

Sent by email to: didier.millerot@ec.europa.eu

31 October 2012

Mr Millerot
Head of unit for Accounting and Financial Reporting
DG Internal Market and Services
European Commission
Rue de Spa 2
1000 Brussels, Belgium

Dear Mr Millerot,

**Transparency Directive amendment proposals – Com (2011) 6835 final:
country-by-country reporting**

The Association for Financial Markets in Europe (AFME) represents a wide range of participants in European wholesale financial markets. Our Members comprise all pan-European banks as well as key regional banks, brokers, law firms, investors and other financial market participants. As such we seek to bring market insight and industry perspective to the discussions on the full range of financial regulatory reform efforts that are currently under way.

AFME has been considering the proposals brought forward by the Commission last year for amending the 2004 Transparency Directive, focussing in particular on the aspects that may have implications for our Members' business and the services that they provide their clients, for example the provisions in the Directive dealing with disclosure of interests in shares by large investors and the associated exemptions (such as for market makers, regulated trading accounts, securities lending for settlement purposes). We are writing to you now, though, on our Members' behalf, as regards the amendments brought forward by the European Parliament on the country-by-country reporting provisions in Article 6.

In the Commission's original proposal, the proposed reporting requirements (in Article 6 and in Chapter 9 of the parallel proposal to amend the Accounting Directives) were focussed solely on the "extractive or logging of primary forest industries" and – as the Commission has explained – this reflected the May 2011 G8 Summit conclusions together with the Extractive Industry Transparency Initiative commitments. The Commission's impact assessment was prepared on this basis.

The Parliament's proposed amendments, however, would add "banking" as a sector required to make country-by-country reports without demonstrating why such a fundamental shift from the Commission's original objectives is appropriate or relevant. We note that the banking sector is highly regulated and that the G20 work programme has already considered the scope for necessary amendments to the rules for public reporting by banks.

The relevance of this proposal as regards the banking sector remains unclear. It is also not apparent that consideration has been given to the extent to

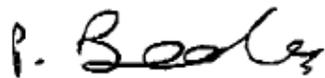
which such a significant change in the scope of Article 6 could, in turn, entail consequential amendments to the reporting framework that the Commission envisages. (Indeed, the business of “banking” is not defined for the purposes of the Directive, whereas Article 36 of the Accounting Directives amendments proposal seeks to provide the necessary detail for the extractive and logging industries.)

Moreover, such a change would result in the imposition of requirements additional to those to be introduced under the U.S. Dodd-Frank Act which does not pertain to banking (or forestry).

In summary, the case has not been made for imposing on the banking sector legislation originally intended and designed for other sectors. We believe that the Parliament’s amendments should not be included in the final version of the new Directive – but, if it is thought that there is a question about whether country-by-country reporting requirements should apply in sectors additional to those envisaged by the Commission, then the Directive could require a review of the operation of Article 6 in, say, five years after implementation.

We have also written to the Cypriot Presidency to express our concerns. We would be pleased to discuss the issues covered in this submission with the Commission or to provide further information about any of the matters which our Members have raised if that would be helpful.

Yours sincerely,



Peter Beales
Managing Director, Policy