role devoted to ESMA in audit oversight help consolidate the balance of powers with the PCAOB?

2. Points made by EGIAN:

- No one can doubt that the reform will have an impact on the market, even though it may be less ambitious than envisaged. It will allow opportunities in terms of market access and competition. The challenge is to what extent investors will be willing to drive change, and EGIAN is pushing them to play a more active role in dealing with auditors.
- Mandatory rotation and the black list will introduce a change in the audit culture impacting not only auditors but also the management, investors, stakeholders, etc. In the US, the introduction of a black list has been significant in that regard: the auditor is no longer the one that should play all the roles, it has had a quicker impact on the market than rotation.
- The incentive for joint audit is key but the challenge is whether MSs will make use of the proposed option. EGIAN will aim to promote joint audit further.
- The expertise and contribution of the audit committee have to be closely watched.
- **Market trends:** It is unlikely that the Big Four will voluntarily stop doing audit, as this offers some cushion as highly responsible firms. With the reform, the audit arm of the Big Four is likely to be more independent from the rest of the firms. However it appears that the lead partners are no longer the ones that do audit – tax advisers have become the 'big boys'.

3. Commission's key messages:

- The Commission will remain vigilant until the reform is adopted in plenary.
- The adoption of ISAs at EU level raises not only technical issues, but also significant governance opportunities (e.g. with regard to IFAC & IAASB).
- International cooperation will be a priority in light of the reform, notably with the US and as part of the regulatory dialogue with the PCAOB on audit oversight. A new round of adequacy decisions is also foreseen.

III. Follow-up

- EGIAN will explore options to set up an event, possibly in London, on the added value of joint audit, with suggestions welcomed from the Commission on possible interested parties.
- EGIAN will aim to continue balancing the influence of the Big Four within IFAC.

IV. Participants

- Representatives from EGIAN (Chairman [REDACTED], Executive Director [REDACTED] and [REDACTED] Focus Group Leader)
- European Commission [REDACTED]

First version of document

- In addition, promoting the enhanced powers of shareholders in other Commission initiatives would be welcomed. An example is the **Shareholders Rights Directive** ("proxy meeting").

- GTI: [REDACTED]
- Commission: [REDACTED]

Bloomberg, February 2014

First version of document

On 28/2-2014

Bloomberg

Bloomberg outlined that while widely known for its data service activities, it also provides execution services (SEF registration obtained in the US). In the US Bloomberg is market leader in several segments of derivative trading (CDS (ITRX), FX etc. Bloomberg also provides other pre- and post-trade services such as pre-trade credit checks (connected to LCH, ICE, CME) and trade repository services. Bloomberg is also considering entering into the EU with trade repository services.

Second version of document

(FISMA)

From: (MARKT)
Sent: 28 February 2014 10:17
To: MARKT LIST G3
Cc: (MARKT); (MARKT); (MARKT); (MARKT);
Subject: For info: Meeting with Bloomberg - SEFs & equivalence

On 28/2-2014 and met with
of Bloomberg.

Bloomberg outlined that while widely known for its data service activities, it also provides execution services (SEF registration obtained in the US). In the US Bloomberg is market leader in several segments of derivative trading (CDS (ITRX), FX etc. Bloomberg also provides other pre- and post-trade services such as pre-trade credit checks (connected to LCH, ICE, CME) and trade repository services. Bloomberg is also considering entering into the EU with trade repository services.

The problem that has emerged following SEF registration in the US is legal uncertainty as to the status of SEF across EU jurisdictions. While in some EU member states its status as US SEF is recognised as equivalent, in other Member States Bloomberg's regulatory status is unclear or it is prevented from providing access to EU customers fully or partially absent an MTF authorisation. MTF registration would defeat the objective of providing access for EU customers to its US/global liquidity pool, since separate EU pools would have to be established. This problem will be addressed by MIFID II with the equivalence rules for third country trading venues for the purposes of the derivative trading obligation; but Bloomberg would like to find an interim solution allowing it to operate in the EU on the basis of a temporary SEF equivalence recognition. They said Australia and Canada have recognised SEFs. Europe is also an important market and they want it to be a part of a global pool of liquidity.

Bloomberg has contacted all major jurisdictions on this including DE, UK, IT, FR ES with very different response. It queried what the Commission can do to help and has also tried to engage ESMA in the process. We explained that absent EU jurisdiction, the Commission is prevented from acting on this issue. This will be the case until the trading obligation takes effect, ie end 2016. We asked however to be kept informed about further developments.

Policy Officer

European Commission
DG MARKT
Unit G/3 Securities Markets

Rue de Spa 2,
B-1049 Brussels/Belgium

SEC.EUROPE.EU

London Stock Exchange, January 2014

First version of document

30 January 2014.

MIFID

- * Now that MIFID was completed they were keen to understand the timetable for the development of the level 2 legislation and sought to emphasise the need to set out a clear plan so that the market was aware of this process, what needed to be provided etc. and in particular expressed concern about burden the transparency calibrations might impose.

Second version of document

From: [REDACTED] (MARKT)
Sent: 30 January 2014 17:33
To: [REDACTED]

Subject: Meeting with LSE

██████████ and ██████████ met with ██████████ and ██████████ of LSE on 30 January 2014.

MIFID

- * Now that MiFID was completed they were keen to understand the timetable for the development of the level 2 legislation and sought to emphasise the need to set out a clear plan so that the market was aware of this process, what needed to be provided etc. and in particular expressed concern about burden the transparency calibrations might impose.

Benchmarks

- They broadly supported the direction that the Rapporteur was taking in relating to introducing proportionality into the scope through e.g. major benchmarks but were not convinced the mechanism as currently drafted worked.
- They were concerned about the transparency requirements and supported most of the EP amendments.
- They had concerns about the third country regime – in particular the authorisation condition in the equivalence assessment.

[redacted] | Policy Officer | Securities Markets Unit | DG Internal Market and Services |
 [redacted] | Mobile [redacted] [redacted]@ec.europa.eu

Société Générale, February 2014

First version of document

Société Générale on 3rd February 2014. They were representing the asset management side of Soc Gen and focused on the regulation of performance measurement indexes, such as one representing 40% of CAC 60% DAX

Second version of document

Ref. Ares(2014)1654547 21/02/2014

From: [REDACTED] (MARKT)
Sent: 03 February 2014 12:43
To: [REDACTED] (MARKT); [REDACTED] (MARKT); [REDACTED] (MARKT)
Subject: Meeting with Soc Gen

[REDACTED] met with [REDACTED] and [REDACTED] of Société Générale on 3rd February 2014. They were representing the asset management side of Soc Gen and focused on the regulation of performance measurement indexes, such as one representing 40% of CAC 60% DAX

- **Scope:** they believed that purely formulaic non-discretionary benchmarks should not be covered.
- **Regulated data benchmarks:** regulated benchmarks used as inputs to an investment benchmark should be treated in the same way as regulated data in the regulation e.g. no code of conduct. They also believed that NAVs provided by asset managers, since they are regulated, should also be treated as regulated data.
- **Notification procedures:** the notification period of 30 days is too long for some instruments they deal in and should be reduced to 7 days. Article 25 should also not provide a right of refusal to benchmark administrators – who were often happy for their indices to be used to reference upside instruments but not be used for downside purposes.
- **Requirements:** the provisions of in particular annex 1 were too onerous and were designed for dedicated providers rather than asset managers, where functions were often more spread out. They would provide some detailed comments on annex 1.
- **3rd country regime:** the use of third country benchmarks was very important to them.

[REDACTED] | Policy Officer | Securities Markets Unit | DG Internal Market and Services | Phone: [REDACTED]
[REDACTED] | Mobile [REDACTED] [REDACTED] @ec.europa.eu

European Group of International Accounting Networks, Feb. 2014

First version of document

Meeting with EGIAN
14 January 2014

I. Overview

The meeting was requested by EGIAN (European Group of International Accounting Networks and Associations, representing major international networks and associations apart from the Big Four) to discuss the follow-up to the compromise reached in December 2013 on the audit reform and its practical implications.

Second version of document

7

Ref. Area20141821325 - 04/06/2014

15 January 2014

Meeting with EGIAN
14 January 2014

I. Overview

The meeting was requested by EGIAN (European Group of International Accounting Networks and Associations, representing major international networks and associations apart from the Big Four) to discuss the follow-up to the compromise reached in December 2013 on the audit reform and its practical implications.

II. Summary

1. Questions raised by EGIAN:

- What are the risks facing the reform at the plenary vote?
- How do you anticipate MSAs will react to the options outlined on rotation? How many will go for shorter duration periods? How many will apply the joint audit option? Are these options not an obstacle to the Single Market for audit?
- Do companies need to tender after 10 years if they want to go with joint audit?
- Will the audit reform have an impact on legislations in other countries (US)?
- Will the role devoted to ESMA in audit oversight help consolidate the balance of powers with the PCAOB?

2. Points made by EGIAN:

- No one can doubt that the reform will have an impact on the market, even though it may be less ambitious than envisaged. It will allow opportunities in terms of market access and competition. The challenge is to what extent investors will be willing to drive change, and EGIAN is pushing them to play a more active role in dealing with auditors.
- Mandatory rotation and the black list will introduce a change in the audit culture impacting not only auditors but also the management, investors, stakeholders, etc. In the US, the introduction of a black list has been significant in that regard: the auditor is no longer the one that should play all the roles, it has had a quicker impact on the market than rotation.
- The incentive for joint audit is key but the challenge is whether MSAs will make use of the proposed option. EGIAN will aim to promote joint audit further.
- The expertise and contribution of the audit committee have to be closely watched.
- **Market trends:** It is unlikely that the Big Four will voluntarily stop doing audit, as this offers some cashflow as highly responsible firms. With the reform, the audit arm of the Big Four is likely to be more independent from the rest of the firms. However it appears that the lead partners are no longer the ones that do audit – tax advisers have become the 'big boys'.

3. Commission's key messages:

- The Commission will remain vigilant until the reform is adopted in plenary.
- The adoption of ISAs at EU level raises not only technical issues, but also significant governance opportunities (e.g. with regard to IFAC & IAASB).

HSBC, April 2014

First version of document

I attended two meetings in Paris on 3 April:

- morning: management team of HSBC France, to discuss structural reform proposal
- afternoon: OECD Financial Markets Committee, to present the Commission's proposal on structural reform

HSBC France

After meeting short visit to the BSM trading team. Relatively quiet day, although everybody attentive to ECB/Draghi press conference. Pour la petite histoire, HSBC's building used to be Hotel Elysée Palace where Mata Hari was arrested during WW1.

Second version of document

From: [REDACTED] (MARKT)
Sent: Friday, April 04, 2014 2:54 PM
To: MARKT LIST H2; [REDACTED] (MARKT); [REDACTED] (MARKT); [REDACTED] (MARKT); [REDACTED] (MARKT); [REDACTED] (MARKT); [REDACTED] (MARKT)
Subject: Mission report: Paris, 3/4/14 (HSBC & OECD)

I attended two meetings in Paris on 3 April:

- morning: management team of HSBC France, to discuss structural reform proposal
- afternoon: OECD Financial Markets Committee, to present the Commission's proposal on structural reform

HSBC France

Participants: [REDACTED] - Managing director ; Chief Operating Officer Global Markets Paris

[REDACTED], Directeur des Activités de Marchés

[REDACTED], Head of Balance Sheet Management

and others

HSBC made extensive presentations of both Balance Sheet Management (internal risk, liquidity and funding) and client-oriented trading operations. (Slides attached.) Constructive discussion. HSBC offered further information e.g. on metrics, distinction between BSM and other trading activities. Two main operational requests at this stage:

- broadening the derivatives that CCI can sell in Art 12: HSBC reps argued that risk-management services to customers can require use of non-standardised derivatives, e.g. for project finance. I pointed out that proposal already foresees possibility to allow other derivatives, that we should not create loopholes and must avoid vague language à la "simple derivatives." If they have specific suggestions we can look at them, but these would need to allow clear identification of what we are talking about. Did not commit beyond that.
- Replacing exemption for sovereign bonds (Art 8.2) with an exemption for primary dealers (they are concerned that the exemption as currently drafted will disappear during negotiations). They have in mind a passport-type system for PDs (which are currently authorised by each national debt-management agency). In effect, they want to kill two birds with one stone. I replied that this would be a major change to our proposal and would introduce an entirely new dimension in the negotiations. Made no commitment.

After meeting short visit to the BSM trading team. Relatively quiet day, although everybody attentive to ECB/Draghi press conference. Pour la petite histoire, HSBC's building used to be Hotel Elysée Palace where Mata Hari was arrested during WW1.

PriceWaterhouseCoopers, March 2014

First version of document

Sent: Friday, March 07, 2014 5:36 PM

Subject: Summary of meeting between Nadia Calvino and M.P. Azevedo (PwC)

Today DDG Nadia Calvino met with Mary Patricia Azevedo, former Deputy Director of the FDIC's Office of Complex Financial Institutions, and currently managing director in PwC's Financial Services Regulatory Practice.

The objective of the meeting was to have an exchange of views of latest regulatory developments that could affect the operations of banks active in the transatlantic context, with particular regard to the recent developments in the areas of treatment of foreign banking organizations, structural reforms and resolution.

Second version of document

(MARKT)

From: [REDACTED] **(MARKT)**
Sent: 07 March 2014 19:10
To: MARKT LIST H2
Subject: FW: Summary of meeting between Nadia Calviño and [REDACTED] (PwC)

lyl

From: [REDACTED] (MARKT)
Sent: Friday, March 07, 2014 5:38 PM
To: CALVINO Nolas (MARKT); [REDACTED] (MARKT); [REDACTED] (MARKT); [REDACTED] (MARKT);
[REDACTED] (MARKT); [REDACTED] (MARKT); [REDACTED] (MARKT); [REDACTED] (MARKT);
SUBJECT: Summary of meeting between Nolas Calvino and [REDACTED] (PwC)

Today DDB Nadia Cahino met with [REDACTED], former Deputy Director of the FDIC's Office of Complex Financial Institutions, and currently managing director in PwC's Financial Services Regulatory Practice.

The objective of the meeting was to have an exchange of views of latest regulatory developments that could affect the operations of banks active in the transatlantic context, with particular regard to the recent developments in the areas of treatment of foreign banking organisations, structural reforms and resolution.

N. Cahine updated the interlocutor on the state of play concerning the CND implementation, the SRM and the Structural Reform Proposal. With regard to the latter Mrs [redacted] referred to a widespread perception that this will be voided by the advent of the new College and new Parliament. In response to that M. Cahine stressed that since the proposal has been formally adopted, it is now in the decision-making process and it will have to be negotiated in its current form with the new Parliament, when in place, and the Council.

Afterwards, Mrs. [REDACTED] pointed at the fact that overlapping and potential conflicting EU and US regulatory framework, including structural reforms, are a source of concern for banks that are active in both jurisdictions.

16. Calvine reacted underlying that all different pieces of regulatory interventions are not intended to generate unfettered administrative burden and respond to a coherent and well defined policy objective, i.e. addressing all sources of risk and weaknesses for financial institutions as unveiled by the crisis and tackling all loopholes. She also agreed on the mounting relevance, particularly in big institutions confronted with several jurisdictions, of the compliance function. Finally, at this point Mr. Calvine stressed that none of the recent legislative initiatives of the Commission is intended to promote a specific model or banking structure, including the holding company structure which is largely used by US SIFs. She confirmed that the Commission remains neutral with regard to the optimal banking model.

Mrs [REDACTED] explained that at the origins of the rule lie in her view [REDACTED] On her side, [REDACTED]

expressed some doubts with regard to the fact that branches have been left outside the IHC remit and this could prove to be not optimal from a financial stability point of view with reference to large branches active in the wholesale banking market. She also referred to a potential FED initiative, as outlined by Governor Tanzi in a speech at the end of 2013, to limit short term wholesale funding risks. Mrs

~~Calvine referred to past formal and informal exchanges with UK Authorities where that circumstance was always denied and invited Mrs [REDACTED] to share any evidence with the Commission~~

The final part of the meeting was devoted to an exchange on latest developments in the area of resolution, including SPOI vs MPOI strategies and different approaches to 'bail-in-able debt' (with particular regard to the case of 'bail-in'-able debt held by other financial institutions). Mrs Azevedo also said that in her view FED will soon disclose their plans on gone-concern loss absorbency capacity (GLAC).

Best regards

Second version of document

(MARKET)

From: [REDACTED] (MARKET)
Sent: 01 April 2014 10:33
To: [REDACTED] (MARKET); [REDACTED] (MARKET); [REDACTED] (MARKET);
[REDACTED] (MARKET); [REDACTED] (MARKET); [REDACTED] (MARKET);
Cc: [REDACTED] (MARKET); CALVINO NAGLE (MARKET); [REDACTED] (MARKET);
[REDACTED] (MARKET); [REDACTED] (MARKET);
Subject: Structural reform: Recap of meeting with the Wallenberg family/investor/S&B

Subject: Structural reform: Recap of meeting with the Wallenberg Family/Investor/SEB

The purpose of the meeting was to discuss the bank structural reform proposal (the "proposal"). The Wallenberg Family through its holding company, Investor AB, has a significant, controlling shareholding + chairman post in SEB – one of the banks that most likely will meet the threshold of our proposed structural reform regulation. SEB was originally founded by the Wallenberg Family.

The purpose of the meeting was to discuss the bank structural reform proposal (the "proposal"). The Wallenberg Family through its holding company, investor AB, has a significant, controlling shareholding & chairman post in SEB - one of the banks that most likely will meet the threshold of our proposed structural reform regulation. SEB was originally founded by the Wallenberg Family.

Participants on behalf of DE MARKET: Nadia Cahino: [REDACTED] (G); [REDACTED] (P2); [REDACTED] (G3); [REDACTED] (H2).

- Concerns about the timing of the proposal: why put forward a proposal on how to structure banks without first having studied the effect of recent adopted financial legislation. Concerns about the macro-economic impact of an approach, which investment in business is structured not the opposite and cannot be ruled out that slow economic recovery is related to how banks are structured to lend out to the real economy.
- Concerns about the aim of the proposal. Swedish experience from having gone through two crises is that SE banks have been very successful in getting "help" to stand out. Keeping several business lines within a bank is a benefit. Lillman agreed that there is a strong case for keeping universal banking. The proposal goes in the opposite direction – why? Puzzling.
- 70 percent of SE's business is in trading. Large part of balance sheet is government. SE has more multinational companies per capita than any other EU country. SE firms frequently need a counterpart in an emerging market. [redacted] finding for liquidity needs a counterpart in an emerging market.
- providing hedging services and so on. Not practical for companies to have to work with different subsidiaries and persons in deals that clearly go together.

- More focus on setting up appropriate procedures for handling derivatives (clearing houses) would have been better than regulating the structure of banks. It's impossible to find the right structure for banks.
- Concerns about supervisory discretion and divergent outcomes.

- Most of financial legislation/proposed adopted by the Commission has been pushed by the international agencies, international cooperation and consistency is important. The financial legislation adopted by the Commission would be seen as an inter-linked package and the proposal was necessary to complete this package. It was also necessary to have one consistent European framework for structural reforms.
- The Commission is strongly committed to the need to deal with risks related to the two big-to fail banks. Capital requirements framework not sufficient. At this point we cannot say what the EP and Council will take the proposal forward.
- The proposal foresees discretion for supervisors. Trading, e.g., market making, is certainly not trading and no intention to prevent it. The fence can be adjusted in circumstances. Banks that do much trading should still find it profitable. The separation is based on circumstances. Slenderly, hedging and trading for liquidity purposes and to serve customers are not forbidden; the proposal looks at overall derivatives positions of a bank often client driven. Banks in a CCP and does not require it to set up two separate entities. The Commission supports diversification.