

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 Board						
Fixed Income	Equities	Prudential	Policy & Compliance	Technology & Operations	Cross cutting	Global
Credit	Equities Capital Markets	Regulation	Accounting	Technology & Operations	CMU & Growth	Foreign Exchange
High Yield	Equities Trading	Resolution	Compliance		MiFID	Commodities
Primary Dealers	Post Trade				Sustainable Finance	
Securitisation						

Advocacy

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Message from the Chairman: “Progress in unprecedented times”

Michael Cole-Fontayn
Chairman, Association for Financial Markets in Europe



When Europe embarked upon a new political cycle last year few could have envisaged the year that lay ahead. Despite entering 2020 with a brand-new Commission and a desire to implement change that works for both markets and citizens, the work of policymakers has been engulfed by the unprecedented impact of coronavirus. Looking back over the past year, it is a testament to the resilience of capital markets and the hard work of European authorities that we have together helped mitigate the impact of the pandemic while also continuing to advance European policy priorities.

Chief among these priorities has been advancing the Capital Markets Union (CMU) – the Commission’s flagship project to unlock funding for Europe’s growth. Now more than ever, in light of COVID-19, it is crucial that Europe reduces fragmentation and improves its capital markets so it can help fund the real economy as it recovers from the pandemic. Important progress has been made in producing ambitious and actionable final recommendations to help drive this project forward. AFME has played a key role in helping

to ensure that the recommendations are suitably ambitious and have the potential to make Europe’s capital markets more competitive globally.

Brexit, a topic whose challenges took centre stage until the pandemic took place, has remained a key focus for AFME. Time is running out for the EU and the UK to establish a successful long-term relationship for financial services, and in the current economic environment, this agreement is even more important. Over the year AFME has continued to engage with authorities, setting-out priorities of equivalence, cooperation and open access that should underpin the future EU- UK relationship and mitigate any cliff-edge risks.

“Time is running out for the EU and the UK to establish a successful long-term relationship”

This year has also been an important period for advancing the sustainability agenda. As Europe recovers from the pandemic it is crucial that this recovery is sustainable and adopts Environmental, Social, and Governance (ESG) principals. AFME has taken steps to advance this agenda by helping to establish clear definitions as well as sustainability reporting and disclosure standards that take into account considerations of wholesale finance.



Moreover, AFME has taken strides to help advance the European digital agenda. This is especially important as Europe's ability to recover from the pandemic will be impacted by how well innovation can create greater efficiencies and opportunities for businesses and investors. Therefore, AFME has worked to foster a harmonised approach to the use of new technologies in Europe to reduce fragmentation and ensure all Member States reap the benefits equally.

Lastly, I would very much like to thank Board Members for their invaluable dedication and support over the past year. This includes outgoing member Luc Francois, head of global markets, Natixis.

Equally, I would like to share my excitement at welcoming new Board Members: José Manuel Colina, Head of Global Markets, Europe and Asia, at Santander; and Clare Francis, Regional Head of Global Banking, Europe and CEO at Standard Chartered UK. I look forward to us working to advocate for stable, competitive and sustainable European financial markets, but now with an even stronger European voice.

Thank you for what has been another enjoyable, albeit, unprecedented year, and I look forward to another year as AFME's Independent Chairman.

***“As Europe recovers
from the pandemic
it is crucial that
this recovery is
sustainable”***

Message from the CEO: “Navigating the new normal”

Adam Farkas
Chief Executive Officer, AFME



When joining AFME in February, like everyone else, I did not know that in just a few months I would be working from the confines of my home. The pandemic has established a “new normal” in many respects and AFME’s operations have been no exception to this change. However, despite the challenging environment we and the rest of the world have found ourselves in, I am proud to say that it has been clear from the outset that the high standards of our work and achievements have been unaffected.

Over the past six months, AFME has undertaken wide-ranging efforts to mitigate the impact of COVID-19 on wholesale markets. This encompassed multiple levels of advocacy, such as requesting delays of regulatory measures due to be implemented during the COVID-19 crisis, as well as proposing that appropriate temporary regulatory and supervisory relief was issued to AFME members to better enable the funding of Europe’s recovery. Our teams gathered key information about the preparedness and response plans of Financial Market Infrastructures, as well as separately assessing the compliance and risk control implications of COVID-19 for members’ contingency planning.

The result of all this hard work has been that our members have weathered this unprecedented period resiliently and have rightly positioned themselves to be a solution to this global crisis. This has been evidenced by our latest [COVID-19 data report](#) showing record levels of funding and sustainable investment from capital markets to support Europe’s recovery.

However, while significant effort has been committed to mitigating the impact of COVID-19, we have also moved pre-pandemic priorities forward. For Europe’s capital markets to fulfil their potential, it has been our priority to review regulation with evidence-based principles to ensure the changes are risk-sensitive and compatible with our members’ needs. These principles have been held across all our activities as we have assisted members with the upcoming Central Securities Depositories Regulation as well as with the expected recalibration of MiFID II. Moreover, we have also focused on ensuring that regulation is applied in a harmonised fashion, which has been reflected in our advocacy work in areas such as combating anti-money laundering and terrorist financing in Europe.



This year, AFME has also focused on helping firms navigate compliance challenges on the horizon. This work has included producing guidelines on cross-border compliance regimes that should assist firms as they may look to further engage with European supervisory authorities in light of Brexit. We have also supported members with guidance on their transition away from IBORs to risk-free-rates. Particularly in the context of the enforcement of the senior managers regime, we have helped members to navigate this unprecedented shift, while avoiding conduct risks.

While the past year has undoubtedly been defined by challenge and adversity on both a human and economic level, it has also been a period where our industry has been resolute. Despite having to navigate a new landscape created by the pandemic and Brexit, banks have established themselves to be a driving force in Europe's recovery. Even though many of Europe's issues are unlikely to disappear anytime soon, after successfully navigating this turbulent year, we can feel confident that capital markets are prepared for whatever the future holds.

“For Europe’s capital markets to fulfil their potential, it has been our priority to review regulation with evidence-based principles”

AFME in numbers

Our members



85 Full members
91 Associate members



Over **3,500**
members from
180 firms

Engagement



8,700
LinkedIn followers



3,600
Twitter followers



67,100
average unique page
views per month



75%
increase in
EU website visitors

Impact



50+
Consultations
responded to



20
Expert publications
produced



20
Data reports
each year



500+
Press articles



37%
Increase in European
media on policy priorities



COVID-19



Capital Markets Union



Key issues



Brexit



Sustainable Finance



Key issues: COVID-19

AFME COVID-19 work has spanned numerous work streams

Ensuring meaningful responses to consultation through appropriate deadlines

AFME has undertaken a comprehensive stocktaking of the many workstreams across all AFME's divisions, for responding to EU, national and international consultative processes. The objective has been to ensure that the COVID-19 crisis did not result in either the impossibility for stakeholders to respond to consultations in a meaningful way or work on such consultations diverting the focus and resources from the immediate response to the crisis. AFME has established a direct dialogue with policymakers, and requested, where necessary and appropriate, some delay of the submission deadlines (extension of consultation periods) on behalf of members.

AFME has also cooperated with other trade associations, and this cooperation has encouraged authorities to adopt longer timeframes in specific priority areas.

As a result of these efforts, all key bodies and authorities, at global, European and national levels, have responded to these concerns by issuing helpful statements and by deciding adequate postponements to most consultation deadlines.

This has allowed AFME and its members to submit meaningful and high-quality responses to such consultations.

COVID-19 Market Regulation & Regulatory implementation and forbearance measures

AFME has undertaken an extensive programme of work in response to COVID-19 and its impacts on our members.

An initial priority involved assessing all relevant financial services rules and regulations (Level 1 and Level 2) that were due for implementation in 2020 and which posed challenges for member firms in view of the stressed market environment and lockdown measures.

Working with other associations, we raised awareness with authorities of challenges and, where necessary, requested the consideration of forbearance measures or delays in implementation timelines and reporting requirements. Several timely measures were secured as part of this engagement, including in relation to the implementation of the Securities Financing Transactions Regulation, changes to the MiFIR tick size regime, the final two phases of the margin requirements for non-centrally cleared swaps and DAC6 tax reporting among others.

In the UK context, AFME's European Capital Markets Board made a request regarding a temporary relaxation of pre-emption guidelines for share issuance, which was successfully taken up by the UK Pre-Emption Group.



Another area of engagement for AFME concerned the challenges impacting the European securitisation market during this period. We engaged with the European Central Bank and European Commission on market conditions for securitisation arising from COVID-19 stress and other regulatory aspects.

Proposals for a capital markets “quick fix” recovery package

AFME engaged with EU authorities as consideration was given to measures in capital markets regulation that could be undertaken to improve market conditions for the recapitalisation of companies and to provide regulatory alleviations to market participants.

“AFME has undertaken an extensive programme of work in response to COVID-19 and its impacts on our members”



On 24 July the European Commission published a Capital Markets Recovery Package featuring targeted changes to aspects of MiFID II, the Prospectus Regulation and the securitisation framework. Several proposals tabled by the Commission are supported by AFME, while some proposals will require further consideration with EU legislators.

AFME will remain very engaged with EU legislators as the package of measures is negotiated during the German Presidency.

Annual Review FMI Survey Text

In the three weeks after markets went into lockdown, 168 Financial Market Infrastructures (FMI) covering multiple asset classes were interviewed by five Trade Associations, including AFME. This global initiative aimed to provide information to our Members regarding the state of the FMI and understand their preparedness and response plans and related critical technology providers in light of COVID-19 and the potential for any resulting market volatility.

The survey covered topics ranging from Business Continuity Plan (BCP) readiness and Remote working capabilities to Risk Management (e.g. margin / collateral) and communications. The results showed that utility, infrastructure and service providers performed well despite unprecedented market volatility while operating largely in BCP Mode. The majority of respondents indicated they could perform all processes remotely. Some respondents required an on-site presence, splitting staff into different teams and rotating them accordingly.

Operations and compliance

During the initial phase of COVID-19, AFME worked with Compliance Committee members to identify key concerns and challenges on the implications for firms' contingency planning and compliance. We engaged with markets authorities across Europe to share assessment of the main issues identified and confirm understanding of supervisory expectations. European Securities and Markets Authority (ESMA) published a statement providing flexibility on telephone recording. Similar statements were made by AMF, BaFin and FCA.

The Compliance Committee ran a survey focused on remote trading and compliance oversight. Findings indicated a high focus on controls around communication and surveillance. We worked with members and with Latham & Watkins to prepare a [practical guidance note](#) for Senior Managers. The note sets out common questions for Senior Managers to consider, given concerns about what are the 'reasonable steps' that they need to take.

The Technology and Operations Committee ran a survey on firms' plans for a return to office. The survey provided value to members in the form of an aggregated set of results to benchmark approaches as they continue to develop across the industry. The survey also complimented similar initiatives in the US (SIFMA), and Asia (ASIFMA), with findings aggregated into a global set of considerations. In this workstream, we also covered wider markets/regulatory implementation issues,

- On the Short Selling Regulation, we worked with members and regulators to resolve technical interpretation questions relating to short selling bans.
- On the Market Abuse Regulation, we conveyed our views on the importance of the market soundings regime.
- On DAC6 tax reporting obligations, AFME and nine other associations submitted a [letter](#) to the European Commission to ask for the reporting deadline to be deferred. An amending Directive was adopted, giving Member States the option to defer. AFME followed up directly with the Member States to support deferral.
- On withholding tax procedures, AFME and eleven other associations submitted a [letter](#) to the European Commission and the OECD to ask them to take specific practical steps to address the challenges of moving paper documentation to obtain relief at source, or to process reclaims.

Prudential

With most European economies entering lockdown in March, supervisors took action to provide various forms of relief. Several countries reduced countercyclical buffers and supervisors recalled that other capital and liquidity buffers could be fully drawn down on to support the economy. The European Central Bank (ECB) brought forward changes to the composition of Pillar 2 capital requirements allowing a greater share of AT1 and T2 instruments to be used. Supervisors postponed non-essential supervisory demands so that firms could concentrate on supporting clients and managing the crisis.



AFME advocated at an early stage to ensure that support provided to customers, such as payment holidays, was appropriately recognised from a regulatory perspective, and that members were not forced to recognise undue procyclicality in their IFRS9 provisioning. Similarly, we obtained helpful relief from various authorities addressing the significant procyclicality in market risk capital requirements and prudent asset valuations which would have otherwise occurred due to the increased market volatility and wider bid-offer spreads witnessed especially in the first stages of lockdowns. Our engagement with resolution authorities was also successful, with the SRB confirming publicly it would exercise flexibility in allowing banks to meet their MREL targets.

In addition to this quantitative relief, AFME actively sought operational relief, which contributed to supervisory authorities confirming they would take a “pragmatic” approach to Pillar 2 setting processes this year. More time was also given to firms to submit non-critical reporting and on-site inspections were postponed by the ECB for six months. Inspections will resume in the second half of the year in an off-site format. With NPL markets being effectively shut in March and April, we obtained an additional six month delay (deadline is now March 2021) for so-called high NPL banks to submit their updated NPL reduction strategies. We achieved an important postponement for FRTB project teams, with the first reporting date for the new FRTB SA starting in September 2021 instead of March 2021. We are still liaising with the ECB to obtain clarity on whether there is also flexibility in FRTB IMA application deadlines compared to pre-pandemic announcements.

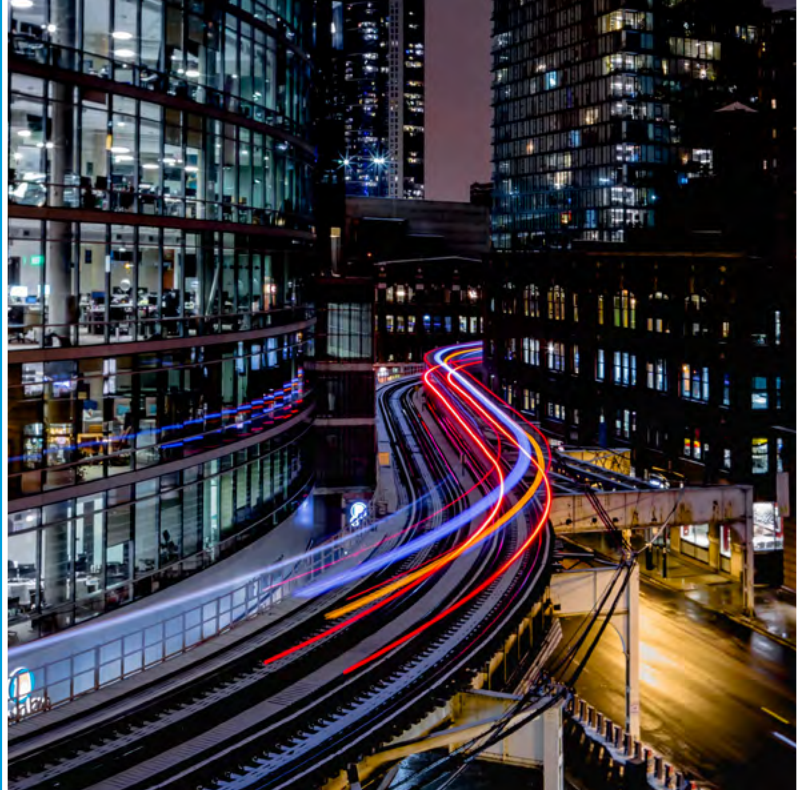
While this supervisory flexibility was key in helping firms cope with the challenges of the crisis, there was nevertheless a need to adjust targeted aspects of the prudential framework itself to ensure that banks could continue to support the economy. The Commission issued a CRR quick-fix legislative proposal towards the end of April, including several of our recommendations for change. We were extremely active in engaging with the co-legislators, contributing to the conclusion of the legislative process in record time so that it was available for use in Q2 results when the impacts of the pandemic began to bite. The final changes to the CRR included additional suggestions AFME had argued needed to be addressed given the specificities of the crisis, such as certain changes to the leverage ratio exposure measure, giving supervisors the possibility to override automatic market risk multipliers and a temporary filter on the capital impacts of government debt volatility.

Following the quick-fix, our attention turned to obtaining clarity on the timing and nature of dividend restrictions and supervisory expectations regarding buffer rebuilds. Dividend restrictions will be reviewed by the ECB (and PRA) in Q4 2020 and, assuming a reduction in uncertainty, there should be a return to the normal supervisory assessment of distributions thereafter. Responding to AFME’s calls for clarity on exit strategies, the ECB helpfully stated that, in such a case, firms will be able to catch up on dividends and pay dividends even if they are below their P2G buffers. They also clarified that capital buffers will not have to be rebuilt before end 2022 and liquidity buffers before end 2021.



Key issues:
**Capital
Markets
Union**

Find out more



*“A large number of media reports
have referenced our views and
research on CMU”*



AFME has continued to engage comprehensively on the development of the CMU project. Our work has involved providing fact-based analysis and policy input to EU authorities as the new CMU Action Plan is prepared for publication in Autumn 2020. This is likely to recommend specific further EU legislation in a number of areas.

In October 2019 we published the second edition of AFME's CMU Key Performance Indicators report "Capital Markets Union – Measuring progress and planning for success", with support from ten other European and international associations. The publication featured detailed analysis and country-by-country data tracking process on the advancement of the CMU objectives. The second edition received positive feedback from the policy community and has been referenced in many discussions.

We provided extensive input to authorities on the shape of the future CMU strategy, including comprehensive submissions to the CMU High-Level Forum, the Economic and Financial Affairs Council (Ecofin) and the Next CMU High-Level Group, among others. We held several meetings with the leadership of these groups and promoted AFME views which were reflected in the respective reports.

An AFME CMU Webinar was organised in June 2020 to discuss the High-Level Forum's recommendations, with the participation of senior representatives from the European Commission, HLF leadership and AFME's membership.

We maintained close engagement with the Commission, EU institutions, national authorities, Members of the European Parliament and other interlocutors. A large number of media reports have referenced our views and research on CMU; we have also placed a number of articles in the European media.

The CMU project is set to remain a core priority in the EU's financial services strategy. We will seek to maintain AFME's position as a leading interlocutor, supporting an ambitious agenda to expand the size, capacity, efficiency, competitiveness and level of integration of the EU's capital markets. AFME will remain closely engaged on CMU and related workstreams such as the MiFID II/R review, post-trade issues, securitisation, COVID-19 responses and Brexit, among others.

"The CMU project is set to remain a core priority in the EU's financial services strategy"



Key issues: **Brexit**

[Find out more](#)



*“The future EU–UK relationship
will have significant implications
for capital markets”*



The implications of Brexit have continued to remain a focus for AFME and our members throughout the last year. We have highlighted our **priorities for the future EU-UK relationship** and continued to support members in their Brexit preparations. This has included senior level engagement with the European Commission, ECB, ESAs and finance ministries as well as regulators across the EU and the UK.

In advance of the signing of the Withdrawal Agreement which saw the UK leave the EU in January 2020 we focussed intensively on issues arising in a no-deal Brexit scenario such as equivalence for UK CCPs, supervisory cooperation, data transfers, continued servicing of contracts and challenges arising out of the MiFID trading obligations for shares and derivatives. Many of these issues are also crucial to address before the end of the transition period and we have continued our engagement with policymakers across Europe throughout the year.

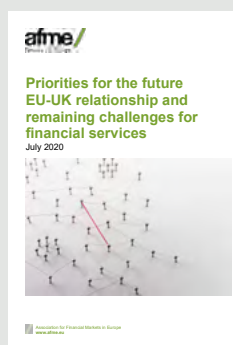
The future EU-UK relationship will have significant implications for capital markets and we have continued to highlight priorities that should be addressed between the EU and the UK in their negotiations, including putting in place equivalence determinations ahead of the end of the transition period and establishing frameworks to ensure close supervisory and regulatory cooperation.

Given the importance of the EU's third country equivalence framework for financial services, we published a paper discussing how the process of granting, monitoring and withdrawing of equivalence can be improved to provide transparency and as much certainty as possible for European capital markets. We have also been engaging in the evolution of EU third-country regimes for third-country CCPs and investment firms.

In light of the ongoing political uncertainty, we have held regular briefing calls with members to discuss preparedness, key challenges, and political and regulatory developments. Supporting members' Brexit planning has been a key area of focus across our committees and we have continued to track contingency measures at EU and national level and monitored broader developments. We have also continued to engage with the UK government and regulators in relation to the "onshoring" legislation to transpose EU law into the UK legal framework and are assessing implications for firms arising from the future UK regulatory framework.

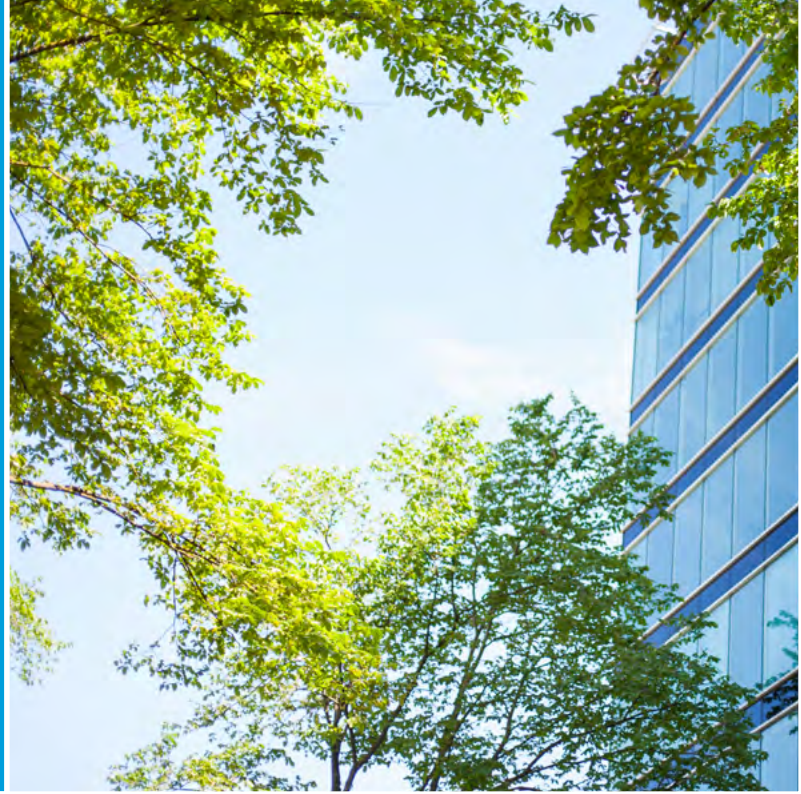
Looking ahead, as the outcome of the future relationship negotiations and the ongoing equivalence assessments remain uncertain, we will continue to support members throughout the process leading up to, and beyond, the end of the transition period.

“As the outcome of the future relationship negotiations and the ongoing equivalence assessments remains uncertain, we will continue to support members”



Key issues: Sustainable Finance

Find out more



“We are helping shape the EU’s future direction of travel on facilitating the transition to 2050 net-zero carbon economy”



Helping grow the adoption of sustainable finance remains a key priority for AFME. The COVID-19 pandemic further demonstrates the critical need to strengthen the sustainability and resilience of our societies and economies. We have been fully supportive of the EU agenda to integrate environmental, social and governance (ESG) considerations in financing decisions and processes to re-direct capital towards sustainable growth. With this objective in mind, we have contributed to the development of European sustainable finance policy on a number of topics.

Through our feedback to the European Commission's (EC) consultation on the [Renewed Sustainable Finance Strategy](#), we are helping shape the EU's future direction of travel on facilitating the transition to 2050 net-zero carbon economy and promoting other environmental and social objectives. We believe that this goal can be achieved only if a clear, holistic and coherent policy approach is taken that would ensure the availability of reliable and comparable ESG data, introduce appropriate incentives to support the transition, and be closely coordinated internationally.

In our response to the European Commission consultation on the revision of the [EU Non-Financial Reporting Directive \(NFRD\)](#), we raised our support for the development of practical and harmonised sustainability reporting standards that would meet the information needs of various stakeholders, including investors and regulators. We think that such standards should be mandatory and well-coordinated internationally to promote consistency, comparability and overall decision usefulness of ESG information to end-users.

“The COVID–19 pandemic further demonstrates the critical need to strengthen the sustainability and resilience of our societies and economies”

We welcomed the adoption of the EU Taxonomy, which is a foundation of the 2018 Sustainable Finance Action Plan and provides a framework for the classification of environmentally sustainable activities. We continued to contribute to the development of this pivotal regulation by commenting on the screening criteria recommended by the European Commission's Technical Expert Group as well as by preparing several position papers and engaging in the political negotiation process. Our main aim was to ensure that the Taxonomy can become a workable, science-based, technology-neutral tool to help market participants to identify “green” investment opportunities.

We cooperated with ISDA to comment on delegated acts under the **Low Carbon Benchmark Regulation** and delegated acts amending MiFID II as well as incorporating ESG in the product governance and suitability test requirements.

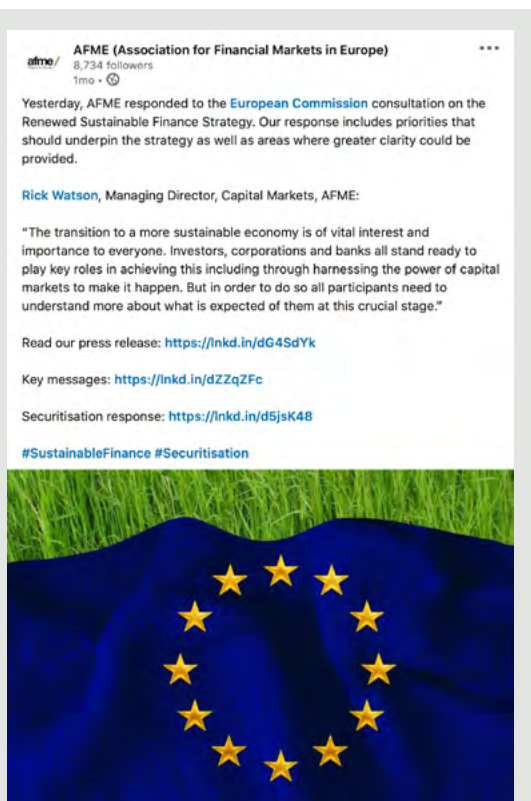
AFME continued to work on the critical subject of integration of ESG in prudential regulation and risk management. Through a range of initiatives, such as our feedback to European Commission's Renewed Sustainable Finance Strategy, to the Bank of England's proposal on stress testing the financial stability implications of climate change, and pre-CRR3 position paper, we outlined key industry priorities in this area. Overall, we think that any differentiated treatment


of assets based on their environmental performance should be risk-based. We encourage the development of forward-looking climate/environmental risk assessment methodologies to enable a more accurate calibration of regulatory capital requirements reflecting this risk.

AFME published a second edition of a **"State of Play"** document summarising European sustainable finance regulatory developments to help market participants stay abreast with relevant updates in this fast-moving area.


We delivered on a number of initiatives aimed at helping the market participants in their transition to sustainable finance by helping better understand and apply all the recent EU policy measures in this field. In partnership with Allen & Overy, we organised a virtual event to discuss ESG considerations in the context of equity capital markets transactions. AFME developed a white paper providing high level ESG disclosure and due diligence recommendations for issuers and underwriters to consider as part of High-Yield and leveraged finance transactions. We also developed a position on the role of green securitisation in growing the market for sustainable finance in the context of the European Commission's Renewed Sustainable Finance Strategy.

We reiterate that sustainable growth is an overarching global issue, therefore we think that a more coordinated approach will be necessary across industries and global jurisdictions to enable the transition to a strong, sustainable economy. A greater focus should be placed on the transformation of the non-financial sector and should be based on coherent, sequential and proportionate policies that take into account the new sustainable finance laws and duly reflecting their uptake and effectiveness. Looking ahead, we will aim to assess how the structure of the market should look like to help grow climate oriented finance.







Equities →




Equity Capital Markets →



Fixed Income Trading →



High Yield →




Post Trade →

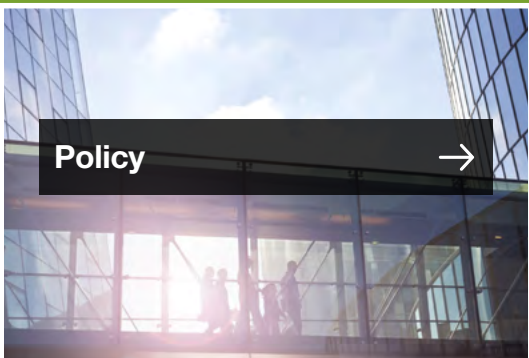


Prudential →

Division updates



Securitisation →




Policy →



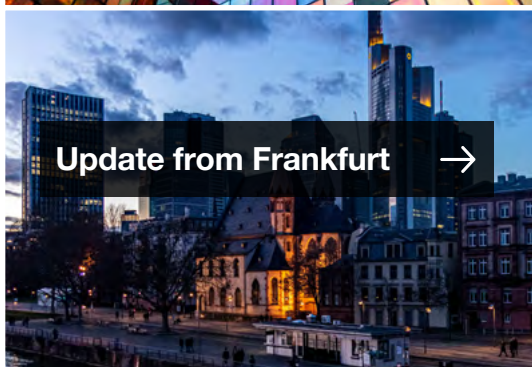
Recovery & Resolution →



Technology & Operations →



Advocacy in Brussels →

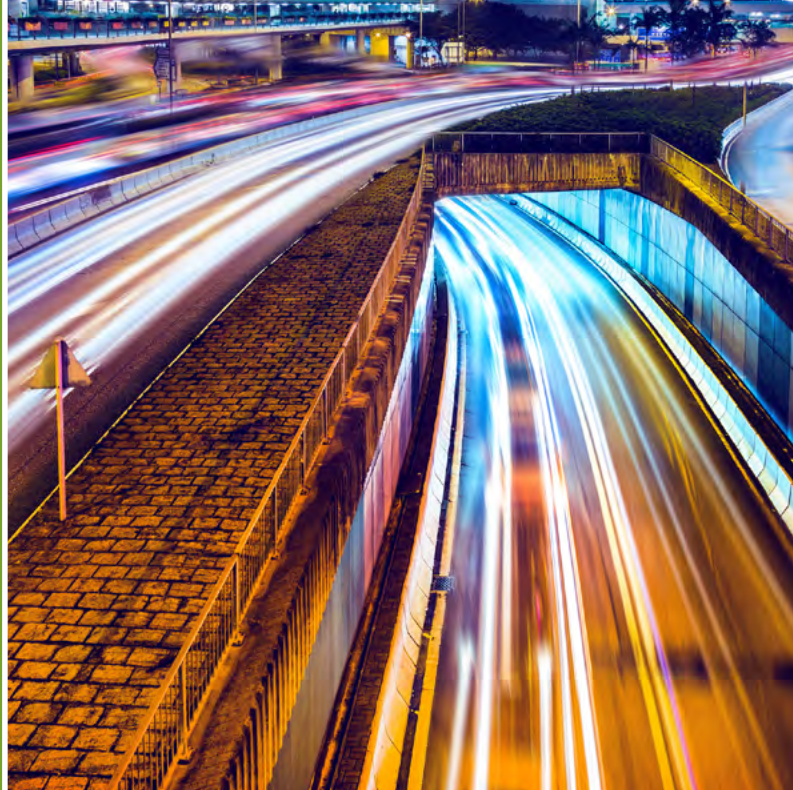


Update from Frankfurt →

Equities

April Day
Managing Director, Equities Trading

Find out more



“AFME has been a leading voice supporting a review of European trading hours”

- Engaged with authority over review of MiFID II and MiFID Quick Fix
- Educating industry participants and policymakers on how to view market share between different trading venues
- Advocating for the shortening of European trading hours

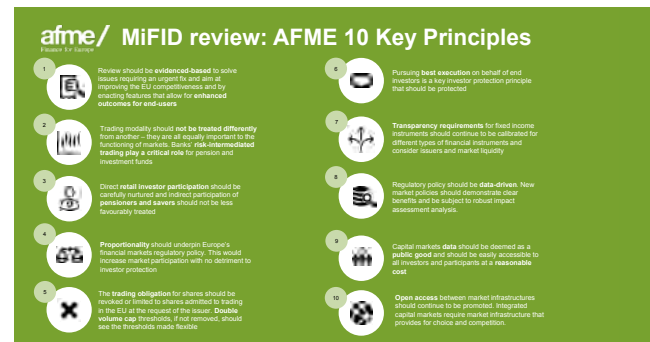
AFME's Equities Division has continued its engagement on key topics impacting wholesale market participants in European equities markets. In particular, AFME has responded to the European Commission consultation on the review of MiFID II/MiFIR.

Key topics have included the share trading obligation, the double volume cap, tick sizes, direct electronic access, the consolidated tape and market data. On all issues, AFME has been in close contact with key interlocutors as they consider changes under the MiFID Quick Fix (expected late 2020) and broader MiFID review (expected late 2021). In particular, AFME has advocated for an appropriate reduction of the share trading obligation in order to reduce its restrictive third-country impact.

Additionally, AFME has produced a [paper on the liquidity landscape](#) in European equities markets which provides an educative approach on how to view market share between different types of trading mechanism. This paper has been used to support advocacy relating to the future of European equities market structure including on the role of systematic internalisers and non-pre-trade transparent trading.

On market data, AFME has continued to work with a coalition of buy and sell-side associations to advocate for measures to reduce the cost of market data. This has resulted in acceptance by regulators that the cost of market data is too high. Subsequently, the ESMA has published proposed substantive Level 1 and Level 2 amendments to MiFID II/MiFIR which aim to address this issue.

AFME has also been a leading voice supporting a review of European trading hours noting that data shows that longer trading hours do not benefit traders or investors and that European trading hours, which are the longest in the world, have led to an increase in trading costs. AFME has joined with buy-side associations to clearly communicate these points including in response to consultations held by the London Stock Exchange and Euronext.



Equity Capital Markets

Olu Oluwole
Manager, Capital Markets

[Find out more](#)



“AFME’s Equity Capital Markets (ECM) Division has continued to support the development of more efficient and coordinated equity capital–raising processes.”

- Continues to support development of efficient and coordinated capital raising processes
- Publication of briefing notes and Q&As to support industry participants
- Producing consultation responses, such as the response to the European Supervisory Authorities consultation on PRIIPs

AFME's Equity Capital Markets (ECM) Division has continued to support the development of more efficient and coordinated equity capital-raising processes.

In April 2020, AFME produced a **note** to assist Equity Capital Markets and syndicate business/legal/compliance teams disseminating communications to the market with respect to the book of demand on Equity Capital Markets and equity-linked transactions.

We published an updated **Model Agreement Among Underwriters** for Equities transactions (governed by English law) to reflect important regulatory developments including the coming into force of the US QFC Stay Rules and the application of the Bank Recovery and Resolution Directive.

In addition, we also published two updated Model Block Trade Agreement (for **backstop** and **non-backstop** transactions respectively) to reflect the entry into force of the Prospectus Regulation and the United Kingdom's departure from the European Union.

On PRIIPs, AFME's ECM Division responded to the European Supervisory Authorities consultation on amendments to the PRIIPs Key Information Document, as well as engaged with the Commission on the scope of PRIIPs, which AFME has argued needs to be clarified and has restricted the flow of simple corporate bonds being made available to retail investors (which is contrary to the aims of the capital markets union).

In March and April 2020, AFME's ECM Division approached the UK Pre-Emption Group (PEG) regarding flexibility in the application of the pre-emption rules, and working together with them secured a temporary increase of the threshold under which UK public companies can conduct equity recapitalisations non-preemptively while remaining in compliance with the PEG's Statement of Principles. The temporary increase has played a key role in enabling public companies to recapitalise during the market dislocations caused by the COVID-19 crisis.

In June 2020, AFME helped to inform the market's understanding of ESG issues in ECM transactions by holding a webinar on ESG due diligence and disclosure in ECM transactions, which covered key issues such as risks and risk mitigation in the context of due diligence, and materiality considerations in the context of disclosures.



***“Public
companies
have been able
to recapitalise
during the
market
dislocations
caused by the
COVID-19 crisis”***

Fixed Income Trading

Victoria Webster
Director, Fixed Income

[Find out more](#)



- Monitor and formulate responses to developments in regulation, policy and market structure affecting the government, corporate and covered bonds markets
- Responding to consultation papers, including the European Commission's consultation on MiFID II review and ESMA's papers on non-equity transparency and the SI Regime
- Publication of valuable reference works such as the AFME Primary Dealer Handbook and Harmonised Reporting Framework table which assists members with their DMO reporting requirements

The fixed income trading division continues to monitor and formulate industry-wide responses to developments in regulation, policy and market structure that affect the government, corporate and covered bond markets.

AFME maintains a high level of active engagement with European regulators in relation to the MiFID II Review on important issues such as the non-equity transparency regime, best execution and product governance issues including PRIIPs which have a significant impact on the functioning of fixed income markets.

Earlier in the year AFME's Fixed Income MiFID Policy Workstream submitted a response to ESMA's CP on MiFID II/R non-equity SI regime. ESMA's final report in response to this consultation is encouraging given its support for the simplification of the transparency regime applied to SIs in non-equity instruments and takes on board many points raised by AFME as outlined in the response we submitted in March 2020. On 12th June AFME also submitted a response to ESMA's CP on the post trade transparency regime for non-equities and the DTO. Our division also played an active role in helping to formulate AFME's response to the European Commission's cross-cutting consultation paper on the review of the MiFID II/R framework.

AFME has been appointed as a participant of the ECB's newly established Debt Issuance Market Contact Group (DIMCG). The specific aims of this group derive from the responses received from the ECB's European Distribution of Debt Initiative (EDDI) Consultation in the 2H of 2019 (in which AFME submitted a response on behalf of the PD Board and the post trade division). The DIMCG will focus on developing ways to overcome the obstacles to debt issuance and distribution (covering the full transaction chain from pre-issuance to post trade) through greater efficiency and integration.

The group is intended to run for a year and will publish its advisory report to the ECB at the end of the undertaking. This group and its work are scheduled to commence in late September.

In February, AFME published its latest version of the **Primary Dealer Handbook**. This expanded edition includes information on five additional markets not previously covered by the publication. The handbook now covers the vast majority of primary dealer systems in the European Union.

Planning is underway for the 15th Annual European Government Bond conference which, given the current global situation will for the first time in its history be held virtually, on 17th November.

The Credit Board continues to monitor and input into the post trade division's advocacy efforts around the mandatory buy-in aspect of the Central Securities Deposit Regulation (CSDR) regime, successful advocacy earlier in the year saw the implementation of this initiative postponed until February 2021. AFME have also been instrumental in advocacy efforts regarding the unintended impact of PRIIPS regulation on some corporate bonds.

The Covered Bond trading group continues to track developments towards the EU-wide covered bonds framework and any unforeseen impacts on trading or secondary markets that may materialise.



High Yield

Gary Simmons
Managing Director, High Yield and Equity
Capital Markets

Find out more



“We have continued to engage with ESMA, the European Commission and various national regulators regarding the proposed EU Directive on preventative restructuring frameworks”

- Advancing Sustainable Finance agenda in the high yield market
- Assisting markets with policy considerations in relation to MiFID II, MAR and LIBOR (among others)
- Issuing guidance and best practice to support high yield market participants

The AFME High Yield Division has continued to engage with ESMA, the European Commission and various national regulators regarding the proposed EU Directive on preventative restructuring frameworks, as well as the UK Corporate. We are currently reviewing and assessing the latest proposals and liaising with members to decide next steps.

We have also continued to work with European policymakers on matters of importance to the industry, including assisting the market with policy considerations related to allocations and other areas of MiFID II, helping members to navigate and determine their rights and obligations under the Market Abuse Regulation (MAR), and are having discussions relating to the repercussions of LIBOR replacement (among other things). 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 (and, when appropriate, to engage in advocacy relating these matters). As these issues and oversight have become more important to the high yield market, the work of this committee has become even more extensive, both as a means of keeping abreast of relevant developments and also as a means of "self-regulation".

We have completed our review and revision of the 'European High Yield Primary Market Practice Guidelines', the first of its kind. The Guidelines include an overview of the issuance process and certain recommendations on how European HY primary market transactions should be conducted. We have also revised and updated our other standard industry documents, including our Agreement Among Initial Purchasers, and our Ongoing Reporting and Listing Guidelines.

The Division has also increased its work on sustainable finance matters. In July 2020, we published a set of ESG considerations for the European high yield market. The document, which was well received by the market and received extensive positive press coverage, is intended to provide an overview of ESG matters, and to suggest, among other things, disclosure, diligence and assurance considerations to be taken into account when structuring and conducting relevant transactions. We intend to continue focusing on these matters with initiatives such as ESG industry roundtables and other events, as well as updates/new publications as this market further develops.



“Disclosure, diligence and assurance considerations should be taken into account when structuring and conducting relevant transactions”

Post Trade

Stephen Burton
Managing Director, Post Trade

[Find out more](#)



“AFME’s Post Trade Division has continued to support and advocate for greater harmonisation of post trade services in Europe”

- Continued to advocate for a delay and recalibration of the CSDR Settlement Discipline regime to avoid unnecessary costs to corporate and investors
- Engaged with industry to understand implications of SRDII
- Published guidelines to support industry participants with implementation of regulation
- Combined Irish and London markets to understand impact of migrating Irish corporates

In January 2020, AFME Post Trade took the lead and coordinated an [industry letter](#) to the European Commission, co-signed by 14 trade associations, advocating for a delay and recalibration of the Central Securities Depositories Regulation (CSDR) Settlement Discipline Regime. This was followed with bilateral discussions with DG-FISMA, explaining the impact that the regime would have, particularly on the trading of all products. We followed this with a briefing note analysing the impact of mandatory buy-ins on corporates and investors on pricing and volatility, against the backdrop of COVID-19. Throughout the year, AFME Post Trade have been in contact with ESMA, providing input as requested.

Additionally, AFME has developed a growing cache of publicly available [CSDR resources](#), including educational documents and industry guidelines for partial settlement and for bilateral claims to help firms with implementation.

The other upcoming regulation impacting the post trade domain is the Shareholders Rights Directive II. The second part will enter into force on 3 September 2020 and require shareholders to be identified in order to receive General Meeting information from a company. The Directive was transposed according to Member State law leading to differences in interpretation about the identity of a shareholder. AFME (in conjunction with AGC) has engaged external legal counsel to conduct a jurisdictional survey. This has provided members with much needed clarity on variances at members state level. The aggregate number of firms provided the information at a reasonable cost to those members who requested it.

AFME Post Trade led the Industry Preparedness survey in the early weeks of the COVID-19 lockdown engaging over 60 Financial Market Infrastructures (see [page 11](#) for further analysis).

AFME Post Trade was successful in opposing the imposition of a new Central Counterparty (CCP) in Norway, a country already served by three harmonised CCPs.

AFME continues to play a lead role in analysing and providing constructive feedback on Euroclear Bank's proposals for future Irish corporate securities settlement. AFME hosted Euroclear Bank and members of the Irish community on numerous occasions. AFME has collated and shared with Euroclear an extensive issues tracker, detailing all open items prior to going live in March 2021.



Prudential

Michael Lever
Managing Director, Head of Prudential
Regulation

Find out more



“We expect COVID–19 will underline the importance of achieving our CRR3 priorities”

- Achieving quantitative as well as operational relief for members
- Achieving targeted changes to prudential framework in CRR Quick Fix legislative proposal to help banks support the economy
- Encouraging the review of dividend restrictions

Basel III

In light of the most recent COVID-19 developments and the delay to the Basel III international deadline to 1 Jan 2023 (1 Jan 2028 for the Output floor), the expected EU publication of the CRR3 proposal originally intended for June 2020 is now anticipated to come no earlier than December 2020. In the meantime, the European Banking Authority (EBA) will be expected to undertake a further QIS to understand any increased Basel III capital shortfall resulting from COVID-19 to inform the Commission before the final proposal is published. While the substance of industry's positions pre-COVID have not changed, we expect COVID-19 will underline the importance of achieving our advocacy priorities, the overall aim of which is to minimize the inflation of RWAs while avoiding unjustifiable deviations from the Basel III regime.

For now, AFME has refocused its work from outreach to development of advocacy material and non-technical papers to be deployed in the run-up to the publication of the Commission proposal. We plan to restart this in the late summer when work is expected to recommence on CRR3. AFME is also considering a letter to reflect on the EBA's call for advice on MREL, the Output Floor, treatment of equity and specialised lending which will be deployed in the autumn.

Global Prudential Issues

The Global Financial Markets Association (GFMA) continues its work on evaluating the impacts of the final BCBS package, jointly with the IIF and ISDA. 20 banks are currently engaged in a quantitative impact assessment, which will provide the first assessment of how the revised market and counterparty credit rules have performed over the crisis. The output will be used in our global and regional advocacy on revisions required to reduce pro-cyclicality of the Basel standards.

Over the past year, we also focused on the review of the CVA framework. The final standard published early this summer partly reflected our concerns with regard to the calibration of the CVA charges. However, the limited granularity of the framework, which results in unduly conservative capital charges has not been addressed satisfactorily.

Elsewhere, we continue highlighting regulatory dependencies in relation to the IBOR transitions. We have contributed to the work of the ARRC in the US, the Financial Conduct Authority (FCA) and Bank of England taskforce for LIBOR transitions and we are close to finalising our global industry white paper, which will be used in further regulatory advocacy.

(See [COVID-19 section](#) for further Prudential achievements)

“We continue highlighting regulatory dependencies in relation to the IBOR transitions”

Securitisation

Richard Hopkin
Managing Director, Head of Fixed Income

Find out more



- A renewed willingness by European policymakers to look again at the securitisation framework, including better recognition of “STS” securitisation in associated regulation
- Proposals for a new and helpful framework for “STS on-balance-sheet” securitisation”
- Proposals to assist the growth of securitisation of NPLs, addressing existing constraints found in the rules on due diligence and risk retention
- Significant improvements in regulatory capital treatment through adjusted application of the rules on the “Purchased Receivables Approach” and calculation of weighted average maturity
- Continuing constructive dialogue on remaining Level 2 detailed issues around disclosure
- An increased focus on ESG and green securitisation

At the start of 2020, as the new mandate of the Commission began to accelerate, we wrote to the European Commission with our reflections on the first full year of operation of the new framework for securitisation which came into force on 1st January 2019. These first experiences had not been delivering the desired results, with very slow take-up by issuers and investors.

AFME argued that this was at least partly due to an excessively complex regulatory framework and an overly conservative treatment of securitisation for regulated investors. The unmatched transparency and oversight of “simple transparent and standardised” or STS securitisations, relative to all other asset classes, had not been recognised in associated regulations setting out capital and liquidity treatment. So further action was required to reach the required level of ambition

In July, we were pleased by the proposals made by the European Commission as part of the so-called “quick-fixes” package of measures for STS on-balance-sheet securitisation and non-performing loans.

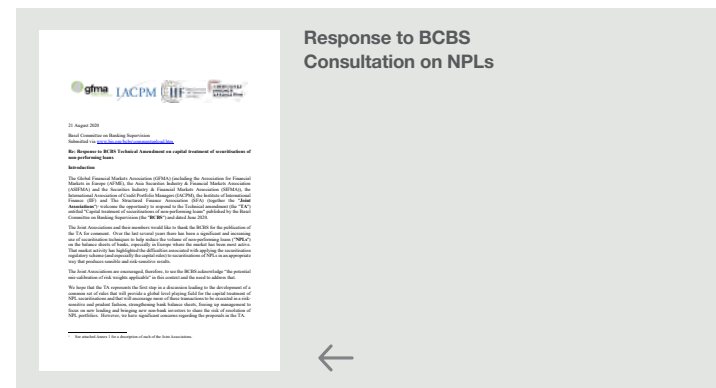
Our members also engaged in detail in the work of the High Level Forum on Capital Markets Union which aligned closely with AFME’s existing advocacy and listed many other important required adjustments to regulations including:

- upgrading eligibility of senior STS and non-STS tranches in the Liquidity Coverage Ratio
- a smoother and quicker process for achieving Significant Risk Transfer
- recalibrating capital charges for senior tranches under CRR2 and for mezzanine and senior tranches under Solvency II
- reducing the costs of SME financing
- differentiating between disclosure and due diligence requirements for public and private securitisations, and better facilitating EU-regulated investors abilities to invest in third-country securitisations.

We hope and expect this wider range of issues to be considered under the report that the European Commission is required to prepare by 1st January 2022 on the implementation of the new securitisation framework and any adjustments that need to be made.

Lastly, we also continued our work in the transition to risk-free rates both in the sterling market and the Eurozone. New issues in sterling securitisation are now almost entirely based on SONIA, and many frequent issuers have converted their existing Libor issues to SONIA using consent solicitations or the “AFME Model Wording” on negative consent. We are currently developing an adjusted version of this for use in the Eurozone. We will continue to engage in this challenging project and going forward expect to be increasingly focused on reducing the remaining stock of sterling Libor securitisations to an “irreducible core” before the end of 2021, as mandated by the Bank of England and FCA.

“We have achieved new proposals for STS on-balance-sheet and NPL securitisation”



Policy

Richard Middleton
Managing Director, Head of Policy
Division

[Find out more](#)



“Our European Compliance work programme focuses on influencing the European regulatory environment to foster a culture of integrity and effective conduct regulation.”

- Market Regulation
- Corporate Governance
- Financial Crime
- Benchmarks
- Financial Reporting
- Valuation
- Tax

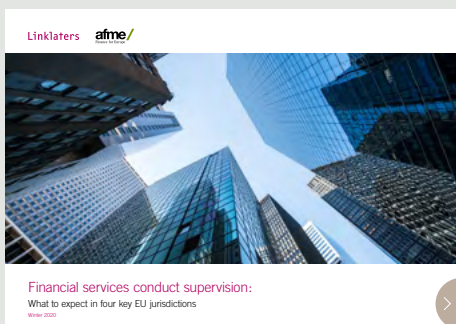
The Policy team focuses on European Compliance, Sustainable Finance, Financial Reporting, Valuation, and European Tax.

Our European Compliance work programme focuses on influencing the European regulatory environment to foster a culture of integrity and effective conduct regulation. We set priorities in key areas of market regulation, corporate governance, financial crime and benchmarks.

On **market regulation** we worked with members to prepare a detailed technical position paper on the Market Abuse Regulation to influence the report that ESMA is scheduled to provide to the European Commission, and we engaged constructively with ESMA and national regulators. We were invited to participate in ESMA's peer review of supervisory practices, and in our interview with ESMA we were able to provide members' feedback and suggestions on how supervisory practices can be improved. On surveillance, we worked with members and KPMG to prepare a thought leadership paper on the 'Future of Surveillance in Wholesale Banking', to support discussions within firms on future developments to enhance effectiveness and efficiency. We covered the market regulation aspects of the European Commission consultation on crypto assets. We responded to ESMA's review of the Compliance Function guidelines, leading to helpful clarification on complaints-handling.

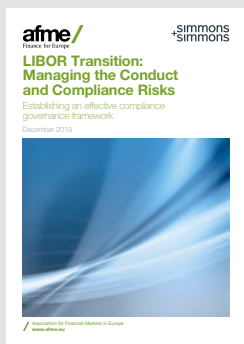
On **corporate governance**, we engaged with the EBA on their review of the regulatory technical standard on remuneration of material risk-takers. We took part in the hearing and prepared a detailed analysis of the proposals, leading to sensible changes to definitions of key areas such as managerial responsibility, thereby helping to ensure efficient implementation. On the Senior Managers Regime, we prepared a **practical guide** for Senior Managers, to help them assess what constitutes 'reasonable steps' for meeting their obligations, particularly in light of remote working. We successfully advocated for changes to the Directory, thereby increasing efficiency and reducing operational risk, and for the establishment of a user group for testing the systems.

***“We set priorities
in key areas
of market
regulation,
corporate
governance,
financial
crime and
benchmarks”***



Outsourcing continues to be a priority, and we published with members and Latham & Watkins a reference tool 'Outsourcing – guidance on the legal and regulatory framework' which draws together the relevant European regulatory requirements and includes chapters on seven European countries to help compliance and legal teams meet their obligations. More broadly, with the conduct supervision environment developing in light of Brexit, we supported members by working with Linklaters on a report 'Financial services conduct supervision: What to expect in four key EU jurisdictions'. The report articulates the approach in France, Germany, Ireland and the Netherlands, and aims to help compliance teams meet the expectations of regulators.

On **financial crime**, we responded to the European Commission roadmap and consultation on the AML Action Plan, and engaged constructively with the Commission, regulators and member states. We responded to a number of highly technical consultations, including the EBA consultation on guidelines on risk factors, and consultations on crypto assets from the European Commission and the Joint Money Laundering Steering Group, seeking to ensure that there is sufficient clarity while allowing firms to follow a risk-based approach.



On **benchmarks**, we worked with members and Simmons & Simmons to develop a report 'LIBOR transition: Managing the Conduct and Compliance Risk' and promoted this with an event. Following industry feedback, we developed a more detailed paper on 'LIBOR transition: views on client communications' to help firm with the complex communication challenges.

Sustainable finance, as a cross-cutting priority, is covered in a separate section of this review.



On **financial reporting**, our advocacy on the accounting treatment of IBOR reform was successful, with the International Accounting Standards Board allowing for the continuation of hedge accounting and thus avoiding unnecessary p&l volatility in the accounts of our members.

On **valuation**, we worked with members on the interpretation of the regulatory technical standard on prudent valuation, and successfully advocated for technical amendments.

On **tax**, we worked with our European Tax Forum to publish principles for application of DAC6 to promote a consistent approach to tax reporting, and advocated for member states to follow these principles. On FTT, we prepared detailed technical analysis on the proposed Spanish FTT, and responded to a consultation from the ministry of finance in Germany.

Events play an important role in supporting our advocacy efforts. AFME's Annual European Compliance and Legal Conference has become the go-to event in this space. This year, we moved the conference to Paris, where we had over 250 delegates and a packed programme, with contributions from leading European regulators including the AMF, BaFin, CBI, CNMV, Consob, ESMA and FCA.

“The continuation of hedge accounting avoided unnecessary p&l volatility in the accounts of our members”



3rd Annual Compliance and Legal Conference

Left: Elisabeth Roegele, Chief Executive Director, Federal Financial Supervisory Authority (BaFin)

Middle: Robert Ophèle, Chairman, Autorité des Marchés Financiers (AMF)

Right: Steven Maijoor, Chair, European Securities and Markets Authority (ESMA)

Recovery and Resolution

Oliver Moullin
Managing Director, Brexit;
Head of Recovery & Resolution,
General Counsel and Company Secretary

[Find out more](#)



“We have focused on the implementation of the Risk Reduction Measures package and other key aspects of recovery and resolution policy.”

- Continuing to advocate for member priorities across recovery and resolution policy and its implementation

Over the last year we have focused on the implementation of the Risk Reduction Measures (RRM) package and other key aspects of recovery and resolution policy. Our work has included engagement on level 2 technical standards, Single Resolution Board policies on resolution planning, resolvability and MREL, and EBA work on valuation to support resolution. Following the onset of the COVID-19 pandemic, we engaged with policymakers and resolution authorities to address the implications for MREL and recovery and resolution planning.

We have also continued to engage in work at the international level through GFMA including FSB consultations on disclosures, solvent wind-down and the impact of the G20 reforms to address Too-Big-To-Fail. We also worked with the FSB on a questionnaire for Financial Markets Infrastructures to complete in order to support firms in their planning to ensure continuity of access in resolution.

Looking ahead, we see an even busier year with the potential review of the Bank Recovery and Resolution Directive, as well as continued work to finalise and implement level 2 technical standards.

“We addressed the implications for MREL and recovery and resolution planning of the COVID-19 pandemic”



Technology and Operations

David Ostojitsch
Director, Technology and Operations

[Find out more](#)



- Continued strategic delivery across our priorities on cybersecurity and operational resilience, new technologies and innovation, and data and digital transformation
- Publication of two industry first white papers on crypto-assets regulation and public cloud adoption
- Multiple responses submitted to support the newly published EU digital agenda, covering AI, crypto-assets, data, digital finance and resilience

The Technology and Operations Committee has continued its delivery and advocacy against three priority themes: operational resilience and cybersecurity, new technologies and innovation, and data and digital transformation. The Committee focuses on how these themes can bring value to firms, such as opportunities for new products and services, operational efficiency gains, and new ways of working.

During 2020, we have participated in five consultation responses to support the flagship EU digital strategy which was launched in February 2019. Our responses to the European Commission covered: **digital operational resilience** (March 2020), **crypto-assets** (March 2020), **data** (May 2020), **artificial intelligence** (June 2020) and **digital finance** (June 2020). Our responses reinforced the importance of our members competing in the digital space, prioritising investments in a challenging cost environment, promoting collaboration and a culture of innovation, and developing new skills and capabilities for the future.

In November 2019 we published a **white paper** on public cloud adoption in capital markets. The report highlighted the cost and efficiency opportunities of public cloud technology for our members, and the need for greater regulatory harmonisation and certainty to unlock the potential of cloud in Europe.

“We have focused on increasing the visibility and wider engagement of the Committee across the region”

In the same month we published an industry first **white paper** on recommendations for greater regulatory clarity on crypto-assets in Europe. The paper highlighted the expertise of AFME on this increasingly important topic and was directly referenced in the European Commission’s subsequent December 2019 consultation on an EU framework for crypto-assets.

In November 2019 we supported a global cyber simulation exercise, led by SIFMA in the US, involving over 100 AFME members and representatives from EU public sector agencies. The findings from the simulation will support AFME and EU agencies in 2020/21 to develop a coordinated EU cyber incident governance model for capital markets.

We also led several initiatives this year focused on increasing the visibility and wider engagement of the Committee across the region. These included leading several public/private sector initiatives on our key topics as well as our second annual Paris conference in November 2019 that reinforced our strategic agenda and a further platform for the work of AFME.



Advocacy in Europe

Stefano Mazzocchi
Managing Director, Advocacy &
Acting Head, Brussels

Find out more



“We have provided policymakers across Europe with an essential market perspective and evidence about the impact of, and possible responses to, the crisis”



Thomas Wieser, Chairman of the High-Level Forum on CMU the AFME Brussels annual dinner in February

During the second half of the past year the Advocacy and Public Policy Division has focused on supporting our members through the COVID-19 pandemic, providing them with an effective communication channel with key policy makers, leveraging on the dialogue established with European and national authorities, providing timely information on the rapid crisis-related developments. In doing this we have also provided policymakers with an essential market perspective and evidence about the impact of, and possible responses to, the crisis. This has allowed us to secure important results.

We have also promptly adapted our advocacy modus operandi to the COVID-19 situation and expanded AFME's ability to discuss key issues with key European officials. This has allowed us to provide a constructive and influential contribution to shaping the European response to the pandemic. As an example, the intensive advocacy effort on the CRR quick fix (which included over 50 virtual meetings during a two months period) has led to important results and valuable engagements with EU decision makers. A similar continued and growing intensity of our advocacy engagements have been deployed across all AFME's priority areas.

The Advocacy team has remained at the forefront of AFME's Europeanisation efforts and during the past year a key pillar of all advocacy work streams has been to continue strengthening AFME's visibility on all key European countries and credentials on the priority areas, in addition to the already strong engagement with the EU institutions in Brussels.

Beyond the immediate response to COVID-19, the past year has been a period of extremely intensive AFME advocacy activities, linked to the start of the new EU legislative cycle. Under the strategic guidance of the European Public Policy Committee (EPPC), we have provided a significant contribution to shaping European priorities and produced accessible and impactful advocacy materials deployed during hundreds of meetings.

The Advocacy division has also led or coordinated policy work in a number of areas where work has been particularly intensive. These include: Capital Markets Union, EMU and Banking Union issues, and tax policy issues. On CMU We have continued to ensure AFME's position as the leading trade body and our priorities and research have been discussed in a large number of senior-level meetings. AFME's views on CMU and priorities have been reflected in official sector reports like the CMU High-Level Forum and the Next CMU High-Level Group.

With the process to review MiFID 2/R underway, we maintained a constant communication with the Commission (several workshops and regular contacts with Commission staff, discussions at senior and cabinet levels) and produced two important advocacy reports on "Key principles for a MiFID review that works for end-users of capital markets".

We have also focused on building a good dialogue with the German Presidency of the Council of the EU on key issues (e.g. discussions with the BMF State Secretary, with the BMF Director General, with BaFin's Vice-Chair, in addition to many other working level discussions). Another important area of advocacy focus has been the work on Brexit planning and the future relationship.

With the digital agenda becoming more active we have secured a prominent role for AFME in the discussions with the leading policymakers in all key institutions.

In all the above-mentioned areas, the advocacy team has built alliances with a broad range of stakeholders representing investors, corporates and SMEs in areas of common interest.

The many EPPC events have seen the participation of key and increasingly senior EU policymakers from EU institutions and from Member States (including Director General level participants from DE, FR, AT, ES, IRL, NL, IT).

Update from Frankfurt

Jacqueline Mills
Managing Director, Head of Frankfurt
Office



“AFME’s calls for operational improvements in ECB supervision have yielded tangible results”



Newsletter on developments in ECB banking supervision and financial stability matters

AFME's calls for operational improvements in ECB supervision have yielded tangible results, with the ECB committing to consult industry on new supervisory data collection exercises. The ECB has also stepped up its communication efforts and is increasingly publishing the findings of its various supervisory exercises. Banks' Pillar 2 requirements were disclosed on the ECB website for the first time this year, a concrete step towards increasing transparency to the market.

While the COVID-19 pandemic inevitably interrupted this year's supervisory cycle, the ECB still responded to our requests for greater visibility on upcoming supervisory exercises. Firms will now receive individual supervisory plans twice a year with updated information on planned inspections and a complete list of the recurring and ad hoc supervisory data requests they can expect during the year.

Our previously established contacts with the ECB on these issues meant that we were well placed to liaise effectively with them when the crisis unfolded, particularly with the teams designing critical COVID-related data collection where we provided feedback on how best to organise and streamline this resource-consuming exercise across the SSM network amidst other competing priorities. We also engaged with the ECB so members could benefit from an early understanding of how and when supervisory inspections would resume, with these missions mainly taking place remotely for the time being. More detailed information on our engagement with the ECB on COVID-related issues is provided on [page 12-13](#).

Although this year's EU-wide stress test was cancelled, we have already reached out to both the ECB and the EBA to convey our views on next year's exercise as scenario design and methodological choices for recognising COVID-related support measures could be very impactful. The outcome of next year's stress test should inform revised Pillar 2 Guidance.

Outside of supervisory organisational matters and COVID-related issues, AFME has maintained dialogue with the ECB on their expectations for NPL provisioning, managing climate change risk, and capital relief securitisations. The ECB's FRTB model approval processes and its approach to investment firm reauthorisation have also remained important topics for membership, as have the implications of implementing Basel 3 in the EU where we have engaged with the ECB on how to ensure the institution-specific capital requirements it sets will not overlap with the future minimum regulatory requirements. We are currently in the process of responding to the ECB's Guide on consolidation in the banking sector and, as the end of the transition period grows closer, will resume regular discussions on Brexit plans and the ECB's supervisory expectations.

This year we launched 'From Frankfurt,' a bimonthly, member-only newsletter summarising the latest developments in ECB banking supervision and financial stability matters, together with short reports on AFME's ECB engagement.

In preparation for the German Presidency of the EU, and with their recognised leadership role in key policy initiatives and legislative files such as CMU and MiFID/R review in mind, we carried out a specific engagement plan with the German official sector, meeting more than a dozen key stakeholders. This has included detailed technical discussions with BaFin staff on our MiFID priorities and their approach to conduct supervision as well as financial services priorities and market structure discussions with the German Ministry of Finance.



James Kemp
Managing
Director, GFMA
- Global FX
Division, AFME
- Technology &
Operations and
Policy Divisions

FX

GFMA's Global FX Division is committed to promoting an efficient, robust and well-functioning global FX market. The Division currently has 24 member firms, representing the majority of the FX inter-dealer market.

Throughout 2020, the GFXD has been active on a number of regional and global fronts. We have successfully advocated on key dossiers such as Margin for Uncleared Derivatives, promoting a globally harmonised approach to avoid fragmentation, and engaged with regulatory consultations on EMIR, MiFIR, MAR, BMR and Dodd Frank.

As major jurisdictions discuss the adoption of globally agreed trade reporting standards, GFXD has advocated for coordinated implementation timelines and unambiguous technical specifications to realise the efficiency, supervisory and cost benefits of a single approach. In the meantime, in conjunction with other trade associations, we published a set of best practices for EMIR trade reporting which, if implemented, will improve the quality of reported data in the EU. The project was initiated by GFXD work on common EU FX post trade reporting breaks, and has been positively received by key NCAs.

Looking to the future of FX markets, GFXD published two papers on the future of wholesale FX payments which were well received by key central banks. Notably, the recent CPMI cross-border payments report promoted key reforms which GFXD had suggested would be beneficial, such as increasing Payment vs. Payment (PvP), and extending and aligning Real Time Gross Settlement (RTGS) system operating hours.

Find out more



Sean Barwick
Associate Director,
Equities Trading &
Commodities

Commodities

The Commodities Working Group (CWG) has continued to advocate for robust, competitive and efficient commodities markets. This has included a continued focus on MiFID II topics including responses to the European Commission's survey on the review of MiFID II/MiFIR (Part IV on commodity markets) and the ESMA consultation paper on non-equity market transparency which proposes a number of changes relating to the transparency regime for commodity derivatives.

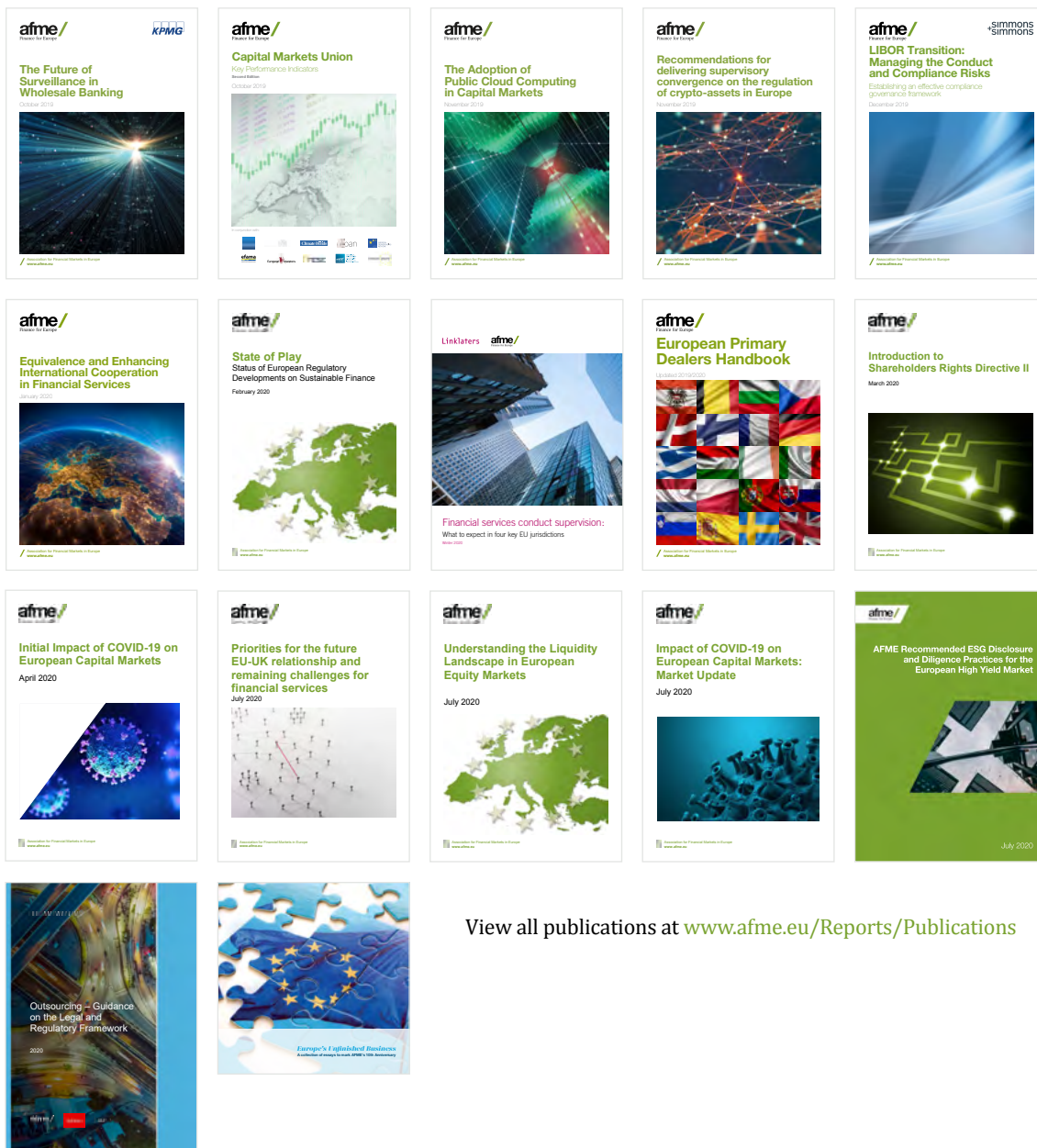
Additionally, GFMA continues to track developments relating to the MiFID Quick Fix which currently includes proposals to amend the position limits regime, hedging exemption and ancillary activities text, all of which are significant issues for industry participants. GFMA CWG members have also considered the impact of ESMA's updated Opinion on Determining third-country trading venues for the purpose of transparency under MiFID II/MiFIR.

A key focus remains the implementation of the EU Securities Financing Transactions Regulation (SFTR). The effective application date of the SFTR reporting date has been extended to 13 July 2020 in light of the impact of COVID-19 on firms' capacity to implement inbound regulation. However, firms are continuing to discuss how to apply the exemptions applicable to contracts related to operational/industrial activity as well as broader classification of certain financing transaction types.

With respect to the impact of Brexit, GFMA CWG continues to track changes to emissions trading, including a potential new UK emissions trading system (ETS), and how this would link to the EU (ETS).

Find out more

Publications



View all publications at www.afme.eu/Reports/Publications

Membership

AFME membership is open to all wholesale financial market participants.

Join us

Membership is on a corporate, not individual, basis and all applications are reviewed and approved by the AFME Board.

Find out more: www.afme.eu/membership

Full members

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

Associate members

Law firms, accounting firms, stock exchanges, rating agencies, service and data providers and investors with access to the High Yield and Securitisation divisions plus CMU and Sustainable Finance workstreams

Premium associate members

Technology firms and consultancies with access to the Technology & Operation division



Media Profile

This year, AFME has continued to grow its media profile across the EU27 press, leveraging our evidence-based advocacy across print as well as digital media channels such as video and social media.

AFME's coverage in key policy areas in European media (excluding UK) grew 37% from last year. This can be attributed to extensive coverage on priority topics including Brexit, Capital Markets Union (CMU) as well as our advocacy of shortening trading hours, which was covered by the majority of European media, and non-financial publications.

Moreover, AFME's COVID-19 market data reports were well received across European media, providing journalists valuable context on the performance of financial services amid the pandemic. Other key areas of focus for our media engagement were our Brexit responses and priorities for the future EU-UK relationship, as well as our positions regarding MiFID II.

AFME has continued to focus on gaining media attention on topics related to Europe's digital agenda, Sustainable Finance and CMU. For example, AFME has placed articles on CMU in influential media such as *Les Echos* and *The International Banker* to help foster engagement and political urgency on the topic.

We continued to promote our reports and data through the media. Last year we produced over 20

expert publications as well as 20 data reports which all received significant media coverage. We also increased our thought leadership delivered through digital channels such as video and social media to further engage with our audiences. Examples include an animated video on the problems of the *rising cost of market data*. This approach has resulted in AFME's LinkedIn account growing by 70% since September of last year to reach over 8,700 followers. Over the same period our Twitter account grew 11% to reach over 3500 followers.

This work has helped AFME cement its image as an evidence-based organisation.

Charity Update

AFME recognises that in the current climate it has an even greater responsibility to contribute towards the wider community.

Whilst we have been unable to do many of the events such as our Summer 'Charity Week' due to COVID-19, we have continued to make donations to charities in our local area. We have supported individual charitable giving through our matching donations scheme and encouraged local charitable and community volunteering where safely possible.

A number of 'virtual' initiatives have taken place internally including 'Quiz Nights' with proceeds being directed towards charities who were key during the crisis. This includes the Association of NHS Charities and the European Food Banks Federation. We also continued to actively support the East End Community Foundation, which provides incremental funding to nearly 200 needy organisations near our members' Canary Wharf offices.

Regrettably, we were unable to host a Career Ready student in the office this year, however we were able to help the organisation that manages the programme by donating to help ensure their incredible work can continue. We hope to be able to host another student at AFME in 2021.



Conferences and Events

During a time of unprecedented change for Europe and its capital markets, our calendar of expert events continue to be at the forefront of wholesale finance developments. In Autumn of last year, we hosted two large conferences in Paris, attracting over 500 attendees in total. Moved from London, The 3rd Annual European Compliance and Legal Conference was a two-day event, covering an array of topics which included Financial Crime, Sustainable Finance, Trends in Surveillance, plus challenges that might face a technology-driven bank.

Our 2nd Annual Capital Markets Technology and Innovation Conference was hosted at the prestigious Palais Brongniart (The former Paris Stock Exchange) in the centre of Paris. The event attracted senior executives and their teams who are driving strategic innovation in technology and operations. We were delighted to hear from the First Deputy Governor Denis Beau from The Banque de France, Felix Hufelt, The President of BaFIN, and Odile Renaud-Basso, The General Director of Economy and Finance from the French Treasury, as well as some incredible speakers from Google, ESMA, and many more.

We also hosted our first-ever Women Leaders in Financial Infrastructure event in London at the offices of Clifford Chance, in collaboration with DTCC, and Diana Chan, the founder of the event, and former CEO of EuroCCP. This was a half-day event, attracting over 150 senior women working in Financial Infrastructure. There were lively debates providing solutions of how you build a culture that embraces women leaders, and how you gain visibility and expand influence in financial services.

We finished the year with The Rome Investment Forum, in partnership with FEBAF. This two-day event in Rome attracted industry leaders, policymakers, business executives as well as academics. The event featured keynote addresses from Paolo Gentiloni, The EU Commissioner for the Economy, Giuseppe Conte, The President of the Council of Ministers of Italy, and Roberto Gualtieri, The Italian Minister of Economy and Finance.



3rd Annual Compliance and Legal Conference



2nd Annual Capital Markets Technology and Innovation Conference

We started off 2020 with our High Yield Black Tie Dinner hosted at London's Savoy, which is renowned for its sell-out attendance and networking opportunities. We were delighted to have a speech from Martine Wright MBE, a 7/7 survivor, and Captain of the GB sitting volleyball team, as well as a Channel 4 reporter and author, who shared her experience of life after the 7/7 bombings, and how she uses the power of seven to reach her goals.

In February, we were delighted to collaborate with the AEB in Madrid, where we hosted our Annual Spanish Capital Markets Conference. The event featured senior leaders such as Pablo Hernandez de Cos, from the Bank of Spain, and attracted over 200 attendees. In March, we put our live events programme on hold due to the impact of the pandemic, and have since put together a comprehensive list of virtual events.

We kicked off our series of virtual events in May, with a webinar on how lockdown has impacted the mental health of those working in financial services. This webinar was shortly followed by an event on ESG Disclosure and Due Diligence. We are delighted to continue to deliver our events virtually this autumn, by hosting multiple virtual conferences from September through to December, which include our annual Compliance and Legal Conference, an expanded Leveraged Finance Conference, a Technology and Innovation Series, our Annual Post Trade Conference, and Government Bond Conference. We are also thrilled to announce that this year's Global ABS Conference, in partnership with IMN will still be going ahead, but as a virtual conference, taking place now in September.

“Due to the impact of the pandemic, we have put together a comprehensive list of virtual events”



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