

## Annual Review 2018

Re-wiring Europe's Capital Markets



The Association for Financial Markets in Europe advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefitting society.



## AFME committees

### AFME Board

Fixed Income	Equities	Prudential	Policy & Compliance	Technology & Operations	Cross cutting	Global
Covered Bonds	Corporate Finance	Regulation	Accounting	Technology & Operations	CMU & Growth	Foreign Exchange
Credit	Equities Capital Markets	Resolution	Tax & VAT		MIFID	Commodities
High Yield	Equities Trading		Compliance			
Primary Dealers	Post Trade					
Securitisation	Prime Services					

### Advocacy

# Message from the Chairman

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**Re-wiring Europe's capital markets to ensure they are as effective as possible will be essential for financing growth and investment in years ahead**  
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**Michael Cole-Fontayn**  
Chairman  
Association for Financial Markets in Europe

September 2018

Europe's wholesale markets are operating in a time of unprecedented structural change, which will continue throughout the Brexit negotiation period and beyond. AFME is committed to working with its members through these challenging times and our role as the voice of Europe's wholesale financial markets is more important than ever.

We are acutely aware of the concerns our members and their clients face in relation to Brexit and the risks it poses for creating market fragmentation. We will continue our fact-based engagement with policymakers across the EU27 and in the UK, to make the case for how important it is that Europe's market eco-system continues to function efficiently and effectively. AFME remains focused on fostering deeply integrated capital markets which enable our membership across the geography of Europe to serve clients with maximum efficiency and minimum disruption. Whatever the outcome of the Brexit negotiations we stand ready to support our members to transition to new regulatory and political landscapes.

Despite such challenges there are also profound opportunities. As we enter a period of relative regulatory stability, now is the time for the industry to focus on tackling longer term structural issues. As the title of this year's Annual Review suggests, re-wiring Europe's capital markets to ensure they are as effective as possible will be essential for financing growth and investment in years ahead including delivering a credible Capital Markets Union.

FinTech developments are revolutionising our industry, enabling enhanced risk management, driving cost savings for firms and significantly improving user experiences. There remains significant potential for firms to utilise technology collaboratively to tackle common challenges in areas such as cybersecurity, anti-money laundering, improving operational resilience and streamlining post trade processes.

In this context, AFME is well positioned to remain a trusted partner for its members to lead on addressing these industry opportunities and to work on creating more efficient, client-centric and resilient capital markets in years to come.

We are delighted to be holding our first 'Transforming Global Capital Markets through Technology' conference in Paris this autumn. This is an event we hope will become the leading European forum for innovation in FinTech and wholesale capital markets.

I am now approaching the end of my first year as Independent Chairman of AFME. This year has seen us continue to pay close attention to maintaining our high standards in governance, risk management and financial control on behalf of our Board and membership.

I would like to conclude by thanking my fellow Board members for their hard work and wise counsel over the last year. In particular, we are grateful to our outgoing Vice Chair Kostas Pantazopoulos of Goldman Sachs, who is stepping down from the Board after eight years. We also say farewell and thank you to founding AFME Board member, Gianluca Cugno of Banca IMI. Thank you also to Clare Woodman of Morgan Stanley, who has served in the role of AFME Treasurer with great distinction, and will now hand over that role to Ricardo Laiseica of BBVA.

I would also like to thank AFME staff for all the work they do for our industry.

# Chief Executive Review

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**AFME has worked extensively with our members in the run up to implementation of key regulatory changes to ensure they were well prepared**  
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The last 12 months have seen the implementation of some significant regulatory changes for our members, including MiFID II and GDPR in particular. As well as our ongoing dialogue with regulators and policy officials on these changes, AFME also worked extensively with our members to ensure they were well prepared, including expert briefings and workshops.

We have also seen the finalisation of the Basel III framework, effectively marking the end of the post-crisis overhaul of global financial regulation, which started 10 years ago. In April we published “The Impact of Regulation on Banks’ Capital Markets Activities: An ex-post assessment”. The report was a collaboration with PwC and explored the impact of post-crisis regulation on banks’ balance sheet decisions. It is one of 14 expert publications AFME has produced in the last year; you can read more about our series of research and publications online at [www.afme.eu/reports](http://www.afme.eu/reports).

Brexit clearly remains a significant priority area for AFME and its members. We have continued our engagement with authorities in the UK and EU27 to ensure the key issues facing our sector are understood. Our factual analysis and research is an important part of this. In the last year we have published four reports analysing the potential operational impacts of Brexit for capital markets, and highlighting the importance of transitional arrangements being put in place on issues such as a contractual continuity and cross-border data transfers.

Our Advocacy team in Brussels remain central to our work and over the next year we will be upweighting our presence in Frankfurt. We are also increasing our activity in Paris, including holding our first Annual Dinner there in October where Bruno Le Maire, the French Minister of the Economy, will deliver the keynote speech.

We also continue to engage on global regulatory issues alongside SIFMA in the US and ASIFMA in Asia, as part of the Global Financial Markets Association (GFMA). A summary of key GFMA achievements and activity over the last year, can be found on page 16.

We recognise the growing importance of FinTech and its potential to revolutionise capital markets in a number of ways. Our “Transforming Global Capital Markets through technology” conference in Paris will examine developing areas of importance for our industry such as Artificial Intelligence, Cybersecurity and Industry Utilities.



As we enter the final year of the Juncker Commission, we will continue to make the case for completing the Capital Markets Union (CMU) Action Plan. CMU's overarching aims to create deeper, better integrated and more diversified capital markets are key for supporting economic growth and job creation in Europe, and are as compelling as when the initiative was first launched in 2015. While clear progress has been made on achieving its objectives, there is also much still to be done and we will be urging policymakers, including within the current Commission as well as the next, to continue to prioritise the CMU and growth agenda.

Ensuring our advocacy messages are reaching the right audiences across Europe is a key goal for our media engagement and thought leadership activity. Both have increased significantly in the last year. We also continue to grow our presence and content on social media including increasing the volume of video content we are creating. This year we produced our first animated explainer video highlighting why tackling Europe's NPLs is such an important issue, which you can find at: <https://www.afme.eu/en/key-issues/npls>

Beyond our day-to-day work, and the busy regulatory and policy agenda, we also recognise our responsibility to wider society. Supporting our community close to our offices in East London through charitable giving and voluntary efforts is very important to us as an organisation. Our Charities Committee arranges activities throughout the year which AFME staff may get involved in, including a full day of volunteering as part of our annual Charity Week every summer.

This has been another eventful year in many ways for Europe's capital markets. I would like to thank all our members for their support of AFME and our Chairman, Michael Cole-Fontayn for his expert stewardship of the Board, as well as all of AFME's Board members for their contributions. I would also like to thank AFME staff for their hard work this last year. It is my pleasure and a privilege to lead such a dedicated team of colleagues.



**Simon Lewis OBE**  
Chief Executive  
Association for Financial Markets in Europe

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**While clear progress has been made on Capital Markets Union there is much still to be done and we will be urging policymakers to continue to prioritise this key area**

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# A year in numbers

## Our members



**160**  
global and European  
market participants



Over **3500**  
participants from  
160 firms



**83** full members  
**78** associate members

## Engagement



**3,500**  
LinkedIn followers



**2,900**  
Twitter followers



**47,750**  
website page  
views per month



**4,000**  
downloads of  
AFME content per month

## Impact



**70+**  
consultations  
responded to



**14**  
expert publications  
produced



**20**  
data reports  
each year



**500+**  
press  
articles

# Key issues

## Banking Supervision

In addition to workstreams reported on elsewhere (such as the European Central Bank's (ECB) NPL work and TRIM exercise), we have been actively contributing to the future Pillar 2 framework (CRD5) and the EBA's Supervisory Review and Evaluation Process (SREP) Guidelines which are key to determining Pillar 2 levels. The EU-wide 2018 stress test is also an important component of the SREP outcome and we have assisted members by holding a workshop to exchange views on its challenges, as well as alerting the EBA and ECB to the exceptionally high resource demands of the process this year.

We also responded to the ECB's ICAAP/ILAAP guide consultation and are engaging with the ECB on the issue of follow-up to on-site inspections, where there is a need to ensure clear and consistent treatment of the results of these exercises and how they are ultimately integrated into the SREP. We received detailed feedback on the ECB's thematic review on internal governance and risk management, and have been able to engage with the Single Supervisory Mechanism (SSM) with respect to the expected timing of new market risk model applications, in spite of uncertainty surrounding the timing of Fundamental Review of the Trading Book (FRTB) adoption.

## Banking Union

AFME has supported the idea of Banking Union since its inception and welcomes the good progress made towards completing this important project. A great deal has already been achieved towards the reduction of risk which is a prerequisite for the completion of Banking Union.

By the end of this year we hope to see the Risk Reduction package finalised and progress made on the proposals for a European Deposit Insurance Scheme. It is important that this package helps remove the significant impediments to the efficient internal capital, MREL and liquidity allocation within cross-border banks in order to counteract the trend towards market fragmentation and brittle markets in the Union.

In addition, AFME hopes to see good progress made on the Non-performing loans (NPLs) Action Plan, as well as the Commission's directive on a preventive restructuring framework, second chance and insolvency procedures. We also encourage further consideration of the framework for the provision of liquidity to firms in resolution.

Taken together, the effective implementation of all the above measures should help deliver lower risk and well-functioning capital markets which need to go hand in hand with risk-sharing measures in Europe, if we are to achieve a fully-fledged Banking Union. The following pages describe in more detail some of the important work that AFME has been doing on the individual elements of the Banking Union measures.

## Brexit

We have continued our fact-based approach to our Brexit work. Over the last year we have published several papers highlighting issues such as the importance of a transition period, addressing cliff edge risks, contract continuity and data transfers. We have also engaged in relation to proposed changes to third country equivalence regimes.

We have also delivered a number of webinar briefings for our members to give them practical guidance in areas such as the operational considerations they need to bear in mind in relation to the UK's EU Withdrawal Act.

Alongside this we have continued to provide input on practical issues relevant to our members such as the authorisation of UK branches of EU firms and the SSM's booking models policy. We have also surveyed the impact on financial markets infrastructure and published FAQs on how cross-border contracts may be impacted.

We have continued our close engagement with policymakers, finance ministries and regulators across Europe. While the politics and negotiations continue to create significant uncertainty, we expect over the coming period to continue our focus on addressing practical issues faced by our membership and increased engagement on the future relationship between the EU and the U.K.



## European Supervisory Authorities

The European Supervisory Authorities (ESAs) have continued to play an important role in the European regulatory landscape and have broadly been successful in fulfilling challenging mandates, particularly in concluding the single rulebook for the EU financial sector.

Whilst AFME has been largely supportive of the EU Commission proposals for an overhaul of financial supervision in the EU as put forward on 20 September 2017, we believe that it is important to distinguish between the ESAs operating as rule-makers and as supervisors. We are supportive of the ESAs' role as secondary rule-makers and consider that the prime focus of the ESAs on the supervisory front should be to promote supervisory convergence amongst Competent Authorities.

AFME considers that it is important that supervisory tasks are conducted at a level where they can most effectively be pursued. Given the diverse nature of capital markets and products, the principal conduct supervisors in most capital market areas should continue to be the National Competent Authorities. In particular, European Securities and Markets Authority's (ESMA) role as a direct supervisor should be limited to the very few situations where a small number of large entities or critical benchmarks are relevant to the financial stability of the whole or large part of the EU. We note the ultimate objective of establishing ESMA as a single capital markets supervisor and agree that small, carefully assessed, steps can be taken towards that goal.

On supervisory coordination and convergence, AFME welcomes reforms encouraging better consultation and cost-benefit analyses on guidelines and recommendations, and urges the EU Co-Legislators to extend that, as appropriate, to the ESAs full supervisory convergence toolkit. We will constructively engage with the EBA on their Q&A implementation review exercise. We are also supportive that the ESAs are granted general powers to preserve financial stability in emergency and exceptional situations.

### Growth and Capital Markets Union

The Capital Markets Union (CMU) Action Plan has entered its final year alongside the current term of the European Commission which ends in 2019.

We were pleased to see many initiatives towards more integrated capital markets being adopted in the last five years including the review of the Prospectus Regulation, the new framework for securitisation, the recalibration of capital requirements for investments in infrastructure projects and corporates as well as the creation of European Venture Capital and European Social Entrepreneurship fund frameworks.

The near-term focus of the Commission is to complete the remaining CMU dossiers. AFME has continued to be a strong supporter of the CMU project and actively contributes to key CMU dossiers, including the review of the functioning of the ESAs, insolvency reform, the review of prudential requirements for investment firms and the proposal to remove SME listing barriers.

Despite crucial progress, many challenges identified in the original 2015 CMU Action Plan remain. The CMU's overarching objectives to mobilise capital in Europe away from traditional bank lending and create deeper and more integrated capital markets are more important than ever.

AFME will also shortly publish the first in an annual series of reports measuring CMU progress. The report, "Capital Markets Union Key Performance Indicators: Measuring progress and planning for success" will provide key facts to help policymakers assess the developments in the CMU and identify where further progress could be envisaged.

AFME has also been very involved in the Commission's Action Plan on sustainable finance and its underlying legislative proposals released earlier this year, including the work on a sustainable finance taxonomy. In addition, AFME and the European Forum for Manufacturers (EFM) held their annual

dinner at the European Parliament on Sustainable Finance, which gathered a number of senior EU officials.

Looking ahead, AFME will continue to engage policymakers on the remaining CMU initiatives as well as promoting the necessity of building closely integrated European capital markets closely across the EU's CMU agenda.



"For the last five years, AFME has built a strong foundation of both expertise and network on the CMU and growth agenda. Looking ahead, AFME with the strong commitment of its members, will build upon this success to help policymakers build the next crucial steps for integrated European capital markets."

**Cedric Pacheco**  
Manager, Capital Markets

### Non-Performing Loans

AFME has actively led and shaped the industry response to the Council's Action Plan on NPLs and the Commission's 'NPL package' launched on 14 March 2018, as well as the publication of the ECB's final addendum guidance, which introduced prudential backstops for new NPLs.

AFME has submitted positions on all the EU NPL initiatives launched in 2018, which include: (i) the Commission's proposal for a directive to develop secondary markets for NPLs (proposed directive on credit servicers, credit purchasers and enforcer of collateral); (ii) Commission's proposal amending the capital requirements regulation to introduce prudential Pillar 1 backstops for new loans that become non-performing; (iii) EBA's guidelines on the management of NPLs and disclosure; and (iv) EBA's NPL transaction templates. We also submitted a general letter on the NPLs Action Plan ahead of ECOFIN discussions in early 2018.

Much of AFME's advocacy is focused on addressing areas of uncertainty in the current proposals and overlapping regulatory burden – for instance inconsistencies between the Commission's Pillar 1 backstop and the ECB addendum guidance. On the directive to develop secondary markets for NPLs the aim of our advocacy efforts has been to further define the scope of the proposal. We are also looking to understand the practicalities of the accelerated extrajudicial collateral enforcement (or AECE) mechanism, particularly how that mechanism will work in conjunction with existing national and international legal frameworks.

As part of our advocacy outreach strategy we have presented our views to the Spanish Central Bank, Head of Unit, DG FISMA Peter Grasmann as well as other colleagues from DG FISMA, the Austrian Presidency experts, Representatives of Member State experts from a number of Permanent Representations in Brussels, and market participants.

AFME also hosted a conference on NPLs in May in Brussels attended by 150 market participants and regulators. The conference titled "European NPLs Conference: Connecting the dots provided a timely and informative overview of the European NPL environment, as well as a summary and analysis of the European Council's NPL Action Plan.



# Update from the Divisions

## Capital Markets

### Corporate Finance

Over the last year, AFME's Corporate Finance Division has continued to focus on the public issuance of securities and the commercial, legal and regulatory aspects of mergers and acquisitions (M&A) across Europe.

In October 2017, we responded to the Financial Conduct Authority's (FCA) consultation on various technical notes regarding sponsor obligations. We expressed the view that, as a general matter, the new and revised notes were a helpful contribution to the clarification of a sponsor firm's obligations. AFME also sought to clarify the scope of relevant sponsor obligations under the FCA's draft guidance.

In December 2017, AFME published briefing notes on the new telephone tapping rules under MiFID II. The notes examined the application of the rules to M&A advisory and other investment banking activities. AFME continues to monitor and influence the development of regulations that are relevant to the M&A sector by engaging with key stakeholders. This includes the UK Pensions Regulator, whose regulations in respect of parties to M&A transactions could be impacted by the Department for Work and Pensions' proposed changes (in June 2018) to the treatment of pension schemes in, amongst other things, the sale of a business or assets of a scheme employer.

In addition, the AFME Corporate Finance Division examined the Government's White Paper consultation on proposed reforms to its powers to review foreign investment into the UK (published in July 2018), which proposed, inter alia, a new framework for interaction between the national security regime and the UK merger control regime in transactions in which a national security interest had been triggered.

During the last year AFME has nominated two new members to serve on the Hearing Committee of the UK Takeover Panel.



"AFME has engaged with key stakeholders to influence the development of regulations that are relevant to the M&A sector"

**Olu Oluwole**  
Associate, Capital Markets

### Equities Trading

During 2018, the Equities Trading Division continued to work on issues arising out of MiFID II, particularly on implementation challenges that required further clarification, including the share trading obligation, the tick size regime, double volume caps and the provision of direct electronic access to EU markets.

We have worked collaboratively with industry stakeholders with the aim of increasing harmonisation and best practice. In January,

AFME worked closely with buy side associations (Investment Association and BVI) when responding to ESMA's consultation paper on systematic internaliser (SI) quoting rules and in June 2018, AFME published a joint response to the Prudential Regulation Authority (PRA) consultation paper on algorithmic trading with FIA and UK Finance. Additionally, AFME joined up with International Swaps and Derivatives Association (ISDA) when successfully engaging with regulators on the treatment of technical trades, for the purposes of post trade transparency under MiFID II.

Both the Equities Board and Securities Trading Committee have remained aware of the potential impacts of Brexit to European market structure and during 2018, AFME has liaised with both the buy side and exchanges in order to facilitate appropriate dialogue between AFME members and other market stakeholders.



"The Equities Trading Division has helped to shape European market structure through its proactive engagement on regulatory developments arising out of MiFID II and Brexit"

**April Day**  
Managing Director, Head of Equities

### Equity Capital Markets

AFME's ECM Division has continued to develop more efficient and coordinated equity capital-raising processes.

In advance of MiFID II, AFME published a guidance note on new allocation record keeping requirements for equity capital markets. We also published a note on application of the MiFID II product governance requirements to equity and equity-linked transactions.

AFME had a key role in the implementation of the reforms to the UK IPO process, which came into effect on 1 July, and focuses on increasing the access of unconnected analysts to the UK IPO process. We coordinated the production of a process document and guidelines for unconnected analysts, following the FCA's request that market participants work together to produce a framework to enable the practical implementation of the reforms. AFME also coordinated the production of Q&As containing the views of the FCA on issues arising from the new rules.

In March 2018, AFME responded to ESMA's consultation paper on draft regulatory technical standards under the new Prospectus Regulation relating to, among other things, key financial information for the prospectus summary, data classification of prospectuses, and provisions concerning advertisements. AFME continues to seek to influence the development of Level 2 rules by engaging extensively with the Commission and ESMA on relevant ECM issues.

In respect of packaged retail and insurance-based investment products (PRIIPs), we have, with input from both the private

banking arms and investment banking divisions of members, engaged extensively with the Commission, European Insurance and Occupational Pensions Authority (EIOPA), ESMA and national competent authorities on the question of the scope of the regulation. AFME has made the argument that the provisions of the regulation covering its scope are ambiguous and the uncertainty means there are less vanilla corporate bonds available to retail investors (which is contrary to the aims of the capital markets union).

In March 2018 AFME established a Frankfurt ECM Roundtable group comprising bank and law firm representatives based in Frankfurt. The group, which meets every two months to discuss issues arising from regulations impacting ECM and its practice in Germany, has examined topics such as the MiFID II rules on product governance and inducements and market developments in relation to PRIIPs.



“AFME had a key role in the implementation of the reforms to the UK IPO process, which came into effect on 1 July.”

**Andrew Brooke**  
Director, Equity Capital Markets and Corporate Finance

### Fixed Income Trading

With the relatively smooth launch of MiFID II, the Division’s focus remains on post-implementation issues such as data quality, orderly application of the transparency regime and preparation for the mandatory SI regime coming into force in September 2018.

AFME’s Government Bond Markets Offsite took place on 12 June in Brussels. This annual, roundtable format event provides an opportunity for Primary Dealers, investors and the Debt Management Office (DMO) community to exchange views on current topics that impact this market in an informal setting. This year, discussion has focused on how to make primary markets more efficient, how MiFID II and other factors are reshaping the provision of liquidity, and the outlook for European government bond markets in 2018 and beyond. Planning is underway for the 13th Annual European Government Bond Conference which will take place on 13 November at Sofitel Europe in Brussels.

Separately, the Primary Dealers Board remains engaged in discussions on the proposal to create Sovereign Bond-Backed Securities (SBBS), with the first proposal from the Commission having been published in May. Inevitably, Brexit also remains an important area of focus as Dealers and DMOs continue planning for March 2019. Particularly, discussions have focused on implications for primary dealership, contract continuity and the market making exemption from the Short-Selling Regulation, if the UK were to become a third-country under EU law.

The Covered Bond Board remains sighted on proposals coming from the European institutions on a proposed EU-wide covered bonds framework. Most countries represented on the European Council seem supportive of this initiative. Given the primary market focus of this piece of legislation, the Covered Bonds

Board has not been engaging in this debate but will do should any impact on trading or secondary markets materialise.

AFME’s second annual Credit Board offsite took place on 28 June in London. Discussions focused on innovation and FinTech in the credit trading space, issuance and primary market structure, as well as credit trading in a post-MiFID II world.



“This year, discussion has focused on how to make primary markets more efficient, how MiFID II and other factors are reshaping the provision of liquidity, and the outlook for European government bond markets in 2018 and beyond.”

**Victoria Webster**  
Director, Fixed Income

### High Yield

The High Yield Division has continued to engage with ESMA, the European Commission and various national regulators in connection with the proposed EU Directive on preventative restructuring frameworks. This includes meeting MEPs and the EBA to ensure that AFME members’ views are being taken into account. The draft Directive, as well as some of the amendments that are being proposed by MEPs/Rapporteurs, reflect many of the points raised by AFME and its members in previous consultation paper responses and discussions with the relevant parties.

On 4th June 2018, the Commission announced an agreement under which it will take a “partial general approach” to insolvency reform, which will focus on minimum provisions on discharge of debt for over-indebted entrepreneurs, measures to improve efficiency of restructuring and insolvency and the monitoring of restructuring. This approach excludes, at least for now, some of the more contentious aspects of the proposed Insolvency Directive (e.g. general provisions (including early warning mechanisms, preventive restructuring frameworks and the relationship with other acts and final provisions), which will be discussed again at a meeting in June 2018. We are currently reviewing the provisions of partial General Approach and waiting for further developments on the other aspects of the proposed Insolvency directive.

The AFME High Yield Division has continued its series of industry-wide discussion forums, which bring together the most important stakeholders in the high yield market including banks, law firms and investors. We are also continuing our very successful series of local high yield seminars (following previous seminars in Helsinki, Madrid and Milan). We are hosting a seminar in Paris in September 2018 and are provisionally considering a seminar in Italy/Germany for late 2018/early 2019.

In connection with increasing regulatory scrutiny of European high yield markets evidenced by the Market Abuse Regulation (MAR), MiFID II, FMSB Core Principles, etc. the AFME High Yield ‘Legal and Regulatory Compliance Committee’ meets regularly to discuss and analyse current and potential legal and regulatory issues for high yield. As regulatory issues and oversight become more important to the high yield market, we expect that the work of this committee will become even more extensive.



We have completed the ‘European High Yield Primary Market Practice Guidelines’ which include an overview of the issuance process and certain recommendations on how high yield transactions should be conducted. The Guidelines also address some of the regulatory issues mentioned above, and demonstrate that the European high yield market is taking a serious approach to legal and regulatory issues, and is willing and able to ‘self-regulate’ when appropriate. We intend to undergo a review of the Guidelines within the coming months and to update them as necessary in light of legal, regulatory or other developments.



“The AFME High Yield Division continues its series of industry-wide discussion forums, which bring together the most important stakeholders in the high yield market including banks, law firms and investors.”

**Gary Simmons**  
Managing Director, High Yield and Prime Services

### MiFID

AFME members continue to be engaged on many MiFIDII/MiFIR topics including third country equivalence, Legal Entity Identifiers (LEIs), research, corporate access, the SI regime, tick sizes, post trade reporting, post trade data availability, direct electronic access, remote membership and more.

Advocacy activity is currently focused on the European Parliament’s draft report on the Review of the prudential framework for investment firms which included a proposal on MiFIDII/MiFIR third country equivalence. In June, AFME sent a position paper to the MiFID rapporteur and team on MiFIDII/MiFIR third country equivalence.

We also responded to the European Parliament’s draft report on the review of the prudential framework for investment firms which included a proposal to extend the MiFIDII/MiFIR tick size regime to SI quotes in all sizes. In its response, AFME highlighted the potential detrimental effects of extending the tick size regime without appropriate consultation. Advocacy outreach on this topic occurred on 29th May with the ECON Secretariat.

AFME is engaging with regulators on trade reporting and post trade data quality, with the most recent AFME roundtable with the FCA taking place on 15th June. AFME is also engaging with the official sector on the potential implications for a MiFID recalibration resultant from Brexit bifurcating the Union’s financial markets.

The AFME MiFID Symposium was held on 11th June at Linklaters in London. With over 200 registrations the conference was at full capacity. Speakers included Dr Kay Swinburne, MEP, Vice Chairman of the Economic and Monetary Affairs Committee, The European Parliament; Tilman Lüder, Head of the Securities Markets Unit, European Commission; and Philippe Guillot, Executive Director, Autorité des Marchés Financiers. With members from US, Asia and Europe represented and six European regulators attending, the event attracted significant interest with twenty members of the press also making an appearance.

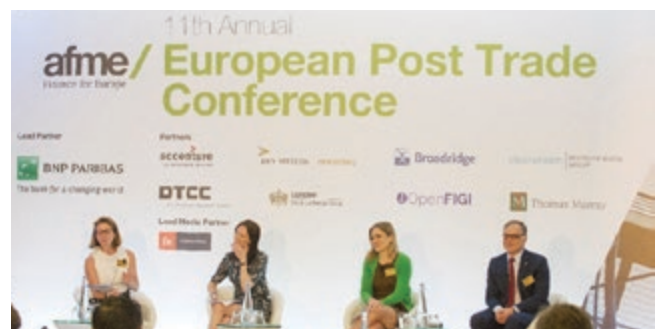


“AFME is engaging with the official sector on the potential implications for a MiFID recalibration resultant from Brexit bifurcating the Union’s financial markets.”

**Julian Allen-Ellis**  
Director, MiFID

### Post Trade

Over the last year, AFME Post Trade has continued its work of seeking ways to make the European Post Trade ecosystem more efficient and robust. We responded to the European Commission’s consultation paper on post trade in a Capital Markets Union, with our response strongly supportive of the European Post Trade Forum (EPTF) report’s analysis and proposed solutions. In response, AFME developed “Post Trade White Paper 2018 – A Roadmap for Integrated, Safe and Efficient Post Trade Services in Europe” which sets out our vision for a future post trade system in Europe. In our view, achieving post trade reform would make a significant contribution to the objectives of the CMU project and to the global competitiveness of European capital markets.



We also continue to work with policymakers to seek solutions to the complex legislative and Financial Market Infrastructure (FMI) issues posed by Brexit. In response to questions from members about FMI readiness for potential changes due to Brexit, a questionnaire was developed and sent to key FMIs about their preparedness for new client onboarding, resourcing and planning. The questions were designed to prompt FMIs to ensure they have robust plans, ahead of the Brexit deadline.

AFME also continued its work with policymakers when it presented at a workshop organised by ESMA to discuss the complexities of the buy in mechanism in the central securities depositories regulation. National regulators and other trade associations also attended following the publication of technical standards which starts a two-year implementation period.

The end of 2017 also saw us finalise our its revised Due Diligence Questionnaire (DDQ).The updated AFME DDQ harmonises and simplifies the process of completing due diligence questionnaires and now also includes an additional section for global custodians. Work is progressing on adding a dedicated Client Money section.



“We are strong supporters of CMU. Our White Paper addresses key issues and requires policymakers to take immediate action for the benefit of European capital markets.”

**Stephen Burton**  
Managing Director, Post Trade

### Prime Services

The Prime Services Division has undertaken a number of initiatives related to the Securities Financing Transactions Regulation (“SFTR”). These have included analysing and responding to the European Commission’s Consultation on SFTR Reporting requirements, its SFTR Discussion Paper, and also the proposed Validation Rules for trade repositories. Since then, we have engaged in numerous meetings with ESMA and the Commission, and have also responded to requests from regulators for further clarifications and indications of how proposed SFTR requirements would affect the Prime Brokerage (PB) industry on a practical basis.

The PB group has also done extensive work in relation to the Alternative Investment Fund Managers Directive/Regulation (“AIFMD/R”). This has included numerous discussions and meetings with regulators to analyse and resolve remaining issues/concerns, working with members to determine best practices in relation to ESMA guidance on asset segregation and ensuring that the industry is taking a reasoned and consistent approach to AIFMD requirements, while it waits for the Commission to review and endorse the AIFMD Final Regulatory Technical Standards.

In connection with this, on 29 May 2018 the European Commission issued a proposal for regulation amending the AIFMD Level 2, with respect to safe-keeping duties of depositories. The AFME PB group responded to this proposal and had a meeting with the Commission during which we discussed our questions and concerns. During the meeting, the Commission generally confirmed AFME and its members’ positions on the relevant issues.

The Prime Services group has continued assisting the industry in reviewing the Shareholders’ Rights Directive with respect to PB obligations under the directive. We are considering industry practices and whether it would be helpful to request clarifications or other assurances from policymakers.



“The Prime Brokerage group has done extensive work in relation to the Alternative Investment Fund Managers Directive/Regulation.”

**Gary Simmons**  
Managing Director, High Yield and Prime Services

### Securitisation

In December 2017, the final text of the regulations creating a common framework for all European securitisations, as well as a new regime for “simple transparent and standardised” (“STS”) securitisations, was published in the Official Journal of the EU and thus became law. The new law comes into force on 1st January 2019, five years after being originally proposed.

Most of the more controversial proposals made during earlier stages of the legislative process were not adopted and, broadly speaking, the industry views the end result as workable, if far from perfect. Two key areas which remain unsatisfactory are no recognition of “third country” originated transactions as STS (particularly problematic in light of Brexit) and sub-optimal provisions for “grandfathering” of existing transactions.

Attention has now turned to the Level 2 part of the legislative process, which will bring more detail to key areas such as risk retention, homogeneity and disclosure, as well as regulations which already exist, such as the Liquidity Coverage Ratio and Solvency II (which sets the capital requirements for insurance companies wishing to invest in securitisation).

Good progress has been made in risk retention and homogeneity with the publication of Regulatory Technical Standards, which seem workable and helpful.

Unfortunately, opportunities have been missed in Solvency II and the LCR. In Solvency II, while some risk factors for senior investment by insurers were reduced, little was done to encourage investment at mezzanine and subordinated levels. Such investment is crucial if securitisation is to regain its ability to transfer risk out of the banking system. With the LCR, not only was there a failure to recognise and upgrade STS securitisations to “Level 2A”, but the status of existing LCR-eligible securitisations will be removed in mid-2020. This creates a cliff-edge and seems unusually harsh treatment for transactions entered into in good faith on the basis of regulation as it existed at the time.

AFME continues to engage in constructive engagement with policymakers and legislators to address and, where possible, ameliorate these issues.

We also succeeded in removing an unhelpful proposal to subject securitisation swaps to clearing and margining requirements under EMIR, and in preserving important exemptions from risk retention requirements for securitisation activities carried out by EU consolidated entities in third countries.



“Attention has now turned to the Level 2 part of the legislative process, which will bring more detail to key areas such as risk retention, homogeneity and disclosure.”

**Richard Hopkin**  
Managing Director, Head of Fixed Income

## Conduct Regulation, Data, Operational Taxes and Financial Reporting

AFME delivered its first European Compliance and Legal Conference, which included speakers from European regulators, such as the European Commission, ESMA, AMF, Consob, and the FCA. The conference was a valuable opportunity for AFME members, regulators and legal experts to meet and consider some of the key issues facing the industry. Interactive panel sessions covered a broad range of topics including Brexit, MiFID II, Market Abuse Regulation culture, operational resilience, GDPR and financial crime. The conference was highly successful, and is being repeated for 2018.

We have worked on a number of areas of conduct regulation across a range of areas. These include, responding to the European Commission's proposal for a directive on whistleblower protection, establishing a group on competition law compliance, continuing to support members with implementation of the Senior Managers Regime, leading the industry response to the FCA proposal to recognise industry codes for unregulated markets, responding to the EBA-ESMA Guidelines on Internal Governance and Suitability Assessments, and leading a joint associations response to the PRA's consultation paper on governance arrangements for algorithmic trading.

We set up a forum for discussing conduct and culture initiatives which are being led by both firms and by regulators, with a focus on European wholesale markets. The objective is to assist firms in developing their conduct risk frameworks and their programmes on culture, and to provide insight into regulatory expectations across Europe.

AFME's Data Working Group produced extremely well received briefing notes on (1) conflicts between GDPR and banking regulation and (2) the ability of business to transfer personal data between the UK and EEA post-Brexit. We are deploying the second of these with a wide range of stakeholders, including the European Commission and Data Protection Authorities in all EU Member States. We responded to a European consultation on automated decision making, and spoke at an event in Brussels "Can the EU lead in AI after the arrival of GDPR?" In the run up to GDPR implementation we provided support to firms by running workshops with PwC. On ePrivacy we engaged with the European Commission on its proposed regulation, gaining clarification on the intended scope of the prohibition on interference with electronic communications data.

On financial crime, we have been engaged on implementation issues relating to the EU Anti-Money Laundering Directives, and participated in international workstreams through the Financial Action Task Force, responding to the consultation on private sector information sharing, and developing the risk-based guidance for the securities sector. We also contributed to updates of the Joint Money Laundering Steering Group (JMLSG) guidance and participated in the Expert Group on Money Laundering Through Markets, a working group run by the Joint Money

Laundering Intelligence Taskforce (JMLIT), which is focusing on identifying and addressing money laundering risks in capital markets. AFME also contributed to the financial services sector guidance on reasonable prevention procedures to support compliance with the new corporate criminal offence of failure to prevent tax evasion.

Engaging with the other industry associations is an important area for us, and we continue to contribute to the agenda of the International Council of Securities Associations (ICSA) and to play a leading role in the European Forum of Securities Associations (EFSA). At EFSA's recent meeting in Nuremberg, the focus was on MiFID implementation, GDPR and PRIIPs. AML has been identified as the main subject for the next meeting.

On tax, we have worked on the implementation of the OECD Base Erosion and Profit Shifting (BEPS) recommendations and the European Commission Directive. In particular, we have advocated for a proportionate implementation of complex rules (on hybrid mismatch and interest deductibility). We responded to the European Commission consultation on taxation of the digital economy, and we are analysing the impact of the legislative proposal, which could impact some services provided by financial institutions. This is set to be an important workstream over the coming year.

We have continued to assist members in complying with their operational tax obligations, focusing on resolving withholding tax reclaim issues arising in Member States. We developed a new version of the market standard French Financial Transaction Tax (FTT) protocol, which is widely used by market participants to assist with compliance with French law – over 300 firms have signed up to the protocol. AFME also provided technical assistance to members on the French and Italian FTTs. The discussions on the EU FTT were paused in autumn 2017 to allow the EU-10 an opportunity to examine the impact of Brexit on the FTT. We have been monitoring developments closely and will resume our advocacy efforts if sufficient momentum in negotiations rebuilds. Additionally, we led industry efforts to gain clarity on the VAT treatment of research following the introduction of MiFID II and assisted members with operational issues.

On financial reporting, we developed our engagement with the international and European financial reporting policymakers, the International Accounting Standards Board (IASB) and the European Financial Reporting Advisory Group (EFRAG), through consultation responses on IFRS 9 and meetings with the IASB Vice-Chair and the EFRAG Research Staff. We also responded to the European Commission consultation on the EU framework for financial reporting by listed companies.



"This year we set up a new forum for discussing conduct and culture issues in European wholesale markets"

**Richard Middleton**

Managing Director, Co-Head of Policy Division

## Prudential Regulation

AFME, through GFMA, continues to work on the Basel Committee on Banking Supervision's ('BCBS') programme of policy development. The BCBS released its finalised Basel III package in December 2017 which includes new credit and operational risk frameworks, a leverage ratio and a capital floor. Industry has been working on a cumulative impact assessment of the new requirements and AFME /GFMA will be closely involved in developing associated advocacy messages and subsequent outreach activities with policymakers. AFME members are also participating in an EBA Quantitative Impact Study exercise which should feed into the development of CRR 3/CRDVI that will implement the final Basel rules in Europe.

Separately, our work continues on the Fundamental Review of the Trading Book. As a result of our long-standing advocacy, the BCBS issued a consultation in March and our response was submitted 20 June. The joint industry letter supported the helpful recalibrations of the standardised approach and P&L testing framework, while providing strong recommendations on the capital impact of the modelability test for corporate bonds.

More widely, AFME in conjunction with GFMA continues to engage with the FSB on its work evaluating the implications of the post-crisis regulatory reform programme. Our main area of current focus is securities financing transactions markets where we are seeking to demonstrate negative impacts of regulation on markets and end-users.

At a European level, our main focus has remained the CRD 5/ CRR 2 package. The proposals originally put forward by the European Commission in November 2016 have been considered by the European Council and European Parliament which have agreed their respective texts. It has been encouraging to see that the Council and Parliament have addressed a significant number of AFME's high priority items, including aspects of the Net Stable Funding Ratio, IPU proposals and the calibration of the G-SIB leverage ratio buffer. There is some recognition of the EU as a single jurisdiction, notably through the adaptation of the G-SII assessment methodology, although barriers to cross border flows in the EU remain in relation to the application of cross-border waivers and intragroup exemptions.

Tripartite negotiations between the Council, Parliament and Commission have started and are likely to be concluded by early 2019. We continue to deploy our positions on all elements of the package including through our comprehensive programme of advocacy work, engaging intensively with the co-legislators and key influencers to secure and build upon the positive outcomes achieved to date.

In addition to the CRD 5/CRR 2 package, we have built and communicated AFME's position on the proposed changes to the classification and supervision of large broker/dealers (so-called class 1 investment firms) in the Commission's proposal for a new prudential regime for investment firms (IFR). Although negotiations on the text are still underway (and may not be completed within the current EU legislature), the area of the proposal of interest to AFME members aims to classify large broker/dealers as credit institutions. This implies they will remain under the CRD/R framework (instead of the new prudential regime for smaller firms) and fall under the supervisory remit of the ECB. As such, the file is also closely linked to the CRD5's IPU requirement and we are encouraging the co-legislators to take the interactions between the two files into account in their negotiations. Separate commentary is provided in this document on our cross-cutting work on NPLs and work on supervisory practices.



"At a European level, our main focus has remained the CRD 5/CRR 2 package. It has been encouraging to see that the European Council and Parliament have addressed a significant number of AFME's high priority items which could have had very material impacts on capital markets and financial stability."

**Michael Lever**  
Head of Prudential Regulation

## Recovery and Resolution

Recovery and Resolution has continued to feature heavily on the agenda over the last year. The European Commission's proposals to introduce the FSB's Total Loss Absorbing Capacity (TLAC) standard into the existing EU framework for the Minimum Requirement for own funds and Eligible Liabilities (MREL), as well as to substantially amend the existing Bank Recovery and Resolution Directive (BRRD), and Single Resolution Mechanism Regulation (SRMR), have been key areas of focus for AFME's Recovery and Resolution Working Group this year.

Continuing to respond to the ongoing developments in the negotiations that surround the resolution aspects of the Risk Reduction Measures (RRM) package has been our key priority. Now that the European Parliament and European Council are progressing to the tripartite stage, it will continue to be important to ensure that the co-legislators are fully informed of the view of industry. We have been pleased to see a number of our proposals and concerns taken on board in the process, including our opposition to the proposed new extended moratoria powers, the need for an appropriate calibration of internal MREL, as well as the recognition of the importance of grandfathering existing issuances following changes to the eligibility criteria of MREL instruments.

We have continued our engagement with stakeholders and held occasional roundtables including with the Single Resolution Board and the Bank of England.

The AFME Recovery and Resolution Working Group has also produced a discussion note on the issue of funding in resolution. This is a policy area that we envisage growing in prominence after the finalisation of the RRM package, particularly for the Banking Union as it further develops and approaches completion.

At the global level, our work has included responding to the FSB consultations on guiding principles on bail-in execution, funding in resolution, the thematic review of resolution planning, as well as the review of the technical implementation of TLAC.

Over the next year we anticipate that the finalisation and implementation of the RRM package will continue to be a key priority, with new topics of importance coming to the fore, including funding in resolution and a new resolvability self-assessment framework in the UK.



“We have been pleased to see a number of our proposals and concerns taken on board, including our opposition to the proposed new extended moratoria powers.”

**Oliver Moullin**  
Managing Director, Head of Recovery and Resolution

### Technology and Operations

The Technology and Operations Committee has continued its strategic delivery against three priority topics: FinTech and Innovation, Cybersecurity, and Industry Utilities.

In April 2018 we published a White Paper on the risks and control principles for the adoption of artificial intelligence (AI) in capital markets. The paper was shared with regulatory contacts, promoting our views on the future policy for this emerging technology. The paper was well received and, as anticipated, has secured ongoing dialogue as part of a newly created European Commission AI Alliance forum.

Against the backdrop of the continued and growing importance of Cybersecurity, April 2018 also saw us publish our Penetration Testing Framework, promoting global harmonisation on supervisory objectives (in partnership with the GFMA). Our framework is now being used to help guide the development of emerging EU and global specific frameworks. In June 2018 we co-signed a letter with Digital Europe, promoting and advocating industry views on the September 2017 EU

Cybersecurity Legislative package. Following a discussion with Europe’s strategic cybersecurity agency, the European Union Agency for Network and Information Security (ENISA), AFME was requested to provide further industry expertise and will now support the agency in establishing an industry expert group to focus on this package, and other cyber priorities.

In March 2018, we published a new report on the potential future opportunities for utilities across capital markets. The report laid out best practice principles for developing utilities for the industry, providing guidance for market participants, as well as supervisors and regulators. The report was well received across multiple sectors of the industry and has been used to further discussion on this topic with existing industry service providers and new market entrants.

We have also participated in several consultation responses this year as the focus on technology and cybersecurity continues to grow. These include responses to: Implications of FinTech for banks and supervisors (BIS), machine-executable regulatory reporting (FCA), and the EU-wide approach to financial technology (EBA).



“April 2018 also saw us publish our Penetration Testing Framework, promoting global harmonisation on supervisory objectives (in partnership with the GFMA). Our framework is now being used to help guide the development of emerging EU and global specific frameworks.”

**David Ostojitsch**  
Director, Technology and Operations

# Advocacy in Brussels

The Advocacy team has continued to make sure that AFME's voice on the industry's key policy priorities is heard loud and clear in Brussels and across the European Union. Under the strategic guidance of the European Public Policy Committee (EPPC) and with the support of members, we have designed and implemented wide-ranging advocacy and outreach strategies and shaped fact-based messages aimed at highlighting the key contribution of financial markets to European growth.

As the interface between the EU institutions and AFME's numerous Policy Committees, we maintain a profound understanding of EU policymakers' objectives and priorities so that AFME's submissions are always constructive, relevant and timely. Most importantly, given the scale of AFME's advocacy efforts and the many competing policy priorities, we have ensured coordination between various dossiers and levels (EU, global, national), employed efficient allocation of resources and appropriately expended our political capital.

These efforts have led to hundreds of advocacy meetings where the technical and policy expertise of the members have strengthened AFME's credentials as the leading industry voice in key areas of ongoing policy discussions (incl. RRM/CRD5, Basel issues, resolution, securitisation, Brexit, insolvency reform, MiFID II implementation, CMU, data protection and privacy, FinTech, cyber, ESAs Review, PRIIPs, NPLs, impact of regulations on capital markets, etc.). Our meetings included, among others, very helpful working meetings with the rotating Council Presidencies in Tallinn, Sofia and Vienna.

The six EPPC meetings held over the last 12 months provided members with the opportunity to engage with no less than 16 senior (EU and national) officials on a wide range of very topical issues.

The Advocacy team has also played a central role in shaping the messages for the relevant policy-makers, ensuring that the advocacy material is accessible and resonates with them. In many key areas, the team has shaped important publications, leaflets, infographics, non-technical position papers and

educational material which have contributed to strengthening AFME's role in the dialogue with EU interlocutors. The team has also led the preparation of AFME submissions on cross-cutting topics (equivalence/third country relationships, market liquidity, etc.)

AFME has remained in constant dialogue and undertaken numerous joint initiatives with European trade associations representing institutional as well as retail investors, corporates and SMEs given our common interest in further advancing the Banking Union, the CMU and the Digital Single Market. This has led to joint actions on, inter alia, securitisation, the risk reduction measures package, the ESAs review, cybersecurity, the Benchmarks Regulation, the impacts of the PRIIPs Regulation on corporate bond markets and ESMA's work at Level 3.

Finally, we have (co-)organised no less than two conferences (incl. a very successful one on NPLs), three workshops, three dinners, three roundtables and two educational seminars in Brussels since last summer, not to mention EPPC meetings in Madrid, London, Paris and (soon) Berlin. The educational seminars are particularly important given the need to explain to financial attachés, MEP assistants and other relevant EU staff how exactly the economy is being financed and what the impact of proposed measures may be on banks and the wider economy.

We have also worked with media colleagues to enhance AFME's media visibility in Brussels and continental Europe.

All this work has resulted in numerous successes as evidenced throughout the topic-specific sections of this Annual Review.



"AFME has remained in constant dialogue and undertaken numerous joint initiatives with European trade associations representing institutional as well as retail investors, corporates and SMEs."

**Tanguy van de Werve**

Managing Director, Head of Brussels Office



# New presence in Frankfurt

October 2017 saw us appoint Jacqueline Mills, from our Prudential Regulation Division, as the Head of AFME's Frankfurt office. Jacqueline has been based in Frankfurt since March 2018 and has been seeking to deepen AFME's key relationships with Frankfurt based institutions such as the ECB, the ECB SSM (Single Supervisory Mechanism) and the European Systemic Risk Board.

In order to ensure we are meeting AFME members' needs in Frankfurt and the Eurozone more broadly, we have established a Frankfurt Advisory Board (FAB), which includes strong representation from our Board member firms through a mixture of profiles including group prudential and supervisory leads, country heads and government affairs roles. The FAB held its first meeting in April where it began to share views on how AFME can best engage with the various EU supervisory authorities.

We conducted a survey of members' expectations with respect to AFME's engagement with the various EU competent authorities in a post-Brexit environment. All members responding to the survey are of the view that the ECB should be a key priority for AFME, and that we should target the ECB's contributions to the formation of EU prudential regulation and the development of its supervisory policies and processes.

We have therefore been spending our first year in Frankfurt improving our relationships with the ECB SSM's policy directorate, as well as with so-called "horizontal project teams" such as the Brexit and NPL teams and the ECB's FRTB Working Group, which also involves national competent authorities. Our main topics of engagement with the ECB this year have included extensive discussions on their expectations regarding booking models, including a member workshop with the ECB's Brexit policy lead, the challenges involved in firms' repapering exercises, anticipatory discussions on the timing and process for future FRTB model approval, as well as the processes for the 2018 stress test and onsite inspections to gain a better understanding of how these feed into Pillar 2 decisions.

We have also engaged extensively with the ECB on important EU policy initiatives such as the Investment Firm Review and the CRD5/CRR2, focusing on issues such as the future supervision of class one investment firms by the ECB, impediments to cross-border waivers, the new Pillar 2 methodology or the EU Intermediate Parent Undertaking proposal, to name a few. Using various quantitative studies we commissioned this year, we are also drawing attention to the links between regulation and the impact on banks' capital market activities. Going forward, we will continue to remain in close contact with the ECB on the future implementation of the December 2017 Basel agreement.

In June, AFME joined the European Banking Institute (EBI) as a Supporting Member. The EBI is the 'European academic joint venture' for research on banking regulation. It is based in Frankfurt but brings together academics from all over the EU. Its mission being to promote dialogue between the EU academic community, regulators, supervisors and the industry. Supporting membership will allow AFME to encourage more academic research on the challenges facing global banks in Europe. Given their close links with academia, we will also use this channel to highlight the link between banking regulation and the development of capital markets amongst the central bank and supervisory communities.



"In order to ensure we are meeting AFME members' needs in Frankfurt and the Eurozone more broadly, we have established a Frankfurt Advisory Board (FAB), which includes strong representation from our Board member firms."

**Jacqueline Mills**  
Managing Director, Head of Frankfurt Office

## GFMA

The Global Financial Markets Association (GFMA) brings together three of the world's capital markets associations, AFME in Europe, ASIFMA in Asia, and SIFMA in the United States, to provide a forum for global systemically important banks (GSIBs) to speak with the clarity of one voice in support of efficient market functioning, economic growth and financial stability to global international standard setters, as well as national competent authorities on global capital market issues.

Over the past year, GFMA has engaged with global bodies such as the Basel Committee, Financial Stability Board and the International Organization of Securities Commissions on issues such as resolution planning, the Net Stable Funding Ratio, the Fundamental Review of the Trading Book, securitization, market transparency and financial technology, among others. This engagement has come in the form of consultation responses, workshops and meetings through which GFMA has lent an industry voice to regulatory dialogues.

GFMA has also published several documents laying out frameworks or principles to achieve regulatory efficiency and consistency internationally. These include the "Principles for Achieving Consistent Regulatory Regimes and Supervisory Practices," the "Guiding Principles for Market Transparency," the "Key Principles for a Commonly Accepted Cybersecurity Penetration Testing Framework." All these papers were developed with input from tri-trade staff and member firms and were circulated with international and domestic regulatory bodies around the world. GFMA will advocate for the themes of the Principles for Achieving Consistent Regulatory Regimes and Supervisory Practices to be pursued as an agenda item for Japan's G20 presidency.

As a complement to AFME's extensive work on Brexit, GFMA has met with European, UK and other major regulators to offer global perspectives on cliff-edge risks the industry could face and that policymakers need to address in advance of 30 March 2019.

## FX

GFMA's Global FX Division is committed to promoting an efficient, robust and well-functioning global FX market. The Division currently has 25 member firms, representing around 80% of the FX inter-dealer market.

Throughout 2018 the GFXD has remained active on a number of regional and global fronts. We have engaged on the Fundamental Review of the Trading Book (FRTB), where GFXD opinions were reflected positively in the BCBS's March 2018 consultation paper "Revisions to the minimum capital requirements for market risk." MiFID II went live in January 2018, and we worked with members to identify those areas requiring further industry collaboration, resulting in the publication of several papers promoting harmonisation in data reporting, including trades executed on venues. We were successful in securing clarity from the Treasury Markets Association on the potential application of initial margin for physically-settled FX forward transactions in Hong Kong.

Looking ahead, we will continue to assess the impact of the European Benchmarks Regulation and CFTC "Swaps 2.0" reforms in the US on FX, as well as engage on new technologies, such as Central Bank Digital Currencies.

## Commodities

GFMA's Commodities Working Group (CWG) continued to advocate for a level regulatory playing field within the commodity markets. Our priorities were issues that are specific to banks and commodities as an asset class.

The Group has focused on implementation issues arising out of MiFID II, including amendments to the position limits and reporting regimes. GFMA have continued to liaise with regulators as the industry has adapted to the new regimes and has engaged with the FCA, AFM, AMF and BaFIN since MiFID II go-live. GFMA has advocated a stable position limits regime and requested that regulators provide as much transparency as possible when considering changes to the regime.

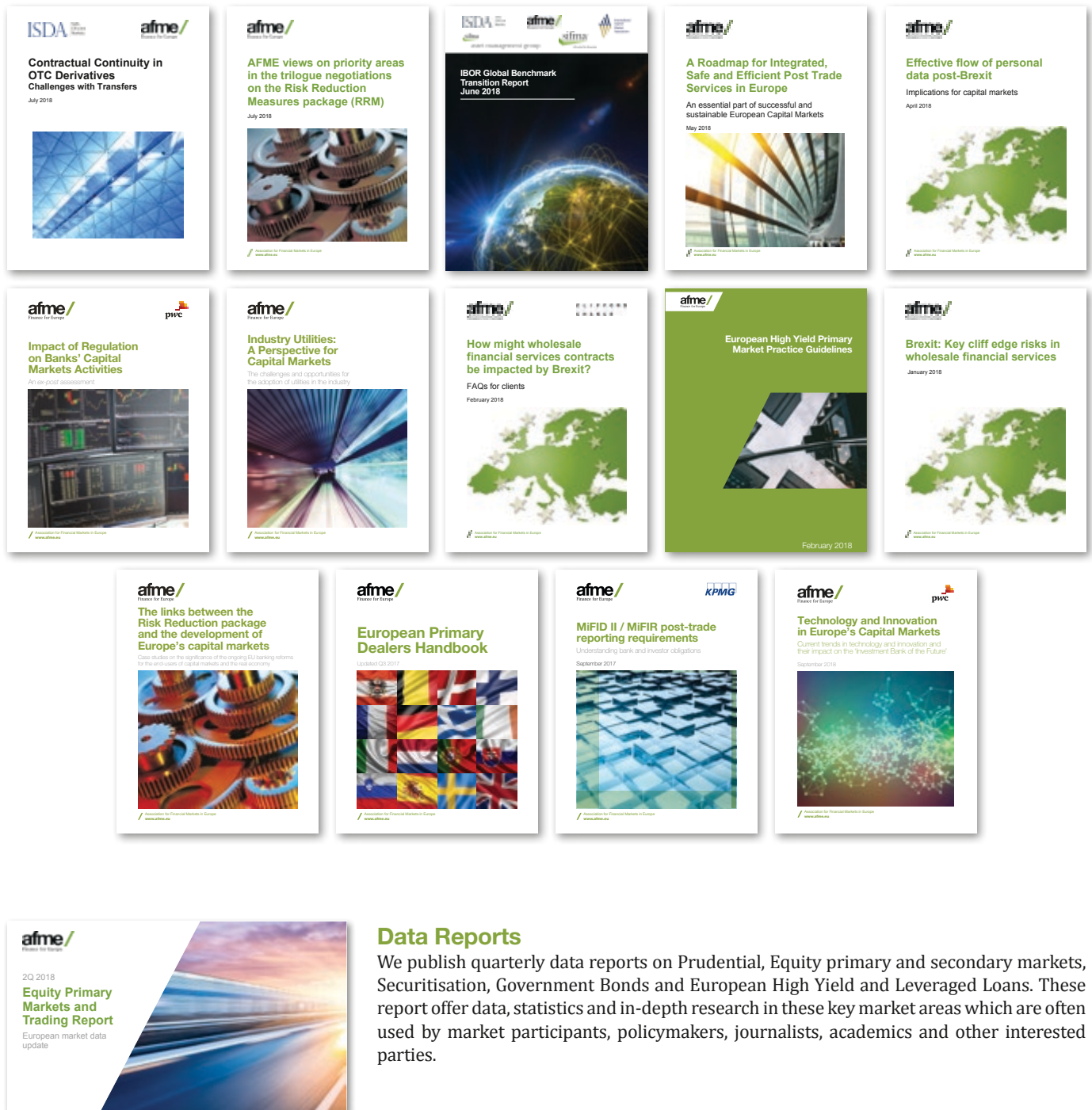
Separately, the Group has worked to identify the scope of the reporting obligation for investment firms under Securities Financing Transactions Regulation. GFMA has produced a document which discusses what features of a transaction could trigger a requirement for reporting under this regulation.

GFMA liaise closely with FIA, ISDA and EFET and have continued to engage with these associations on MiFID II, SFTR and emissions markets in a post Brexit environment.

## AFME research and publications

In 2018, both independently and also working with expert partners, we have published a wide range of reports and publications. Our publications seek to raise awareness and highlight key issues for those with an interest in European capital markets, as well as offering practical guidance and information on operational matters.

Our full range of publications for the year from September 2017 – September 2018 is listed below:



### Data Reports

We publish quarterly data reports on Prudential, Equity primary and secondary markets, Securitisation, Government Bonds and European High Yield and Leveraged Loans. These report offer data, statistics and in-depth research in these key market areas which are often used by market participants, policymakers, journalists, academics and other interested parties.

Find out more: [www.afme.eu/reports](http://www.afme.eu/reports)



## Media profile

AFME’s media profile continues to be driven by the strategic priority of increasing our reach and impact with the EU27 press, as well as increasing our fact-based thought leadership and delivering our key messages through digital channels, such as video and social media.

In our proactive communications, we have continued to focus on pan-EU capital markets issues, promoting AFME’s advocacy agenda on topics including: Capital Markets Union, Brexit, Banking Union and tackling Europe’s NPLs problem, sustainable finance, FinTech, PRIIPs and MiFID II, among other core regulatory and public policy issues.

On CMU, AFME has been particularly visible over the past year with strategic op-eds placed in key European financial media both in March, when the latest stage of the Action Plan was published, and subsequently in August, following a warning from the Commission that the project could be delayed.

We continue to maximise the visibility of all our reports and data in the media. Over the past year we have published 14 expert publications as well as 20 data reports, which have all received substantial media coverage, helping to position AFME as the leading voice of Europe’s wholesale financial markets.

AFME also produced its first animated explainer video this year on the topic of “Why tackling Europe’s NPLs issue is so important” which was shown at our NPLs event in Brussels in June and has been deployed on social media in order to showcase our thought leadership through a range of channels and to engage with different audiences.

AFME has successfully increased press coverage year-on-year, mainly due to strong continental coverage of AFME data and reports. So far this year in 2018, AFME has increased its overall media coverage by 24% and its European media coverage by 35%.

## Charity update

AFME recognises it has a responsibility to participate in – and contribute towards – the wider community in which we work. We do this by making corporate donations to charities in our local area, supporting individual charitable giving through our matching donations scheme, and encouraging local charitable and community involvement by AFME employees.

Our Charities Committee has a great team of committed staff and has worked hard throughout the year, developing new initiatives to encourage employee involvement. AFME Staff volunteered at the East End Community Annual Tea Dance which AFME sponsored alongside TD Securities.

Over the last year a variety of both office-based and external fundraising initiatives have taken place including a ‘Shared Lunch’ with proceeds directed towards AFME’s three supported charities – Centrepont, Richard House Children Hospice and The Whitechapel Mission.

Some members of staff cycled in the annual Prudential Ride100 and others took part in July’s J.P Morgan Corporate Challenge: a 5.6km run through Battersea Park.

This year AFME have been involved with Career Ready, a UK wide charity linking employers with schools and colleges to open up the world of work to young people. AFME hosted a Career Ready Internship and had a student in the office for four weeks working within Operations, Capital Markets and the External Relations team. We were keen to give them a broad look at the business as a whole and develop skills in many areas.

AFME once again hosted a ‘Charity Week’ with activities happening both in and out of the office. Staff raised money through raffles and team games. Groups of AFME staff volunteered at MudChute farm and park, on the Isle of Dogs in London as well as at a residential home, both supported by the East End Community Foundation. Rick Watson, a member of the AFME senior management team joined the board of the EECF in November 2017 as a non-executive director. He also chairs the fundraising and development committee of its board, so to demonstrate the important connection between our financial industry members and the local Canary Wharf and City community in which we and EECF operate. Staff also took part in several Whitechapel Mission Breakfast Challenges, making and serving hot breakfast to the homeless.



# afme/ Membership

Finance for Europe

## Who we are

**Our members** We represent the leading global and European banks in wholesale financial markets and other significant capital market players.

**Our work** We advocate for stable, competitive and sustainable European capital markets that support economic growth and benefit society.

**Our role** We act as a bridge between market participants and policy makers across Europe, drawing on our strong relationships, technical knowledge and fact-based work.



## What makes us different

- |                              |   |
|------------------------------|---|
| <b>European perspective</b>  | Focus on wholesale banking issues from a European perspective.  |
| <b>Direct participation</b>  | Direct participation by members, not an association of associations.  |
| <b>In-house expertise</b>    | Deep in-house expertise from highly qualified staff with market backgrounds.  |
| <b>Member-led committees</b> | Unique member-led committees that address wholesale financial industry topics from a market, prudential and policy perspective. |
| <b>Evidence-based</b>        | Expertise in producing evidence-based research and content, including position papers, publications and events.                 |

## Join us

AFME membership is open to all wholesale financial market participants. Membership is on a corporate, not individual, basis and all applications are reviewed and approved by the AFME Board.

### Full members

Global, regional and national banks, corporate finance advisors and brokers with access to all committees.

### Associate members

Law firms, accounting firms, stock exchanges, rating agencies, service and data providers and investors with access to the High Yield and Securitisation committees.



Find out more: [www.afme.eu/membership](http://www.afme.eu/membership)

# Conferences and events



AFME hosts more than 40 events each year with a strong focus on high-quality expert content driven by our members' objectives and values. This year has been no exception, with AFME hosting a range of high profile events at locations across Europe, addressing the key issues at the top of the European capital markets agenda.

To name just a few highlights, in May we hosted our European NPLs Conference as well as holding our MiFID Symposium in June. Both non-performing loans (NPLs) and MiFID are priority areas for officials and industry alike and these events provided an unrivalled forum for policymakers, supervisors and market participants to debate and discuss these evolving issues.

In September 2017 we also held our first ever Compliance and Legal Conference, an event we hosted in recognition of the unprecedented challenges that Compliance and Legal functions face within the financial services industry today. Due to popular demand we are running the event again in October 2018, with an extended two-day programme.

**AFME is working hard to ensure our panels and speaker line-ups at our events are as diverse as possible.**

For instance, this year 24% of speakers at our events were women, an increase from 16% in the previous year.

We will continue to focus on increasing speaker diversity in the coming year.



Find out more: [www.afme.eu/events](http://www.afme.eu/events)



More than **5,000** people have attended our events in the last year



Featuring **600** speakers



**65 hours** dedicated to networking



**4,200** delegates interacted in our live conference voting polls



## Board member firms

 <b>BANCA IMI</b>	<b>Bank of America Merrill Lynch</b> 	 <b>BARCLAYS</b>
<b>BBVA</b>	 <b>BNP PARIBAS</b>	 <b>BNY MELLON</b>
 <b>citi</b>	 <b>CRÉDIT AGRICOLE</b> CORPORATE & INVESTMENT BANK	<b>CREDIT SUISSE</b> 
 <b>Deutsche Bank</b>	<b>Goldman Sachs</b>	<b>HSBC</b> 
<b>ING</b> 	<b>J.P.Morgan</b>	<b>LLOYDS BANKING GROUP</b> 
<b>Morgan Stanley</b>	 <b>NatWest Markets</b>	<b>NOMURA</b>
 <b>SOCIÉTÉ GÉNÉRALE</b>	 <b>UBS</b>	 <b>UniCredit</b>

## AFME Board members

### Principal Officers

<b>Independent Chairman:</b>	<b>Michael Cole-Fontayn</b>
<b>Vice-Chair:</b>	<b>Guy America</b>
<b>Vice-Chair:</b>	<b>Isabelle Girolami</b>
<b>Treasurer:</b>	<b>Ricardo Laiseca*</b>
<b>Chief Executive Officer:</b>	<b>Simon Lewis</b>

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\* With effect from 19/09/18



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