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
Meeting with EGIAN
14 January 2014

1. 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.

2. Summary

1. Questions raised by EGIAN:
   - What are the risks facing the reform at the plenary vote?
   - How do risk exchanges mean in the context of the current legal situation? How many are going for longer duration periods? How many are going to the joint audit option? Are these options to be agreed to the Single Market or for audits?
   - Do companies need to tender after 10 years if they want to go with joint audits?
   - How will the audit reform have an impact on legislations in other countries?
   - Will the move towards EGIRN in audit oversight help consolidate the balance of powers with the PCAOB?

2. Points made by EGIAN:
   - The one can say that the reforms have an impact on the market, even though it may be less ambitious than envisaged, it will affect opportunities in terms of market access and competition. The challenge is to what extent investors will be willing to drive change, and how EGIRN is building them to play a more active role in dealing with auditors.
   - Regulatory initiative will have an impact not only on auditors but also the management, investors, stakeholders, etc. in the UK, the immediate one of a small list has been highlighted in that regard the auditor is no longer the one that should play the role. It has had a number of significant on the market that followed.
   - The impact on fair audit is a key but the challenge is whether UK will make use of this opportunity. EGIRN will use to promote joint audit further.
   - The expected and characteristics of the audit committee are to be clearly worked.
   - Market change: It is likely that the Big Four will voluntarily drop doing audits, as it offers market to high-impact stakeholders. With the reform, the audit firms of the Big Four is likely to be more independent from the rest of the firms; however it appears that the load partners are not longer the ones that do audit – tax advisors have become the ‘big boys’.

3. Commission’s key comments:
   - The Commission will remain in place until the reform is adopted in plenary.
   - The content of the reform and the use of 
     - The impact of 
   - 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 meetings started is also underway.

4. Impact analysis:
   - EGIRN will explore options to set up an event, possibly in London, on the added value of joint audit, with insights welcomed from the Commission on available international rules.
   - EGIRN will also be in charge of balancing the influence of the Big Four within the UK.

Participants:
- Representatives from EGIRN (Chairman, Executive Director, and European Commissioner).
Meeting with Grant Thornton International — Thursday 24 April.

Key highlights

- Do you know whether Member States will consult on the options of the Regulation at the same time as for the Directive?

- The Commission should help to facilitate a consistent implementation of rotation rules.

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

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Second version of document

Dear all,

[Redacted]

Meeting with [Name] International — Thursday 24 April

Key highlights

- Professional bodies are under pressure from their members to call against a possible "recommendation" of the EU audit reform.
- Do you know whether Member States will consult on the options of the Regulation in the same time as for the Directive?

The UK is considering a "proxy vote" for the UK Corporate Governance Code, promoting the most flexible proposal (referred to as the "proxy vote" for the AGM. The UK is also thought to be willing to activate the option of joint audit — either its own or a party audit with the tender ratio of 2:3.2

Similarly, according to a shareholder (source), the cap could be drawn from £250m to £25m in a simple of years.

The Commission could help to facilitate a consistent implementation of rotation rules.

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

Commissioner's key messages:

- Implementation is our priority and transparent workshops with the M. will take place soon.
- In addition, the Commission will start looking into the criteria for a possible adoption of ESAs at EU level.
- Southern countries such as Italy, Spain, Portugal, are considering establishing shorter-term companies, and could be followed by Sweden, Romania and Bulgaria.

Participating:

- [Name]
- Commissioner
ICJCE (Spanish Auditors Representative Body), April 2014

First version of document

Visit of ICJCE Representatives (Spain)
SPA2, 01/089, 16-15-17:15, 29 April 2014

The ICJCE (Instituto de Censores Jurados de Cuentas de España) is the main representative body of auditors in Spain. The visitors requested the meeting, its main purpose was twofold: (i) to explain us the recent elections held by auditors in Spain, and (ii) to invite us for a presentation in Madrid on the new regulatory network, tentatively on 6/7 October 2014, at the time of their triennial congress.

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1. Visitors explained the outcome of elections held in the ICJCE in July 2013 in which risky representation was. The share of votes was 50% (ICJCE) vs 50% (IGL + other). They also referred to some problems concerning the previous leadership and the transfer of power.

2. This visit also made them interested in the regulatory framework in Spain.

3. We discussed their cooperation with the ICJCE and on whether they find their views properly represented in that organization.

4. They informed us about some cases in Spain of big companies reaching big fine because of communication of information.

5. We discussed some specific cases on the regulatory periods related to audit firms.

6. We informed them about our work with the ICJCE and the value placed on the regulation of the new directive, with major issues around risk and mandates.

7. We told them we will always be open to new possible interpretative questions on our regulatory framework (as they participated in the stakeholders' meeting of 13 April 2014).

8. They asked to be made aware of any presentation of our new regulatory framework in Spain if we deemed it useful.

9. Concerning our possible participation in the Madrid congress we told them it was too early to respond.

References

- We will be wait for an advance draft of their triennial congress programme before we decide whether to participate in it.
- We will send a copy of a new book we published on auditing in Spain.
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, STX, 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. Unlike in some EU member states the status as EU 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 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 part of a global pool of Liquidity.

Bloomberg has contacted all major jurisdictions, 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, in 2019. We asked however to be kept informed about further developments.
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.

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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.
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.

- First version of document

From: [MARKET]
Sent: 03 February 2014 12:43
To: [MARKET], [MARKET]
Subject: Meeting with Soc Gen

They met with [MARKET] and [MARKET] 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. The 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 they were 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 regimes: the use of third country benchmarks was very important to them.

- Second version of document
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II. Summary

1. Questions raised by EGIAN
   - What are the risks facing the reform at the plenary stage?
   - How will the new rules for large and medium-sized companies affect market access?
   - How will the new rules for large and medium-sized companies affect the market for audit services?
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II. Further analysis by EGIAN
   - The meeting was attended by EGIAN (European Group of International Accounting Networks and Associations) to discuss the follow-up to the compromise reached in December 2013 on the audit reform and its practical implications.

III. Conclusion

1. The Commission will remain vigilant until the reform is adopted at plenary.
2. The adoption of new EU-level rules on audit and its implications.
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

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

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

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

Today DG6 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.
First version of document

Sent: 04 April 2014 10:23

To:

Cc:

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

Please find below a short summary of the main points raised in the April 2 meeting between Nadia Calvino and the Wallenberg Family/Investor AB.

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 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.

Second version of document

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- Concerns about the timing of the proposal: Why not consider delays? The effect of currently adopted financial regulations. Concerns about the macroeconomic impact of such an approach. More investment in business is required so the proposal should not be used and will instead focus on reining in the macroeconomy.
- Concerns about the scope of the proposal: Would a narrower approach have a similar impact? If banks become more profitable and less risky, banks should be allowed to stand alone, having time to change their business models without additional regulatory restrictions. An argument for keeping universal banks. The proposal is in the opposite direction—why funding?
- 50 percent of SEB's business is in trading. Large part of balance sheet is in euros. If there is more internationalization, capital requirements should be changed. Additional capital requirements are needed.
- Some concerns about supervisory discretion and charged automatisms.
- Most of the financial legislation proposals adopted by the Commission have been pursued by the international agencies. International institutions and cooperation are necessary. The financial legislation adopted by the Commission should be seen as an important package and not the proposal is superfluous to current efforts. It is vital for countries to have a consistent European approach for achieving results.
- The Commission is strongly committed to the need to work closely together to make the single Supervisory Mechanism (SSM) work. It is important to build a strong and consistent European approach for ensuring risk.
- The Commission is concerned about the need to deal with regulatory issues in the top tier of EU banks. Capital requirements statements not sufficient. At this point we need to see how the BB and CoR approach fits into the proposal.
- The proposal looks for discussion for supervisors. EU wide, e.g. market making, is not regulated or risk capital—what to do here? The focus is on supervisory convergence. Focus on the most risky situations and not on everything. The argument is based on macroprudential capital, liquidity, lending and trading for healthy banks but not on capital and standards in the transmission of capital and standards across financial institutions. The legal framework for capital requirements is not in place yet. The Commission expects that efforts will

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