



Brussels, 1 March 2019

NEW RULES FOR PRUDENTIAL REQUIREMENTS AND SUPERVISION OF INVESTMENT FIRMS

In a somewhat unexpected turn of events, the European Parliament and the Council reached an agreement on the Investment Firm Review (IFR) package, composed of a Regulation and a Directive. The agreed framework sets out more proportionate prudential requirements and supervisory arrangements for investment firms. It also lays down new rules for granting an equivalence decision and establishes measures for further scrutiny on systemically important third-country investment firms, granting the European Securities and Markets Authority (ESMA) a stronger oversight and intervention powers. The final agreement will now need to be formally endorsed by the co-legislators before it enters into force.

CO-LEGISLATORS AGREE TO CREATE HARMONISED EU FRAMEWORK FOR COVERED BONDS

The co-legislators reached a political agreement on new rules to promote the EU covered bonds market. The proposal will create a harmonised EU framework without disrupting already established and well-functioning national markets. By putting in place a cost-effective and long-term funding source, these rules will help financial institutions to finance the real economy across the EU. They will also increase cross-border flows of capital and investments and promote harmonised prudential rules for those instruments, contributing to financial stability. The final agreement will now need to be formally endorsed by the co-legislators before it enters into force.

LOW CARBON BENCHMARKS AGREEMENT MARKS DECISIVE STEP ON SUSTAINABLE FINANCE

The European Parliament and the Council struck a deal on the so-called low carbon benchmarks proposal. Overall, the new framework comprises two types of financial benchmarks: (i) EU climate transition benchmarks, which aim to lower the carbon footprint of a standard investment portfolio, and (ii) EU Paris-aligned benchmarks, which concern only components that contribute to respecting the Paris Climate Agreement. The new rules also amend the Benchmarks Regulation by providing an extension of the transition regime for critical and third-country benchmarks. The final agreement will now need to be formally endorsed by the co-legislators before it enters into force.

COMMISSION CONTINUES WORK ON EUROPEAN SEMESTER WITH POSITIVE OUTLOOK

As part of the European Semester 2019, the European Commission issued its so-called Winter Package assessment of the EU economy. Overall, the Commission observes that in recent years the EU has moved from economic recovery to solid expansion. For 2019, the EU's economy is set to continue expanding, notwithstanding the more uncertain outlook projected. In addition, conditions in the EU banking sector continue to improve, particularly in the most vulnerable countries. However, further efforts are needed to enhance capital ratios, reduce non-performing loan ratios and improve low profitability. The Commission will issue its National Reform Programmes in April and its Country Specific Recommendations in May.

EU MOVES TO ENSURE BASIC ROAD CONNECTIVITY IN CASE OF NO-DEAL BREXIT

The Romanian Presidency and the European Parliament reached a provisional agreement to ensure basic road connectivity for freight and passengers in case of no-deal Brexit. The adopted measures will

allow UK-licensed road hauliers, coaches and buses to carry goods and passengers between UK and 27 EU Member States. These rights are conditional on equivalent measures being conferred by the UK on EU operators. The regulation, part of the non-deal Brexit contingency measures, needs to be formally adopted by the Council and the Parliament and will apply until end 2019.

COMING UP NEXT WEEK:

- **4 March: Transport, Telecommunications and Energy Council (Energy).** On the agenda: Climate neutral economy and consumer information, gas market and infrastructure investment.
- **5 March: Environment Council.** On the agenda: drinking water directive, Commission Communication on a clean planet for all, endocrine disruptors.
- **5 March: EU-Georgia Association Council.** On the agenda: political developments in Georgia, justice, freedom and security, economic situation, foreign policy issues.
- **7-8 March: Justice and Home Affairs Council.** On the agenda: European Border and Coast Guard regulation, common European asylum system, terrorism, disinformation, whistleblower protection directive.

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