The Slovak Presidency of the Council of the EU in regard to legislative initiatives concerning the financial market

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On 1 July 2016, for the first time in its history, Slovakia assumed the Presidency of the Council of the European Union. Confronted with such challenging issues as Brexit and the impact of international terrorism, the Slovak EU Presidency sought constructive solutions by leading discussions on those areas where the Union is more united than divided. Staff of Národná banka Slovenska played a significant part in the discussions on legislative initiatives concerning the financial market, and this article aims to provide a summary of the initiatives discussed. (p. 3)

Prospectus Directive reform – bringing genuine improvement or simply complying with one point of the Capital Markets Union Action Plan?

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On 20 December 2016, at its last meeting under the Slovak Presidency of the Council of the European Union, the EU Council's Permanent Representatives Committee (Coreper) approved a proposal for a regulation on prospectuses for the issuing and offering of securities. The draft regulation is intended to replace the Prospectus Directive (2003/71EC) currently in force. Trilogues on the issue were initiated between the Council, the European Commission and the European Parliament with the aim of reaching joint agreement on the text of the proposal. The successful denouement of this process is seen as one of the achievements of the Slovak EU Presidency's financial market agenda. The review of the Prospectus Directive and drafting of a regulation to replace it are the first important steps in the European Commission's project to establish a Capital Markets Union. A harmonised EU prospectus is seen as a 'gateway' for issuers to gain access to European capital markets. A reform of the prospectus rules was announced in the Investment Plan for Europe as part of the third pillar for improving the business environment. (p. 6)

Money market fund regulation

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The Slovak Presidency of the Council of the European Union oversaw the successful conclusion of the three-year-long negotiations on the EU's proposed regulatory framework for money market funds (MMFs). The draft regulation is part of international efforts to develop a robust regulatory framework for the shadow banking sector. What makes MMFs particularly appropriate, suitable and interesting for investors is their close similarity to bank deposits. Offering almost immediate access to liquidity and typically a conservative investment profile, MMFs are considered an appropriate alternative to bank deposits. Nevertheless, they are still investment funds and are subject to the market risks associated with such products. Like other types of funds in situations of market stress, MMFs can be vulnerable to runs and to impairment of their net asset value. In the discussions on the draft regulation, the Slovak EU Presidency represented the interests of the 28 EU Member States in five 'political trilogues' with the European Parliament and the European Commission. The most significant progress came in fifth trilogue, held in November 2016, which resulted in an agreement on the principles for the future functioning of MMFs in the EU. (p. 11)

A new comprehensive package of measures to reduce risks and strengthen the banking sector

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At the invitation of the ECOFIN Council, the European Commission has prepared a comprehensive package of measures aimed at strengthening the resilience of EU banks and at further reducing risk in the EU banking sector. The proposals are also designed to incorporate Basel standards, to reduce the regulatory burden on small banks, and to support small and medium-sized enterprises. Although almost all the interested parties welcome the proposals, there remains debate about whether the cross-border flow of capital and liquidity within banking groups operating in several EU Member States should be further eased before the third pillar of the Banking Union has been established. This contribution looks at selected areas of the proposals, which are now being discussed in ECOFIN working groups. (p. 16)

Amendment of the Fourth Anti-Money Laundering Directive

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The necessity of adopting clear and, above all, effective rules to prevent money laundering and terrorist financing is becoming ever more pressing amid the recurrence of terrorist attacks across the world and the weaknesses that they have revealed. In 2015 many countries adopted new rules as part of their anti-money laundering and countering terrorist financing regimes. In this article we describe the conceptual background to the proposed amendment of the EU's Fourth Anti-Money Laundering Directive, which ties in with national efforts to reduce the risk of unforeseeable terrorist attacks. The amendment proposal was among the priority issues of the Slovak Presidency of the Council of the European Union. (p. 18)

The current state of the Banking Union's third pillar

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When the financial crisis turned into an economic crisis, one of the European Union's responses was to initiate the Banking Union project. While its first two pillars – the Single Supervisory Mechanism and the Single Resolution Mechanism – are now in place, the Banking Union remains incomplete due to the absence of its third pillar, a European Deposit Insurance Scheme. To make progress on EDIS was one of the main priorities of the Slovak Presidency of the Council of the European Union, within its financial market regulation agenda. The aim of this contribution is not to analyse EDIS, which is probably quite familiar to Biatec readers, but rather to give an account of what was achieved on this issue during the Slovak EU Presidency and to summarise the current state of discussions. (p. 20)

Eurofi Financial Forum 2016 – Bratislava

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Among the most notable of the expert gatherings that took place within the context of Slovakia's Presidency of the Council of the EU was the Eurofi Financial Forum 2016, held in Bratislava on 7-9 September 2016. Národná banka Slovenska was heavily involved in organising the event and providing expertise for it. The importance of the Forum was evident from the fact that it attracted more than 700 participants, including many leading figures from the financial sector. This article brings readers the key takeaways from the Forum's discussion areas. (p. 25)