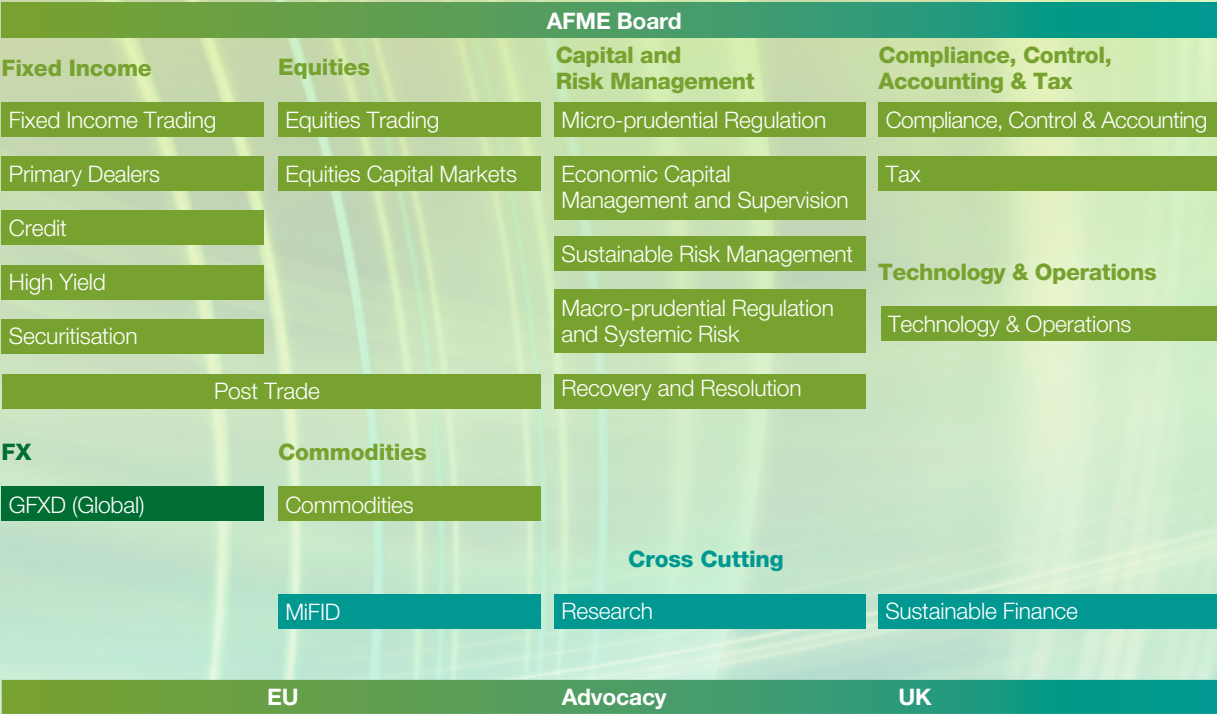


The Association for Financial Markets in Europe advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefitting society.



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Message from the Chair

Thalia Chryssikou
Chair of AFME Board, Head of Global Sales
Strats and Structuring, Goldman Sachs



We have continued to evolve in a turbulent economic and geopolitical environment this past year. In the aftermath of the pandemic, quickly followed by the war in Ukraine and accompanying energy price crisis, inflationary pressures have grown worldwide along with rapid shifts in monetary policy to tame these. This rapid reversal of conditions manifested in some stress events in the banking system during the first half of the year.

The elimination of obstacles to cross-border banking in Europe and the implementation of efficient, effective operation of trans-continental financial markets has continued to be a key objective for AFME. We have continued to advocate for a diversified and resilient financial system where banks and capital markets work in tandem to support Europe's real economy.

Now more than ever, there also continues to be an important role for banks and capital markets in allocating capital to help finance the sustainable and digital transition of the economy and to help companies transition their businesses.

Our industry has a tremendously important role to play in moving towards a more environmentally-friendly and socially aware economy. Challenges still lie ahead of us, and AFME continues to play a leadership role in discussions on how we can effectively and responsibly move towards a more integrated, globally competitive financial system in Europe that enables corporates and governments and provides liquidity in markets.

I am delighted to continue as AFME's Chair and look forward to working together with member firms and AFME staff to advocate for stable, competitive and sustainable European financial markets.

“There is an important role for banks and capital markets in allocating capital to help finance the sustainable and digital transition of the economy”

Message from the CEO

Adam Farkas
Chief Executive Officer, AFME



As the voice of Europe's wholesale financial markets, AFME is dedicated to supporting its members through these times of ongoing change.

This year, agreements on a number of key legislative initiatives have concluded, following an intense period of legislative activity, accompanied by extensive AFME advocacy efforts on behalf of our members. These include political agreements reached on the Markets in Financial Instruments Regulation (MIFIR) and the CRR3 and CRD6 proposal, concluding the post financial crisis prudential regulatory programme in the EU. While technical details are still being ironed out, the broad outlines of these two important areas of regulation include significantly positive outcomes for the EU's economy.

Furthermore, the Financial Services and Markets Bill (FSMB) was endorsed by the UK Parliament and received Royal Assent this year. The resulting Financial Services and Markets Act represents the most significant change in the UK's financial regulatory framework since the UK left the EU, with the UK regulatory authorities now having direct rule-making powers.

AFME has also welcomed the draft Memorandum of Understanding adopted between the EU and UK, which establishes a framework for structured regulatory cooperation. We are confident that the

beginning of regulatory dialogue will lead to re-establishing a closer relationship between both jurisdictions in the area of financial services.

Issues surrounding climate change and sustainability have also continued to be on the top of AFME's agenda. Five years have passed since the launch of the EU Action Plan on Financing Sustainable Growth, and most of the building blocks of the EU framework are now in place. Meanwhile, the UK is also considering how to best take its framework forward. It is now important that the EU's framework is tested for its usability and coherence, and that there is as much interoperability with the UK and other frameworks around the world as possible to tackle what is clearly an issue of global significance.

On digital finance, technological innovation continues to transform our industry's way of doing business, creating the possibility of more efficient, effective and client-oriented products and services with DLT, artificial intelligence, cloud computing and the use of big data. But the increasing reliance on technology also gives rise to growing cyber threats. AFME has continued to help shape the evolving regulatory environment that takes account of these developments through consultation responses both in the UK and Europe. We continue to advocate for a balance between enabling firms to innovate and maintaining financial stability.



Last November, AFME published the fifth edition of our “Capital Markets Union – Key Performance Indicators” report with 11 other organisations. Over the last five years, this report has tracked the progress of Europe’s capital markets against nine key performance indicators. The 5th edition found that the EU as a whole was falling further behind other jurisdictions in terms of its global attractiveness as a place for businesses to access deep pools of capital and go public. AFME’s KPIs report was commended as a key reference for the Commission to review progress on CMU and to take stock of capital markets integration.


AFME has also kept its members up to date of global developments. Following the announcement by the US and other jurisdictions of their intentions to move to shorter settlement cycles, AFME set up an industry taskforce looking at the implications for similar moves in the EU. In the EU, our taskforce is made up of a broad and diverse group of market participants who will be impacted by a move to shorter settlement cycles and it is assessing two questions, namely whether the EU should follow the US and other jurisdictions in moving to shorter settlement cycles and if so, how and when the potential move should happen. A similar task force was set up in the UK by the government, where AFME is part of a core drafting team driving a similar analysis.

In other news: AFME’s UK office has successfully moved and we are now situated in the State Street building in Canary Wharf.

This year has been another eventful one for Europe’s capital markets. I want to express my gratitude to all of our members for their support of AFME, as well as AFME’s Board members for their invaluable contributions, and to Thalia Chryssikou, who serves as our Chair and provides leadership to the Board with her valued expertise.

“Issues surrounding climate change and sustainability have continued to be on the top of AFME’s agenda”


Highlights




**Legislative milestones
reached in the EU**



A new UK regulatory framework



**Laying the ground
for future challenges**

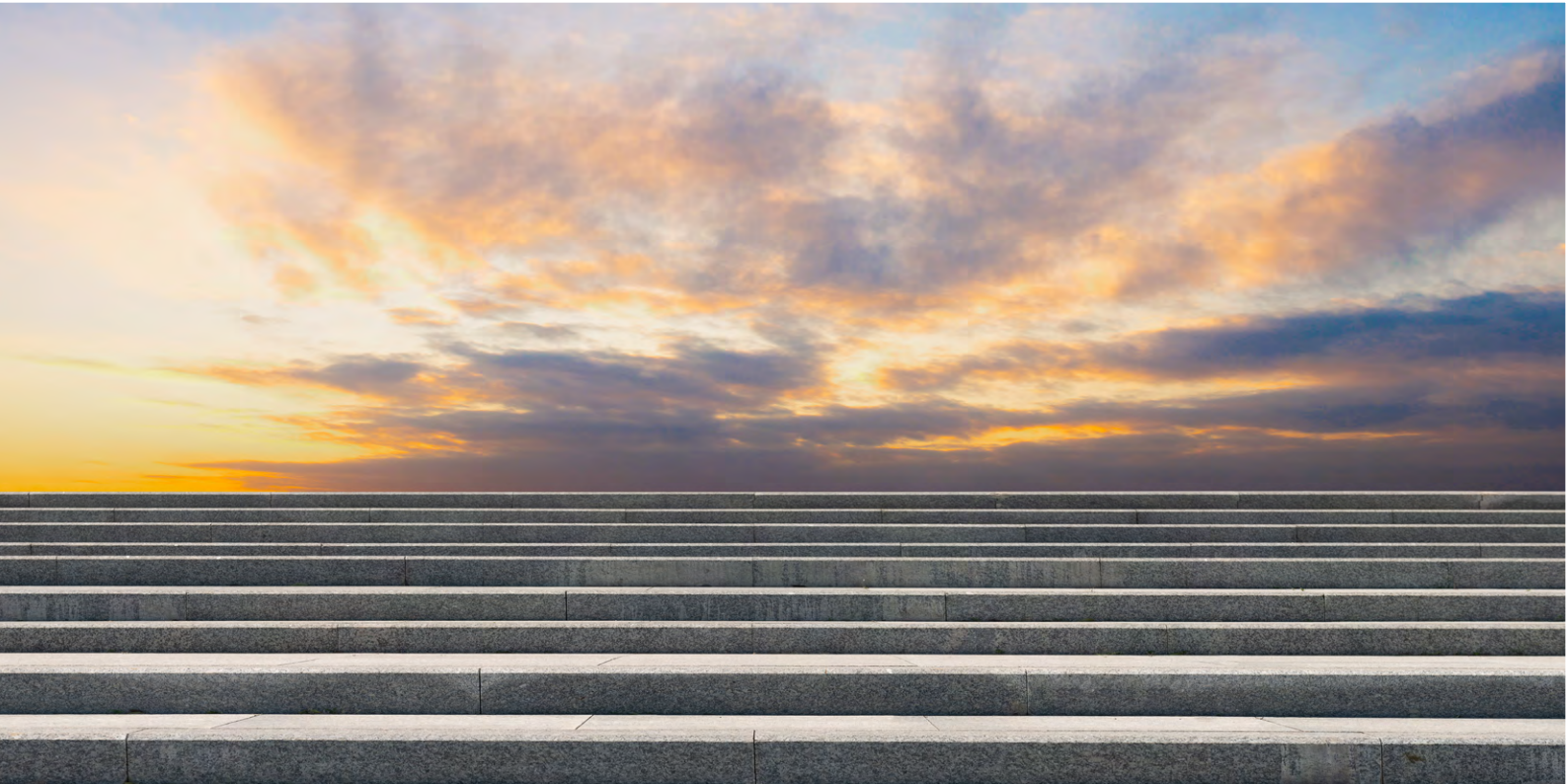


**A new basis for the EU-UK
in financial services**



Highlights

Legislative milestones reached in the EU



Banking Package

On 27 June, EU institutions reached a political agreement on the banking package following 4 months of intense negotiations under the Swedish presidency. With a number of key industry issues having been agreed at political level prior to the last trilogue in June (e.g. securitisation, crypto asset transitional treatment, etc), the sensitive issues of Article 21c, TCBs, fit & proper assessments and the level of application of the output floor remained to be agreed. After months of proactive engagement, and drafting proposals on specific issues from AFME, with various stakeholders in the Council, European Parliament, European Commission and the EBA, most of AFME's initially agreed industry priorities concluded positively. Out of the 20 agreed key priorities with AFME members, 16 have been met entirely or partially. Our preferred positions on the level of application of the Output floor (this was expected), Article 21c, crypto-assets prudential treatment and the adjustments to the new Basel CVA framework were unfortunately not met in the provisional political deal reached at the end of June.

Notable achievements included, however: the maintenance of transitional arrangements for the output floor; the inclusion of a "p factor" recalibration to kick-start the EU's securitisation market; punitive capital treatments for brown and green assets being avoided to allow the capital framework to remain risk and data driven; the extension of massive disposal treatment for NPLs and many more.

The last few months have also been punctuated with a number of high level public sector officials contributing to AFME events and gatherings to exchange on the banking package be it during EPPC and PRB meetings or in the context of more elaborate events such as the successful AFME/OMFIF European Integration Conference held in Frankfurt in May 2023. In so creating additional opportunities for both AFME and individual members to promote industry views and concerns.

In the coming weeks, AFME and its dedicated working groups will be focused on the banking package's ESAs mandates. A prioritisation of those mandates, with the help of members, has now taken place and subsequently been shared with relevant stakeholders at technical level. With a political deal now having been reached, our advocacy activities (in collaboration with ISDA where needed) will take a more technical nature as we turn to the detailed wording of the compromise deal. "Post mortem" conversations will also be had with selected stakeholders on an ad hoc and opportune basis (e.g. upcoming EUROFI and upcoming PRB/EPPC meetings) or with regards to upcoming mandates.

“Our advocacy activities will take a more technical nature as we turn to the detailed wording of the compromise deal”

MiFID/R Review

Over the last 12 months, the MiFID/R Review negotiations became highly sensitive and politically contentious, and were concluded (at high, non-technical level) by the Swedish Presidency of the Council in June 2023. In September 2023, key technical issues are still being ironed out, with the expectation that the final version of the file will be brought to a final, formal vote at the Parliament plenary and Council ECOFIN before the end of the year.

With the intensification of negotiations in June 2022, AFME published its “[Vision for the future of EU wholesale financial markets: AFME recommendations on the MiFIR review](#)” setting out our key high-level recommendations for the MiFID/R review to support more competitive EU equity and fixed income markets. We complemented this paper with a second data report on [Sovereign Bond Trade Data Analysis and Risk Offset Impact Quantification](#), which, together with an informative paper on “Liquidity Provision & Risk Management – Corporate Bond Markets”, helped to inform discussions on bond markets in the European Council and among other policy makers.

With Trilogues starting in April 2023, AFME published its “[Recommendations for the MiFID/R Review trilogues](#)”, which we publicised, in cooperation with EFAMA and the BVI, in a joint press statement advocating for further policy reflections on equity and fixed income issues.

Throughout the year, we played a leading role in shaping the future of the EU and UK wholesale capital markets regulation, working closely with members to develop credible policy positions informed by strong research and data driven analysis, and supported by a robust advocacy strategy and engagement across the continent and in the UK at technical but also at more senior level.

We are pleased to note that across asset classes and markets (i.e. equity, fixed income and commodity markets) the likely outcomes of the MiFID/R Review, particularly on market structure and transparency issues, are substantially less damaging to AFME’s members than the EU Commission 2021 proposals, and overall can be considered reasonable and an improvement in some of AFME’s key priority issues.

During the year, at more technical level, AFME responded to several key public consultations on MIFIR and wholesale markets in the EU and in the UK. Amongst the many responses delivered, we note AFME’s responses to the UK FCA consultation on “Improving equity secondary markets”, reflecting key regulatory outcomes for equity markets of the recent UK wholesale markets review, and two separate ESMA and UK FCA consultations on the topic of the “Trading Venue Perimeter”. Further to the UK Financial Services and Markets Bill receiving Royal Assent, we will be responding to key FCA consultations on the consolidated tape and on a new transparency framework for UK bond markets before the year ends.

“We played a leading role in shaping the future of the EU and UK wholesale capital markets regulation”

CSDR Review

The first elements of the central securities depositories regulation (“CSDR”) entered into force in 2014, designed to increase the harmonisation, safety and efficiency of the settlement process in the EU. The staggered implementation approach created the unusual situation whereby CSDR was due to be reviewed, before its most controversial requirement – mandatory buy-ins – had actually entered into force.

AFME has been a leading industry voice in consistently calling for European authorities to reconsider the application of mandatory buy-ins (“MBIs”), which would require buyers to source securities from a third party, if the original seller failed to deliver the stock within four business days of the agreed settlement date. AFME, whilst supportive of the policy objective of reducing the volume and value of settlement fails, argued that this would significantly damage the liquidity and efficiency of our capital markets, to the detriment of companies and investors.

The CSDR Refit brings a pragmatic, sensible compromise whereby MBIs remain as a possible measure of last resort, but with significant barriers to be cleared before its adoption. The Refit mandates that other policy options are explored, including a potential increase to cash penalty rates, before an Implementing Act to reintroduce MBIs can be considered by the Commission. This must follow consultation with ESMA and the ESRB and a determination that the current level of settlement fails is negatively impacting EU financial stability. The MBI would be limited to specific asset classes or categories of transaction, and, their application must be reviewed on a regular basis.

AFME welcomes this approach, which represents a significant advocacy success for our membership. The industry can now focus on wider efforts to improve settlement rates, including the application of CSDR cash penalties (which entered into force in 2022) and further adoption of functionality such as ‘partial release’ which helps increase the flow of securities through settlement systems.

AFME will continue to engage on improvements to CSDR settlement discipline, as ESMA begin their review of the current regulatory technical standards in light of the changes to the core text.

“We have been a leading industry voice in consistently calling for European authorities to reconsider the application of mandatory buy-ins”

Highlights

A new UK regulatory framework



In June this year, the Financial Services and Markets Bill received Royal Assent and is now the UK's Financial Services and Markets Act (2023), implementing the UK's new regulatory framework.

The UK financial services regulators have new rule-making powers and secondary objectives to facilitate the growth and international competitiveness of the UK economy, including the financial services sector, and in so far as there is also ongoing alignment with relevant international standards. In parallel, the scrutiny and accountability of the UK regulators has been enhanced.

The passage of the Bill into law has also enabled the delivery of a host of other changes detailed further on in this annual review. Importantly for AFME membership, this includes the implementation of the primary and secondary markets reviews which have been a central part to our UK-focused work since the end of the post-Brexit transition period. It has also given a kick-start to the UK's new regulatory framework for crypto assets and established sandboxes for the use of new technologies in UK markets.

With the UK's rules and its rule-making system evolving at the same time, it is fair to say that navigating the volume of change this year has – again – been a challenge. Throughout the year, AFME has continued to act as an information conduit, ensuring that the UK government and regulators have been made aware of the implications of this situation and have taken our members' concerns and priorities into account. We have also endeavored to provide updates on developments to the European and international regulatory community wherever relevant.

In the summer, the UK Treasury set out its plan for delivering the secondary legislation needed to fully enable the functioning of the UK's new regulatory framework (the so-called "Smarter Regulatory Framework"). Moreover, it has also been clarified that policy changes will only be introduced via this process if they are deemed necessary to achieving that goal. In combination with the regulatory work of the PRA and FCA, the planning of which is clearly articulated via tools such as the "Regulatory Grid", there is therefore now much greater visibility of the ongoing change process and its direction of travel. This is of course helpful for AFME members' planning and provides a good basis on which to build UK financial services regulation.

“A new regulatory framework is now in place and there is much greater visibility on the remaining change process in the UK”

Highlights

Laying the ground for future challenges



The building blocks for a sustainable finance framework

Sustainability continues to be a key priority for members, policymakers and regulators. Over the past year, regulators intensified their work to strengthen the foundations of the EU sustainable finance framework. Our focus has been on seeking to enhance the coherence, usability and effectiveness of this framework and emphasising the important role of transition finance.

Selected highlights included ensuring that the EU standard for green bonds was going to be attractive to issuers and investors alike. During last year's intense political negotiations, AFME emphasized the need to establish voluntary, science-based label backed by the EU Taxonomy and verifiable by third parties. The EuGB Regulation adopted this year maintains the voluntary nature of the initiative, adopts more flexible measures for issuers, and can be used for green securitisation, too. It is not just better placed to achieve its objective to enhance transparency, integrity and trust in the market for green bonds, but it is also more likely to succeed alongside existing market labels.

“Regulators have intensified their work to strengthen the foundations of the EU sustainable finance framework”

Another important milestone was the adoption of the first set of European sustainability reporting standards, setting out the information that an estimated 50,000 European companies and over 10,000 non-EU companies will have to disclose in accordance with the Corporate Sustainability Reporting Directive. In the lead up to this, we engaged with regulators to ensure the standards would be proportionate for preparers of disclosures, yet comprehensive for users of disclosures such as banks and investors. The ESRs now reflect AFME's calls for effective solutions to enable sustainability reporting and risk management for financial institutions. We also encouraged standard-setters to enhance the interoperability of the European framework with global sustainability reporting standards, and we have seen significant progress in this area.

In the UK, the government revamped its Green Finance Strategy, reflecting a number of AFME's proposed priorities and work has continued to develop a framework for transition plans through the Transition Plan Taskforce. Our members view credible, comparable, science-based transition plans as one of the most impactful tools to enable financial institutions' role in financing the transition towards a sustainable economy. AFME was, therefore, keen to engage with the Taskforce, and contributed to the development of a set of disclosure guidelines by sharing recommendations aimed at enhancing the quality of transition plans and their comparability across different markets, sectors, and geographies.

Finally, we have continued our thought leadership including a report on opportunities for scaling finance in support of nature and biodiversity, and continued to assist members in navigating the increasingly complex regulatory framework.

Developing the digital assets ecosystem

Through its digital finance strategy the EU has taken important steps towards the objective of boosting Europe's competitiveness and innovation in the financial sector.

Building on these achievements and on the lessons learned from developments in the markets, developing a robust and dynamic digital assets ecosystem in capital markets will be a priority both for policymakers and the financial industry.

In the EU, MiCA will offer a comprehensive regulatory framework for market participants, fostering transparency and the attractiveness of the crypto-assets sector. In the UK the authorities are working on the development of a regulatory framework for cryptoassets. AFME has established a constructive dialogue and provided an industry perspective on the development of such frameworks. The implementation of MiCA will offer opportunities to assess areas where the framework could be strengthened, clarified (for instance, in the definition of custodial liabilities, custody being a key element in the ecosystem), or expanded, also in light of the recent market developments.

An important and growing area EU policymakers will need to consider is decentralised finance (DeFi). DeFi has been developing quickly and its potential uses and intersections in capital markets are likely to require policymakers to consider options for bringing it within the regulatory perimeter.

AFME and its members have been working to explore the opportunities offered by the use of tokenisation in capital markets. The development of Distributed Ledger Technology ("DLT") holds promise for unlocking efficiencies and driving growth. Payments, settlement, and securities lifecycle events may be accomplished with greater safety and more efficiency; access to capital markets may be expanded to a broader set of participants; and markets / infrastructures may operate more effectively with improved liquidity. At scale, these developments could benefit the real economy.

Despite the growing momentum in developing use cases, DLT-based issuances have been largely experimental. Regulatory policy should seek to create the same stability and protections in digital asset markets that exist in traditional, regulated financial markets, whilst allowing and supporting innovation. Regulated financial institutions – given their track record, from dematerialization, digitization, to off-premises cloud computing, of adopting new technology and implementing appropriate governance and processes to adequately manage risks – should be allowed to promote responsible innovation and best practices.

AFME members are working together to build common standards, and greater interoperability of infrastructures and solutions. Policymakers can facilitate the above objective by working towards an harmonised global regulatory framework.

An important and growing area EU policymakers will need to consider is decentralised finance (DeFi). DeFi has been developing quickly and its potential uses and intersections in capital markets are likely to require policymakers to consider options for bringing it within the regulatory perimeter.

Work is under way in several jurisdictions to introduce (or explore the introduction of) central bank digital currencies (CBDCs). While the focus has mainly been on retail aspects, it is important to recognise that the adoption of wholesale CBDCs (wCBDCs) could enhance the efficiency, resilience and effectiveness of money flows and capital markets.

Preparing for accelerated settlement

The decision by the SEC to move US securities to a T+1 settlement cycle in May 2024 has, from a European perspective, prompted two important questions. AFME is working with members and the broader industry to help answer these questions.

Firstly, what will be the impact to European market participants of the US move to T+1? It is clear that there will be significant impacts resulting from the change, given the size of the US market and increased levels of global interconnectivity. A number of benefits are anticipated. In particular, the reduction of risk across the ecosystem, and the associated cost savings resulting from lower margin requirements. US participants also anticipate T+1 as a catalyst for increasing levels of automation and standardisation in post-trade processes. However, there are also likely to be significant challenges. Changes to operational processes and systems will be necessary and will include the opportunity to increase focus on process automation, enhanced communication and coordination across time zones, and more efficient allocation and affirmation processes. There will also be implications for related processes such as foreign exchange and securities lending. Challenges may be experienced on multi-listed instruments or those with underlying components across several jurisdictions, such as ETFs.

AFME is helping members to prepare for this milestone, increase awareness and understanding of the key challenges through webinars and publications, as well as leading industry engagement with European authorities.

Secondly, should European markets also adopt T+1, and if so, by when? AFME has established an industry-led task force, comprised of 15 trade associations representing European buy-side, sell-side and FMIs, to answer this question. The early consensus is that many of the same benefits, risks and challenges identified in the US would also be applicable in Europe. However, there are some specificities of EU capital markets which warrant further consideration. EU markets are notable for the complexity of the ecosystem, with multiple currencies, clearing houses, settlement systems, and legal frameworks. This means that implementing T+1 is a more challenging and complex project, requiring a significant level of industry coordination. Shortening the settlement will have to be balanced simultaneously also with the objectives of the EU CSDR settlement discipline regime to reduce settlement fails. AFME would like to avoid possible increased risks, costs and inefficiencies in European capital markets that may result from any rushed or uncoordinated approach.

Progress on this initiative will require the industry to adopt a collaborative and forward-thinking approach. AFME is committed to bringing European market participants together to deliver a roadmap for the future.

“We are increasing awareness and understanding of the key challenges of T+1”

Highlights

A new basis for the EU-UK in financial services



The agreement between the EU and the UK on the Windsor framework in February 2023 opened the door for further progress in other areas of cooperation, including both sides signing a Memorandum of Understanding on cooperation in financial services in June. The MoU puts in place a joint Regulatory Forum which is to meet at least twice a year to discuss regulatory and market developments.

Since the signing of the Withdrawal Agreement, AFME had continuously advocated for a cooperative and stable long-term relationship for financial services between the EU and the UK, where both sides would agree an effective framework for structured regulatory cooperation.

AFME welcomed the signing of the MoU which we hope will serve as a new basis for the EU and the UK in the area of financial services and allow both sides to establish a cooperative, stable, and trusting long-term relationship. The newly established joint EU-UK Financial Regulatory Forum should enable structured cooperation on regulatory initiatives and priorities, including transparency and dialogue in any future equivalence processes. The Regulatory Forum should also provide for appropriate engagement with industry stakeholders and private sector input.

Going forward, AFME is looking forward to work with its members and policymakers to engage on priorities for the Regulatory Forum and to provide relevant input where appropriate.

***“We have
continuously
advocated for a
cooperative and
stable long-term
relationship for
financial services
between the EU
and the UK”***

Division Updates

“AFME has focused on policies aimed at strengthening European capital markets, to ensure their growth and competitiveness”



**MiFID/MiFIR and UK
Secondary Market
Structure**




Equities Trading



Equity Capital Markets




Fixed Income Trading




High Yield




Post Trade



Securitisation




Commodities




**Capital and Risk
Management**




Technology & Operations




Sustainable Finance



**Compliance,
Control & Accounting**



Advocacy



GFMA: FX



MiFID/MiFIR and UK Secondary Market Structure

Giulia Pecce
Associate Director, Head of Secondary
Capital Markets and Wholesale Investor
Protection Policy, Capital Markets – MiFID

[Find out more](#)



“The MiFID team has focused on emerging and cross-cutting issues in relation to key EU MiFID/R and UK equivalent areas such as market structure, transparency and wholesale conduct of business”

- Driving AFME’s secondary market structure strategy in relation to the UK Wholesale Markets Review (including subsequent regulatory and legislative initiatives) and the EU MiFIR/D II Review.
- Advancing our members’ positions on key research and wholesale investor protection issues, as part of the UK Investment Research Review, the EU Listing Act and the EU Retail Investment Strategy.

The MiFID team focuses on emerging and cross-cutting issues in relation to key MiFID/R areas such as market structure, transparency, reporting, and wholesale investor protection.

Its key objective is to promote a coherent and forward-looking approach to key MiFID issues across asset classes. Vital to this strategic function is the effective coordination and leadership of cross-team work across various AFME's divisions, particularly Fixed Income Trading, Equities Trading, Commodities, Compliance and Sustainable Finance.

A key area of focus over the past year has been the UK Wholesale Markets Review and the EU MiFID/R Review. Our policy strategy in both geographies has consistently centred on a key policy goal, to enhance the liquidity landscape of European secondary capital markets and improve overall market efficiency. With this key objective in mind, we have advocated for appropriately constructed consolidated tapes, which will draw investment focus to Europe as a whole, and second, to ensure there are sufficient choices in trading mechanisms, which will help attract investment within and into the EU and UK. Well-functioning, diverse and competitive secondary market eco-systems provide deep pools of liquidity for investors and issuers, and reduce cost of primary funding for corporates and sovereigns. An efficient and virtuous cycle between secondary markets liquidity and primary markets is beneficial for the financial system and the economy as a whole.

In addition, wholesale conduct of business requirements are being substantially revised through comprehensive policy initiatives focused on the revision of key investor protection obligations, such as product governance, inducements, client categorisation and investment research. While AFME is supportive of the ultimate objectives of those reforms, our policy work aims to ensure that future rules are proportionate and appropriately calibrated.

Key highlights from the past year have included, among others:

- In close collaboration with AFME's asset teams, driving AFME's policy work and advancing our member positions on market structure, transparency and the consolidated tape as part of both UK and EU initiatives. This has included organizing selected engagement meetings with key public officials in the two regions.
- Leading on AFME's response to the European Commission's Retail Investment Strategy, which we published on 28 August.
- Leading AFME's policy work on the issue of investment research which is being considered as part of the EU Listing Act and the UK Investment Research Review.
- Working collaboratively with trade bodies and other stakeholders in the UK, EU and US to deliver shared outcomes.

“Our policy work has sought to foster the development of deep, liquid and competitive capital markets, for a more dynamic and attractive pan-European investment landscape, through evidence-based and well calibrated measures”

Equities Trading


April Day
Managing Director, Equities Trading

[Find out more](#)



“AFME’s leadership continues to contribute to industry consensus on the key principles which should underpin the successful delivery of an equities consolidated tape in the EU and UK.”

- Driving the future of EU and UK equities market structure
- Leading industry discussion on the emerging EU and UK consolidated tapes
- Engaging with stakeholders on market outages and related regulatory reforms

 FME has continued to focus on and engage with key reforms to cash equities regulation and policy, predominantly around the reviews of MiFID II and MiFIR in the EU and UK.

With respect to changes within the EU, AFME has continued to advocate in favour of legislation that will improve the EU's international competitiveness and support the emergence of the Capital Markets Union. We have monitored the progress of trilogues on the MiFID/R Review and submitted feedback to EU legislators to inform their decision-making. Specifically, we have continued to lobby EU legislators to simplify the EU share trading obligation, enable liquidity provision, promote competition within the EU, permit midpoint execution on systematic internalisers for trades of any size and strengthen equity market resilience (especially in outage conditions). We have also commented on ESMA's opinion on the EU trading venue perimeter. In all cases, we have drawn from internal expertise and feedback from members to put forward strong, evidenced-based arguments against regulations that would undermine competitiveness and investor choice.

A major feature of the EU MiFID/R Review is the creation of an EU Consolidated Tape (CT) which is a topic where AFME has been a thought leader and continued to produce papers on the appropriate structure and governance of a CT. With the structure of the EU CT beginning to take shape, AFME will continue to scrutinise proposals, consult members and provide feedback to EU legislators.

Regarding amendments to UK regulation, AFME has responded to FCA consultation papers on the UK trading venue perimeter and reforms to equity markets (including post-trade transparency flagging under RTS 1). Many of AFME's recommendations on equity markets reform were adopted in the FCA's subsequent policy statement – most notably, the simplifications to the post-trade flagging rules aligned in large part with AFME's position and the FCA has indicated its intention to establish a designated reporter regime for post-trade reporting. AFME also offered the FCA robust, evidence-based advice on market outage-related reforms. This is an area that AFME continues to monitor, as the FCA intends to convene a special advisory committee to develop good practices based on the views of interested stakeholders.

The recent passing of the Financial Services and Markets Act 2023 saw several recommendations that AFME made under the Wholesale Markets Review written into law, including the abolition of the share trading obligation and double volume cap in the UK, amendments to the reference price waiver and the removal of size restrictions on midpoint matching on systematic internalisers.

As the FCA begins to consult market participants on the emerging UK consolidated tape framework, AFME will endeavour to make the case for a real-time equities tape that includes both pre-and post-trade data and an appropriate level of book depth.

“A diverse market structure and a well calibrated transparency regime are both essential to the development of EU and UK equity markets. AFME continues to work with policymakers and market participants in both jurisdictions to ensure these objectives are met.”

Equity Capital Markets

Gary Simmons
Managing Director, High Yield and
Equity Capital Markets

[Find out more](#)



“The ECM division has been concentrating on helping to increase the attractiveness and competitiveness of UK and European equity markets by representing the views of wholesale market stakeholders and engaging with regulators, as well as producing industry guidelines and templates”

- Increase the attractiveness and competitiveness of UK and European equity markets
- Reduce the complexity, burden, and costs, associated with listing, whilst retaining strong levels of legal certainty and investor protection

This year the Equity Capital Markets division has concentrated on helping to increase the attractiveness and competitiveness of UK and European equity markets and lowering the burden and cost of preparing for listing. We have focused both on the process of prospectus production and the steps required to ensure that the company is able to operate effectively in a listed environment. The ECM division has taken positions in relation to key consultations, calls for evidence and discussion papers, as well as producing industry guidelines and templates, and has been actively engaged in strong advocacy efforts.

AFME has been actively representing the views of wholesale market stakeholders and engaging with regulators in the endeavour to strengthen and increase the competitiveness of UK public markets. Looking at domestic performance over the recent years, commentators have highlighted the decline of listed companies, despite London's traditional perceived quality, citing examples of complexity and burdensome requirements to listing. The division has continued to engage with UK policymakers and stakeholders on important initiatives, both formally through responses to regulatory proposals and informally through discussion and other interactions.

These UK initiatives includes the UK's Primary Markets Review, which is seeking views on how the UK listing regime can be adapted to ensure the value of listing is easier to understand, as well as to promote broader access to listing for a wider range of companies and empower investor decision-making. The proposals envision a listing regime based on having a single segment for equity shares in commercial companies, seek views on the role and purpose of the sponsor regime, and asks for improvements that might be considered to make existing rules more proportionate and effective. The ECM division has responded to various consultations and enquiries, has engaged in various roundtables and discussions with both regulators and industry, and has otherwise continued to monitor and respond to developments in this area.

The ECM division has also continued to maintain a high engagement with policymakers and stakeholders

on the UK's "Edinburgh Reforms". This include the ongoing UK Prospectus Regulation Review which is being conducted through a series of engagement papers and discussions related to various important aspects of the prospectus and offering process. The reforms also cover the FCA's and HMT's proposals related to amending or abolishing the UK PRIIPs Regulation. The division continues to monitor developments and engage with policymakers in relation to the UK review of secondary market capital raising and rights issuances. The ECM division has also worked with the AFME Compliance Division on the UK's Consumer Duty rules to ensure that ECM-related matters are considered and discussed in that context.

As Europe competes with other global markets for listings, the European Commission sought to reform EU public markets by harmonised listing rules and support access to market finance for EU companies, including through the EU Listing Act proposals. . The division has continued to analyse and respond to consultations and other regulatory developments in this area, including providing a robust response to the Listing Act consultation and engaging in ongoing discussions with various European and national policymakers regarding our positions and suggestions.

The ECM Division has led on important aspects of the EC's Retail Investment Strategy proposals, including those related to providing "value for money" to clients and proposals to amend the EU PRIIPs regulation. This included contributing to AFME's initial response to these proposals, as well as related follow-up and advocacy endeavours. This will be an ongoing process, and the ECM division will continue to participate and lead on AFME's efforts in these areas.

This year, we have also established ECM working groups in France and Germany to analyse, discuss and, when appropriate, take action on ECM-related matters in those countries. Additionally, the division is coordinating AFME's engagement on the implementation of ESAP, which we believe will support the objectives of the CMU action plan as intended, and more broadly, the European Commission's Strategy for financing the transition to a sustainable economy.

Fixed Income Trading

Victoria Webster
Managing Director, Fixed Income Trading

[Find out more](#)



- Monitor and formulate responses to developments in regulation, policy and market structure affecting the EU and UK government, corporate and covered bonds markets.
- Continued engagement with regulators on key issues such as, the non-equity transparency regime, bond consolidated tape and pre-hedging.
- Responding to consultation papers, including FCA Wholesale data market study and ESMA Consultation Paper - Manual on Post-trade Transparency earlier this year and those currently in progress focused on FCA Wholesale Data Market Study and ESMA Consultation Paper - Manual on Post-trade Transparency
- Publication of valuable reference works and educational pieces such as AFME's papers on '*liquidity Provision & risk management – Corporate bond markets*', '*Sovereign Bond trade data Analysis and risk offset impact quantification*' and also the regularly updated Harmonised Reporting Framework (HRF) table which assists Primary Dealer 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 impact the EU and UK government, corporate and covered bond markets.

AFME maintained a high level of active engagement with European regulators in relation to the MiFIR Review on key issues such as the development of a bond consolidated tape, non-equity transparency regime (with a particular focus around post-trade deferrals), market data and pre-hedging, which have a significant impact on the functioning of fixed income markets.

Over the past year AFME's Fixed Income MiFID Policy and Market structure Workstreams submitted responses to:

- FCA Wholesale data market study
- ESMA Consultation Paper - Manual on Post-trade Transparency

And are currently responding /inputting to:

- FCA consultation Paper on Framework for a UK Consolidated Tape
- HMT Short-selling Sovereign Debt

Key themes have continued to focus around AFMEs support for a well calibrated transparency framework for bond markets that protects investors without causing committed liquidity providers undue risk. Our data driven analysis continues to provide impactful support to our advocacy in this area. The paper on 'liquidity Provision & risk management – Corporate bond markets' provided insight into the technical complexities and uncertainties inherent in hedging market risk assumed by banks when providing liquidity on demand to investors, and previously our 'Sovereign Bond trade data Analysis and risk offset impact quantification' provided insight into the degree of transparency in the EU sovereign bond market and how the risk offset times varies significantly for various issue and trade size categories.

The Primary Dealer handbook is currently being updated and due for release later this year, the HRF table (updated every 6 months) provides a valuable resource for Primary Dealers to assist with their monthly reporting to DMOs, this also feeds into the AFME quarterly government bond data report providing information around the number and changes of primary dealers within a jurisdiction. AFME continue to Flag where divergences arise on the HRF and work to encourage continued harmonisation.

Planning is underway for the 18th Annual European Government Bond Conference, being held at the BNP Fortis auditorium in Brussels on the 15th November. Panel discussions focus around the challenges and new options for Sovereign Debt issuers, challenges to Liquidity in EGB markets, ESG/Climate and Biodiversity, NGEU next steps, developments in Bond technology and innovation.

The Credit Board is closely monitoring and involved in discussions around movements to T+1 settlement.

The Covered Bond trading group continues to monitors for unforeseen impacts on trading or secondary markets that may materialise either generally or as a result of MiFID II regulatory technical discussions, following the MiFIR Review.

“We have maintained a high level of active engagement with European regulators and Member States throughout the MiFIR review, and are diligently engaging with the FCA ahead of their Post-trade transparency Consultation paper”

High Yield

Gary Simmons
Managing Director, High Yield and
Equity Capital Markets

[Find out more](#)



“The division has been active in tackling European market practice issues, aiming to increase efficiency and reduce the costs and timelines associated with executing High Yield and Debt Capital Markets transactions, as well as hosting educational and networking events”

- Providing members with a platform that plays a key role in the development of High Yield and Leveraged Finance, by endeavouring to tackle market practice issues, as well as producing industry templates and standard forms
- Bringing members visibility and value with educational and networking events

The High Yield division has remained active in tackling European market practice issues, aiming to increase efficiency and reduce the costs and timelines associated with executing High Yield and Debt Capital Markets transactions. Industry guidelines and standard form documents play a vital role in streamlining these processes.

The AFME High Yield division is currently completing the review and update of its high yield market practice guidelines for the European market, which has required a comprehensive analysis of market, legal, regulatory and other practices and developments across a wide range of subjects, and corresponding revisions to relevant sections of the document. The document is intended to be a primer for those that have little or no experience or knowledge of high yield transactions, and also to provide the industry with recommended good practices for such transactions. Additionally, the division recently finalised an underwriter NDA industry template to standardise the approach and cut down the lengthy negotiation of definitions and carveouts in HY transactions.

Other projects include monitoring and discussing the ongoing changes to the European Insolvency regime, including responding to consultations and engaging with the Commission on the proposed Insolvency Directive, monitoring developments and engaging with policymakers on ESG ratings, KYC procedures, and the implementation of the European single access point (ESAP) and of distributed ledger technology (DLT).

Over the course of the year, the division has worked with members to host key in-person Leveraged Finance and High Yield events, including our flagship annual Leveraged Finance conference in London and seminars in various European countries. In addition, we hosted our annual Black Tie dinner at The Savoy Hotel, and provided members with a great opportunity to network with peers and share experiences in regards to the latest developments in the high yield and leveraged loans markets.

Additionally, the AFME High Yield Division continues to collaborate and cooperate with ELFA, the LMA, ICMA and other relevant organisations on matters that are important to the European leveraged finance market, as well as on 'teach-in' sessions and industry discussions. Events such as these are key to the development of High Yield and Leveraged Finance, educating market participants, and providing value to AFME members.

“We continue to collaborate and cooperate on matters that are important to the European leveraged finance market”

Post Trade

Pete Tomlinson
Director, Post Trade and Prime Services

[Find out more](#)



“Achieving the twin objectives of shortening the settlement cycle and reducing fails will require significant industry collaboration. AFME is playing an important role in these efforts”

- Led successful advocacy to limit the impact and likelihood of CSDR mandatory buy-ins
- Industry thought-leadership on a potential acceleration of the settlement cycle
- Engaging with Market Infrastructures and public authorities to promote harmonisation and innovation

In 2023, AFME has established itself as a leading voice in the T+1 Settlement debate. With the US set to adopt T+1 in May 2024, AFME is helping members and the wider European industry to prepare for this milestone, through targeted measures to increase awareness and understanding of the key challenges.

The US T+1 decision has also prompted EU and UK authorities to consider whether an accelerated settlement cycle could and should be adopted. AFME has established an industry-led EU Task Force on T+1, comprised of sell-side, buy-side and market infrastructure representatives. The group has begun its analysis on the impacts of potential T+1 adoption in the EU, and a potential way forward for the Union. In the UK, AFME is engaged as a core participant in the HMT-established 'accelerated settlement task force', which similarly seeks to identify the costs, benefits and challenges of the UK moving to T+1.

Linked to this work, we have been engaging with members and external consultants to conduct detailed, evidence-based analysis of current levels of settlement fails and their root causes; identify existing inefficiencies and gaps in full trade lifecycle which lead to settlement fails and publish industry best practice recommendations for addressing these issues. AFME members see this work as a crucial step towards preparing the ground for a possible future transition to T+1.

AFME has also continued to be active through the CSDR Refit process, providing detailed input to EU policymakers. During the Refit, authorities agreed to enshrine the controversial mandatory buy-in provisions only as a measure of last resort, subject to specific criteria being met and other policy options being exhausted. This represents a significant advocacy success for AFME, following several years of engagement with authorities to outline the broader impacts to the liquidity and competitiveness of EU capital markets should such measures be introduced.

Further to this, AFME continues to play a leading role in promoting further harmonisation in the European post trade industry, publishing updates to our industry guidelines for handling CSDR bilateral claims, as well as a new version of our Due Diligence Questionnaire (DDQ).

Finally, in the digital space, AFME post trade members have engaged extensively in the development of the UK Digital Securities Sandbox, a key piece of forthcoming legislation designed to foster innovation in the financial market infrastructure space.

“AFME continues to be a thought–leader on the future of the post trade ecosystem, reviewing opportunities to increase efficiencies through new technologies and increased harmonisation”

Securitisation

Shaun Baddeley
Managing Director, Securitisation

Find out more



“AFME’s leadership has successfully influenced the outcome of the CRR3 trilogue negotiations which reflects AFME recommendations and supports the economic viability of SRT transactions”

- Driving changes to the CRR3 banking package.
- Leading industry discussion on the challenges faced by EU institutional investors.
- Highlighting the importance of green securitisation in the context of Europe’s green transition.

The AFME Securitisation Division and its members engaged in extensive discussions with EU Member States including but not limited to the French Trésor, the Italian Ministry of Economy and Finance, the BMF, the Central Bank of Ireland and the Spanish Ministry of Finance over the course of H12023 prior to and during the CRR3 trilogue negotiations. The political agreement reached in June 2023 fell in line with members' principal requests. In summary, it includes transitional measures on the output floor which reflect [AFME CRR3 recommendations](#) and support the economic viability of SRT transactions which would have been substantively impacted had the trilogues' outcome been different.

Our [Article 5\(1\)\(e\) letter](#), co-signed by another twelve (12) associations, reacted vigorously to the European Commission's ("EC") strict interpretation of Article 5(1)(e) of the Securitisation Regulation ("SECR") ([here](#)), while our [Article 5 SECR Issues Report](#) has shed more light on all challenges institutional investors face when it comes to complying with Article 5 due diligence requirements.

We responded to numerous consultations, such as (1) the EBA consultation on [synthetic excess spread](#), (2) the EBA consultation on [homogeneity](#), (3) the ESMA pre-consultation on the ESMA disclosure templates, (4) the EBA consultation on its [Guidelines](#) on the STS criteria for on-balance-sheet securitisations and (5) the SEC consultation on its proposed [192 Rule](#) under the Securities Act of 1933.

In respect of sustainable securitisation, our [Green Securitisation Report](#) highlighted the key role green securitisation can play in assisting Europe's green transition and made recommendations that were later reflected in the EU Green Bond Standard ("EuGBS").

We have continued the publication of the [European Benchmarking Exercise \("EBE"\) Report](#), a market-led initiative co-organised with True Sale International ("TSI") and European Data Warehouse ("EDW"), which provides EU and UK policymakers with insight into the private cash securitisation market and confirms its substantial contribution towards funding the real economy.

We have continued to monitor the regulatory developments in the UK and regularly liaised with UK authorities in respect of the upcoming reforms to the UK securitisation framework. AFME will respond to the upcoming PRA and FCA consultations in autumn 2023.

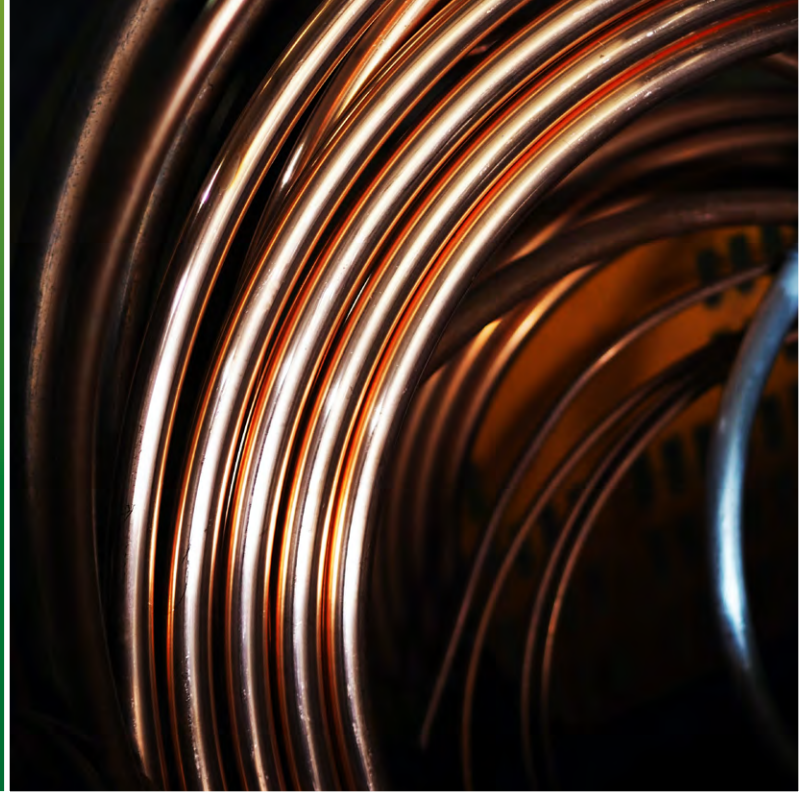
Lastly, together with the AFME Events team and our esteemed partners, Information Management Network ("IMN") and DealCatalyst, we organised several successful conferences throughout the year, with Global ABS hitting a record-breaking number of 4.500 delegates.

“We organised several successful conferences throughout the year, with Global ABS hitting a record-breaking number of 5.000 delegates”

Commodities

Carlo De Giacomo
Manager, Commodities

[Find out more](#)



“Robust, competitive and efficient commodities markets remain the core objective for the Commodities Committee which has been reflected in our extensive engagement with EU and UK policymakers”

- Leading the industry reaction to emergency regulation to address high energy prices and changing rules in wholesale energy markets.
- Advocating members’ priorities, reacting to new and alternate proposals through the legislative process.
- Participating and providing input in key international workstreams and working closely with international standard-setting bodies, in particular on carbon markets.

Over the past 12 months, the Commodities Committee (CC) has continued its delivery against its priority themes and, in particular focused on the European Commission's (EC) Regulation establishing a Market Correction Mechanism (MCM) in response to episodes of excessively high gas prices in the EU. The CC initially provided specific input to the EC on the potential impacts of the gas price cap, including contractual and legal considerations, and subsequently engaged with the energy exchanges impacted by the Regulation to ensure that technical implementation questions from AFME members would be addressed in urgent guidance.

We also led policy work on the review of the EU ETS and actively advocated AFME members' positions on the European Parliament's (EP) proposals to restrict market access for financial firms in the EU's carbon market. Our efforts, in close coordination with like-minded partners, prompted the EP to reconsider its position to restrict market access and instead task ESMA with greater market oversight.

The CC was further active on the EU's Deforestation Regulation, following a proposal to oblige financial institutions to conduct due diligence and potentially end relationships where they could not evidence a minimal risk of deforestation in the supply chain. We were successful in outlining the impracticality of the requirements and their incompatibility with other EU legislation, ultimately ensuring that financial institutions were not included within the scope of the Regulation.

Most recently, the CC led advocacy efforts on the MiFIR/D review by providing input on several problematic amendments introduced by the EP, including on the expansion of the scope of the position limit regime, the adoption of minimum holding periods for certain commodity derivatives and changes to the scope of the Benchmarks Regulation. Through extensive engagement, we were able to persuade lawmakers to reconsider their position on all amendments, either by dropping their proposals in full or tasking the EC with an assessment on the effectiveness of certain provisions.

The CC is also maintaining its emphasis on the troublesome 'declaration of office' requirement for third country firms under the EC's proposed Article 9 of REMIT. Our advocacy, jointly with other financial sector and business trade associations, has so far been successful in ensuring that this problematic requirement was removed in the Council's general approach and the EP's draft report.

Alongside our European work, the CC continues to engage with the Financial Conduct Authority (FCA) on their upcoming consultation on changes to the commodity position limits regime, position management and reporting, expected in Q3 2023.

“Throughout the year, we led extensive and impactful engagement with EU & UK regulatory bodies against a backdrop of soaring energy costs, supply chain disruptions, and political uncertainty”

Capital and Risk Management

Caroline Liesegang
Managing Director, Head of Prudential
Regulation, Sustainable Finance and
Research

[Find out more](#)



AFME is re-articulating the previously named Prudential Regulation Division to the Capital and Risk Management Division. This better represents the work streams that are covered in the division that do not focus only on Liquidity and Pillar 1 capital, as the name previously implied, but cover the following topics:

- Economic Capital Management and Supervision
- Sustainable Risk Management
- Micro-prudential Regulation
- Recovery and Resolution
- Macro-prudential Regulation and Systemic Risk

AFME's website will also be updated accordingly to allow users to more easily navigate to the relevant area of interest.

Economic Capital Management and Supervision

AFME held the inaugural meeting of the Pillar 2 Sub-group (P2SG), which is the leading committee for this new policy area, on 28th March. The committee oversees working group activity for the newly established Solvency Stress Testing and Interest Rate Risk in the Banking Book working groups, in addition to its own work agenda. During the first year of activity, we have engaged heavily in the EBA stress tests, providing consolidated industry feedback from members to the ECB and EBA, as well as acted as an interlocutor between members and the ECB. AFME's membership composition proved to be valuable to the ECB as we also represent overseas firms that are now part of the sample. The work contributed to more effective communication, rapid improvements in the submissions tools and data validity checks performed, as well as release schedule of additional data templates and ECB's thinking on the wider stress testing methodology. Looking ahead, AFME will work towards adjusting the European stress test concept and methodologies.

Furthermore, we initiated an ICAAP benchmarking programme, which aims to help firms gaining cross-sectoral insights in ICAAPs by peer benchmarking and support communication with supervisors. We are also in the process of developing a paper to address the potentially significant layering of Pillar 1 and Pillar 2 capital requirements. The objective of this work is to achieve a review of the supervisory capital framework to avoid risks being unnecessarily overcapitalised.

“We will work towards adjusting the European stress test concept and methodologies”

ECB Banking Supervision

AFME's rapport with the ECB/SSM has been further strengthened in 2023. Throughout the year, we continued our dialogue with the ECB Banking Supervision via bilateral senior engagement with the horizontal and supervisory strategy and risk functions of the SSM, contributions to regular industry wide fora, as well as dedicated workshops to provide recommendations on how to improve the functioning of supervisory processes.

A very positive result of our engagement with the ECB Banking Supervision has been the inclusion of a number of our recommendations in an external Expert Group's assessment of the SSM's supervisory review and evaluation process (SREP), which was published in April. This includes increased transparency on supervisory methodology and SREP scores, ensuring idiosyncratic supervision, shorter SREP timelines, fostering closer dialogue between the SSM and the industry, and applying and utilising best practice across banks and from other international supervisors. The Group had been tasked to review the existing SSM supervisory processes by Andrea Enria and included senior Basel representatives and global supervisors. We will continue our engagement on this subject, as the recommendations are currently under review by the ECB and will likely be implemented by the next SSM Chair in 2024.

The SSM has announced enhanced transparency on supervisory methodologies and processes, and we have participated in various seminars organised by the ECB Supervisory Methodology team on different risk areas. We engaged on other supervisory priorities, including the ECB's supervisory expectations on leveraged finance, climate risk, or the upcoming cyber risk stress test. We also continued our work on the Desk Mapping Review, which has been valued by members as a unique forum to discuss the Review.

We were delighted to welcome Andrea Enria and Luis de Guindos at our flagship European Financial Integration Conference in Frankfurt in May, where they discussed the latest developments in banking supervision and views on EU legislative initiatives.

Prudential Regulation

- Continuing to successfully advocate on members' CRR3 and Basel 3.1 priorities, reacting to new and alternate proposals through the legislative process
- Responding to regulatory consultations in areas of increased focus, such as crypto assets and climate risks
- Representing members evolving interests in EU and UK prudential policy developments, including high levels of often complex and sensitive Level 2 and implementation topics
- Participating and providing input in key international workstreams that can have an impact on bank capital requirements, structures and trading businesses.

European prudential work

AFME's prudential team has focused on EU legislators' negotiation of CRR3, implementing the final Basel III standards. It should be noted these proposals include topics beyond the Basel III standards, such as ESG risks and the treatment of cross border business and third country branches. The political negotiations concluded on 27 June 2023 although technical drafting will continue over the summer and we expect the final text to be voted on in Q4 (if the political deal sticks – there are concerns over the home/host issues and what the US may propose).

Of AFME's key priorities, 16 have been met fully or partially. This includes maintaining the Commission's proposed transitional arrangements for unrated corporates and low-risk mortgages in the output floor, mitigating the impact of the output floor on securitisations and a holistic review, maintaining a level of flexibility for implementation of the FRTB based on international developments, achieving key changes to the calibration of the FRTB risk charges for areas such as sovereign and covered bond default risk charges, carbon certificates and residual risk add-ons, and maintaining the current CRR2 treatment for trade finance. In addition, we achieved a change to the CRR 2 application of the trading and banking book boundary, which could have resulted in significant reallocation of trading and banking book positions in mid-2023, ahead of the full implementation of the FRTB.

On the other hand, we did not succeed in maintaining consolidated application of the Output Floor (although the ability for Member states to apply the floor at a consolidated level within Member State will mitigate the majority of this impact). In respect of crypto-assets, the text also introduces an interim transitional treatment until the final Basel standard is transposed into EU law. Although the industry would have preferred to wait until Basel had finalised the treatment, the concessions on scope that were made during the trilogues should at least partially mitigate the impact during the transitional period. Regarding market access, the Commission text was maintained with limited exemptions, meaning no corporate client exemption. There will, however, be a delayed implementation date of June 2026. Prior to implementation, a review will be undertaken which may provide an opportunity to further try and address the scope.

“AFME effectively led industry engagement for the Basel III implementation in Europe”

AFME is now working with members to review the level 2 mandates and ensure appropriate implementation and prioritisation.

Active and intensive work has continued as usual on liquidity topics, including considerations of linkages between the IRRBB and LCR frameworks and on preparations for legislative proposals around the NSFR measure.

The development in the area of prudential and supervisory treatment of interest rate risk in the banking book has been in our focus in 2023. In particular, we have maintained continuous contact with a wide range of central banks and policy makers in relation to the Supervisory Outlier Test under the Interest Rate Risk in the Banking Book framework and we remain encouraged by the EBA's willingness to consider more appropriate measures of risk over the medium term. In this context, we have also sought member input on approaches to quantifying IRRBB capital measures and possible overlaps in stress testing frameworks where industry and regulatory thinking may progress in the coming months. We have maintained and continue to develop constructive relations with the EBA on supervisory and disclosure matters, and we are pleased to be included in the regulator's pilot programme for its Pillar 3 data hub, in addition to actively participating in the usual technical aspects of reporting consultations and interpretative issues. This is a detailed and complex area, which will continue to increase in volume and intensity with the completion of negotiations around capital management measures.

UK work

As in the EU, the focus has been on implementing the final Basel III standards, referred to as Basel 3.1 within the UK. Following the publication of consultations, industry responses were prepared with supporting data exercises in key priority areas. In addition, multiple workshops have been held with both the PRA and HMT to advocate on industry positions.

We are currently undertaking a review of the US Basel III end-game proposals to understand the implications for our UK positioning and advocacy.

In addition, we continue to respond to relevant PRA consultations, and anticipate a consultation focussed on a review of the Pillar 2 framework which will be aimed at reducing Pillar 2 requirements where those are now captured as part of Pillar 1 through the Basel 3.1 proposals.

Global prudential work

AFME contributed significantly to the GFMA response to the BCBS's second consultation on the prudential treatment of crypto assets, advocating on the positions prior to publication of the final standard in December 2022. Following publication, we have continued to engage in subsequent workstreams relating to the issued identified in the final standard as being subject to specific monitoring and review.

Looking ahead, we anticipate the Basel Committee will progress items identified as requiring reviewing following recent market stresses e.g. SVB, and AFME will proactively engage in these areas.

“Active and intensive work has continued on liquidity topics, including considerations of linkages between the IRRBB and LCR frameworks and on legislative proposals around the NSFR measure”

Recovery & Resolution

- Continuing to advocate for member priorities across recovery and resolution policy and its implementation
- Highlighting priorities for the upcoming review of the crisis management framework within the European Union
- Representing members both regionally and globally in ongoing policy initiatives in the resolution space

A key focus over the last 12 months has been the Crisis Management and Deposit Insurance (CMDI) proposal. Prior to its publication, we had proactively engaged with key interlocutors and successfully advocated to keep proposals that would extend the length of the current moratorium tool out of the CMDI package, despite a strong push from the Single Resolution Board (SRB).

The CMDI proposals were published in April 2023 alongside fast-tracked legislative proposal concerning the issuance and subscription of indirect internal MREL – also known as ‘Daisy Chaining’, with the European Commission holding a dedicated session with AFME to present the proposals.

In terms of the content of the CMDI package, it is primarily targeted at expanding the scope of the resolution framework to capture small and medium sized banks, and to make greater use of Deposit Guarantee Schemes (DGS), including to access the Single Resolution Fund. The implications of these changes, however, are likely to result in a greater requirement on large banks to top up these funds when used. As such, we are advocating that the ‘polluter pays’ principle is adhered to, such that those that are brought within the scope of the resolution framework pay their fair share. There remain political sensitivities in this package, and even in the absence of EDIS, it appears unlikely that this package will progress into the next legislative cycle.

In relation to the Daisy Chaining proposals, this has been a long-standing priority item for AFME. The related issues need to be resolved before the rules go-live in January 2024. Whilst we believe this remains a challenge from a legislative timeline perspective, AFME welcomes the recognition of the need for urgency, and this will also allow AFME to propose and advocate for EU authorities to issue a ‘no action’ letter such that the incoming rules that will be superseded shortly thereafter do not need actioning by industry.

Beyond these level 1 proposals, we continue to respond to relevant consultations, with the EBA issuing two consultations related to resolvability testing, as well as finalising guidelines related to DGS contributions where some of industry’s feedback was importantly reflected. In addition, the EBA issued an updated Q&A related to a long-standing industry advocacy point on the concept of ‘sufficient certainty’ that defined the point at which a deduction of MREL needed to be recognised. As a result of successful advocacy, the deduction is now applicable at a later date.

Looking ahead, we expect a very active year with the upcoming CMDI review, as well as continued work to finalise and implement level 2 technical standards.

“We expect a very active year with the upcoming CMDI review”

Systemic Risk

In 2023 we have continued to build effective working relationships with interlocutors in anticipation of the report from the European Commission, expected later this year, on the review of the macroprudential framework in the European Union.

The Basel Committee outlined as part of its lessons learned from COVID-19 that the functioning of buffers was an area that warranted further attention. Within the EU, the European Central Bank and other European institutions have published their responses to the European Commission's call for evidence on the review of the macroprudential framework. AFME has prepared a position that outlines why banks did not draw on capital and liquidity buffers during the Covid-19 pandemic and changes which could address them, i.e. rebalancing and re-arrangement of the current buffers. This position is the basis of advocacy, which is being undertaken with the ECB and other EU authorities, where we are exchanging views on the framework, buffer usability and the interaction of the macro-capital and micro-prudential framework ahead of discussions by Member States on this topic anticipated in Q1/Q2 2023.

Following the finalisation of our position paper, it has been encouraging to note the broad consensus among policymakers around the need for the releasability of capital and liquidity buffers and on aspects of procyclicality in the Liquidity Coverage Ratio (LCR) framework.

Separately, we have undertaken quantitative work around the impact of the proposed EBA liquidity treatment of open maturity reverse repos which has highlighted the potential scale of unintended consequences that could occur on an industry wide basis.

Sustainable Risk Management

Prudential treatment of ESG risks

This year AFME has mainly focused on the level 1 developments and level 2 mandates being negotiated in CRR3 in relation to the prudential treatment of ESG risks. In particular, AFME successfully engaged to mitigate a potential penalising factor (1250% RW) for exposures to fossil fuels being introduced in CRR3. Instead, we will work to engage on the level 2 mandates to be developed by the EBA to increase the scope and nature of disclosure and reporting of ESG risks, develop methodology for climate risk stress testing, and align banks' transition plans with the CSRD. In addition, we expect the EBA to come forward with several reports in the coming years to set out necessary changes to prudential regulation to reflect the evolving nature and understanding of ESG risks, as well as updated expectations from the ECB as to how banks reflect the material nature of these risks into their risk management.

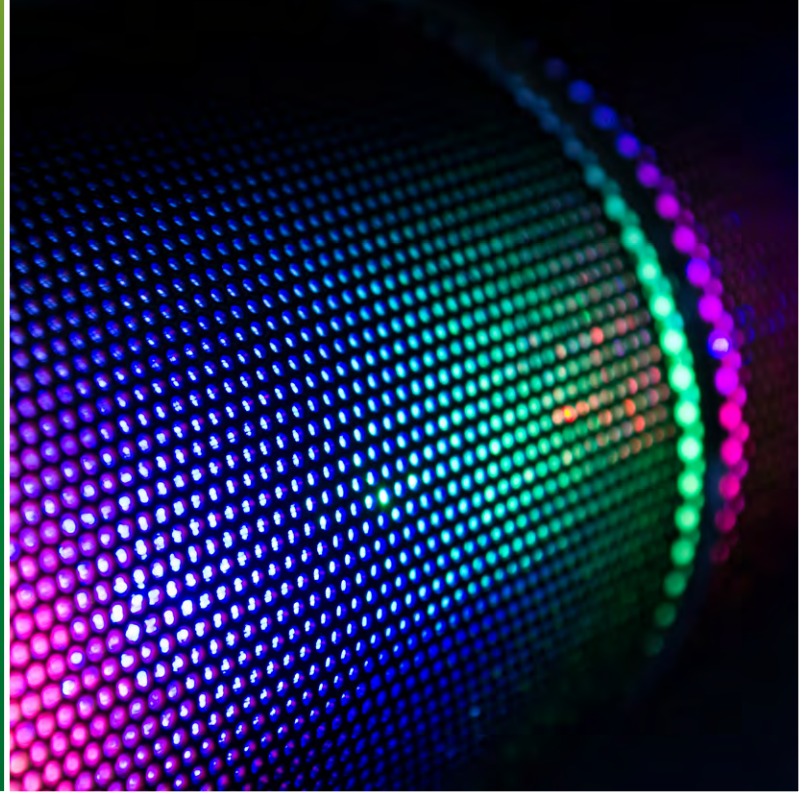
Climate Risk Stress Testing

In June this year, AFME, in collaboration with Oliver Wyman, published a report on a common industry position regarding challenges and ways to improve European climate risk stress tests. In this report we took stock of the work banks have already undertaken to drive best practice and how we can bridge efforts of banks and policymakers to improve climate risk stress testing methodology and data. The report involved a survey of 15 of our member banks, interviews with 9 of them and engagement with the ECB, EBA and NGFS. To support the publication, AFME held a webinar to further highlight the common challenges and provide supervisory insights - in particular regarding short term scenarios and Pillar 2 - from the ECB and industry participants among others. Looking ahead, we are planning to support member firms involved in the "Fit for 55" top-down stress test taking place in 2024 and engage with the EBA as they develop the climate risk specific supervisory stress testing mandates agreed in the CRR3 package.

Technology and Operations

Coen ter Wal
Director, Technology and Operations

[Find out more](#)



“With milestone regulations such as DORA and MiCA coming into force, and high-profile cyber-attacks spurring regulators into action, the digital finance landscape has continued to evolve at pace”

- Operational resilience & cyber security
- New technologies
- Data

New Technologies continue to drive the evolution of capital markets, and AFME has been at hand in shaping the regulatory landscape which will accompany these innovations. Our responses to the UK consultations on [Crypto Assets](#) and [Artificial Intelligence and Machine Learning](#) have consistently and proactively called for a technology neutral, risk based approach, evoking the principle ‘of “same activity, same risk, same regulatory outcome”. In parallel, we engaged in depth on the EU’s [AI Act](#) as a horizontal Regulation which required intensive advocacy to raise awareness of the implications for the financial sector, including those areas such as economic crime and fraud where further action from authorities would be beneficial.

Such innovations will be further propelled by last year’s EU focus on unlocking capital markets through Open Finance and Open Data, where we have identified the key principles for a [Competitive, Innovative and Secure Framework](#). This report featured prominently in the [annual 2022 OPTIC conference](#), and the team is looking to build on the strong level of attendance at this year’s event in [Brussels](#).

“New technologies continue to drive the evolution of capital markets”

With digitalisation also demanding a new approach to operational resilience, the team was heavily involved in shaping the next phase of EU’s DORA (Digital Operational Resilience Act), through both policy engagement on the [Level 2 instruments](#) and in benchmarking operational preparations. Several high-profile cyber attacks have meanwhile contributed to the rush of horizontal cybersecurity proposals from the Commission, with the team calling out how the EU [Cyber Resilience Act](#) creates duplication and fragmentation, thereby running counter to DORA’s overriding goal of harmonisation. Worryingly, old arguments on sovereignty have likewise reappeared in this field, with the team strongly rebutting the localisation requirements currently proposed within the [EUCS](#) (EU Cybersecurity Certification Scheme for Cloud Services).

With many of these discussions being repeated across international forums, AFME has throughout kept one eye on the global setting. At the GFMA level, we supported an assessment on how existing legal and regulatory requirements apply to DLT ([The Impact of DLT within Capital Markets](#)) and promoted the FIRE template as a global benchmark for [cyber incident reporting](#). The combined engagement with FSB and Basel Committee experts is key to ensuring international interoperability across markets. It has also provided a platform to embed our UK and EU thinking, with the team most recently feeding lessons from our UK response on [Critical Third Parties](#) into the FSB consultation on Third Party Risk Management. Similarly, we led on the GFMA response to the FSB [consultation](#) on Cryptoassets, embedding our findings from the HM Treasury review.

Sustainable Finance

Oliver Moullin
Managing Director, Sustainable Finance,
General Counsel and Company Secretary

[Find out more](#)



“We published a report highlighting the opportunities and challenges with scaling finance in support of nature and biodiversity and an updated version of our guide to help members navigate the increasingly complex web of regulation”

- Advocating for ways to strengthen the EU sustainable finance framework and ensure its effectiveness
- Increasingly focusing on a framework for transition finance and planning in both EU and UK
- Investigating future challenges with greenwashing, financing biodiversity and value chain due diligence

2022

November

- UK Transition Plan Taskforce publishes draft disclosure framework

2023

January

- FCA proposes Sustainability Disclosure Requirements and investment labels

March

- Final agreement on the European green bond (EuGB) Regulation
- UK Government publishes updated Green Finance Strategy

June

- Trilogues on the Corporate Sustainability Due Diligence Directive begin
- European Commission sustainable finance package (incl. ESG ratings proposal)
- IFRS publishes global baseline for sustainability reporting

July

- Commission adopts first set of European sustainability reporting standards

The unrelenting pace of sustainable finance policy and regulatory developments has continued over the last year. The key pieces of the EU regulatory framework are now in place, with the Corporate Sustainability Reporting Directive entering into force, implementation and expansion of the EU Taxonomy and further integration of ESG into the capital, risk management and stress testing frameworks. We also saw an increasing focus of supervisors on addressing greenwashing, the agreement on the EU Green Bond Standard and developments in transition planning requirements and transition finance. AFME has continued to engage on behalf of members across these initiatives, highlighting challenges and seeking to enhance the usability and effectiveness of the framework.

Highlights include our engagement on the sustainability reporting standards under the CSRD and the international standards developed by the International Sustainability Standards Board, providing input to the European Supervisory Authorities on greenwashing, highlighting our concerns with the practical impact of the Corporate Sustainability Due Diligence Directive, inputting into work to implement the EU Taxonomy and seeking to ensure a workable approach to the EU Green Bond Standard.

We have also seen renewed focus in the UK where AFME provided input to the government ahead of the launch of its updated Green Finance Strategy, and contributed to the design of sustainability disclosure requirements and investment labels. We responded to the Transition Plan Taskforce consultation on its proposed framework for climate transition plans, highlighting implementation challenges for banks and the importance of ensuring an internationally workable approach. We also helped develop the draft Code of Conduct for ESG ratings and data providers as a member of the UK Data and Ratings Working Group and engaged with the FCA on its proposed Sustainability Disclosure Requirements and investment labels. Beyond Europe, through GFMA we provided input into the ISSB's global baseline for sustainability reporting and IOSCO's work on carbon markets.

Alongside this we published a report highlighting the opportunities and challenges with scaling finance in support of nature and biodiversity and an updated version of our guide to help members navigate the increasingly complex web of regulation.

The breadth of views represented within AFME's Sustainable Finance Steering Committee, and the expertise of our members has allowed us to remain active on such a wide range of important issues. The committee also provides a forum for members to discuss and guide AFME's wide-ranging work on sustainability-related issues. AFME's sustainable finance conference, now in its second year, provided another invaluable opportunity to engage with stakeholders and expand our reach to more regulators and market participants committed to sustainable finance.

Compliance, Control & Accounting

Louise Rodger
Director, Compliance

[Find out more](#)



“We published a series of positions on the draft EU Anti-Money Laundering Regulation and Directive”

- Compliance and control environment
- Conduct regulation and corporate governance
- Financial Crime and Anti Money Laundering
- Tax
- Accounting and independent valuation control

In our Compliance and Control work programme we focused on new and existing considerations for firms' control environments. We conducted two members surveys, one on workplace models and controls for remote trading and a second on firms' use of electronic communications in response to increased levels of scrutiny from global regulators. The results of both surveys provided members with insight on how the industry is approaching these issues and provided valuable peer-benchmarking. We also published a thought leadership paper on ESG and the role of compliance.

We strengthened our programme of engagement with regulators and supervisors to understand their expectations for firms and continued to respond to key European and UK regulatory initiatives in order to develop effective corporate governance and conduct regulation.

On Corporate Governance, we published a paper on the Governance aspects of CRD6/CRR3, advocating for flexibility in Fit and Proper assessments and identifying unintended consequences such as compatibility with EBA guidelines. We responded to the EBA on benchmarking of Diversity Practices with suggestions on how the reporting can be made more efficient and compatible with existing national regimes. We also responded to initiatives in the UK on the Review of the Senior Managers and Certification Regime (SMCR) highlighting areas that have brought positive changes as well as opportunities for reform and in Ireland on the new Senior Executive Accountability Regime, bringing insights from our members' experiences in the UK.

On investor protection topics, we continued to support members implementation of the UK Consumer Duty. We identified a series of concerns that would affect wholesale firms involved in the design, manufacture, and distribution of products and welcomed confirmation on several interpretations. We also provided compliance focused recommendations on measures in the EU Retail Investment Strategy.



“We advocated for a harmonised, proportionate, sustainable, and risk-based approach identifying significant misalignment between the draft legislation and the Financial Action Task Force’s (FATF) globally accepted standards and key technical implementation issues, providing recommendations for the final text”

In our work on the Market Abuse regulation via the CMU Listing Act proposal, we welcomed the Commission's clarification that the market soundings regime can be used as a safe harbour nature and its changes to the disclosure of inside information for issuers. We also made technical comments in relation to insider lists, buybacks and stabilisation. On pre-hedging under MAR, we reiterated the benefits that pre-hedging activity can bring to clients and recommended harmonisation with existing market guidance.

We also responded to the UK Treasury's Call for Evidence on the UK Short Selling Regulation and subsequent consultation on sovereign debt and sovereign Credit Default Swaps. We reiterated AFME's existing positions on the ineffectiveness of short-selling bans and recommended amendments to the UK regime to enhance operational efficiency of the Regulation.

On Financial Crime, we published a series of positions on the draft EU Anti-Money Laundering Regulation. We advocated for a harmonised, proportionate, sustainable, and risk-based approach identifying significant misalignment between the draft legislation and the Financial Action Task Force's (FATF) globally accepted standards and key technical implementation issues, providing recommendations for the final text.

In the UK, AFME via the UK Joint Money Laundering Steering Group (JMLSG) led on developing industry guidance for High Risk Third Countries. This was formally approved by HMT and provides valuable assistance to our members.

On Tax, we successfully delivered phase-2 of the AFME FTT protocols project for continued adherence to each of the Spanish, French, Italian and Italian derivatives protocols. There was a high take-up rate from market participants, thereby providing a strong network effect and minimising the need for inefficient bilateral arrangements.

We made progress against our wider tax work programme, responding to changes in law and public consultations both at EU and national levels.

“On Tax, we successfully delivered phase-2 of the AFME FTT protocols project for continued adherence to each of the Spanish, French, Italian and Italian derivatives protocols. There was a high take-up rate from market participants, thereby providing a strong network effect and minimising the need for inefficient bilateral arrangements

We responded to the European Commission's proposals to amend the Directive on administrative cooperation in the field of taxation to include crypto assets and amend the Common Reporting Standard to include electronic money products and central bank digital currencies. We engaged with the German Ministry of Finance in respect of new filing procedures for withholding tax reclaims, and with the French and Austrian Ministries of Finance regarding changes to dividend withholding tax. We also engaged with the Hungarian Finance Ministry around financial transaction taxes and HMRC around UK stamp taxes.

On Accounting, we engaged with the IASB on key accounting policy issues, in particular on IFRS 9, where we commented on a new Exposure Draft proposing amendment to IFRS 9 and IFRS 7). On independent valuation controls, we continued to provide Members with a helpful platform for discussion of technical standards relating to fair value accounting principles and regulatory developments in prudent valuation.

We returned to hosting our 6th Annual European Compliance and Legal conference, in person in Amsterdam. We welcomed speakers from EU and UK regulators, ESMA and the European Commission. Keynote speeches were provided by Laura van Geest (AFM), Tanya Pieters-Gorrisen (AFM) Benoit de Juigny (AMF), Rodrigo Buenaventura (CNMV) and Natasha Casenave (ESMA). Panel sessions focused on Compliance and Digital Assets, the EU AML package, the future of EU Equity and Bond markets, Market Abuse and Surveillance and Culture, Diversity and Inclusion.



“We conducted two members surveys, one on workplace models and controls for remote trading and a second on firms use of electronic communications in response to increased levels of scrutiny from global regulators. The results of both surveys provided members with insight on how the industry is approaching these issues and provided valuable peer-benchmarking.”

Advocacy

Jaqueline Mills
Managing Director, Head of Advocacy

[Find out more](#)



“The advocacy team has enabled extensive and impactful engagement with the EU & UK regulatory communities against a backdrop of political and economic uncertainty”

The advocacy team works alongside policy divisions to ensure the effective delivery of AFME positions to the official sector and helps our members anticipate policy developments in the EU and UK.

The Commission has now completed all of the actions in its 2nd CMU Action Plan and lead negotiators have ramped up the pressure for the co-legislators to reach agreements on open files, as the end of this current EU policy cycle draws to a close. In the UK, major changes to the rule making processes have been completed and regulatory power is now largely in hands of the PRA and FCA for our sector. A number of the UK rules themselves have also been changing in parallel.

Against this background, the AFME advocacy team has been ensuring that members' concerns have been taken onboard by EU and UK policy makers in new rules and laws wherever possible. We facilitated hundreds of engagements with the authorities and have continued build effective advocacy campaigns on members' priority issues, including an alliance with the buy-side and corporate community. Finally, together with our communications and research teams, we have contributed to the successful delivery of impactful media and educational campaigns

In tandem with members of the European Public Policy Committee, reflections of the advocacy team will now turn to the next legislative cycle and how the political landscape could impact the regulatory environment within which AFME members' businesses evolve. In a context of ongoing geopolitical tensions, an aging population, stretched public finances and an ambitious sustainability agenda, we will be showcasing how capital markets can play a vital role in supporting governments, corporates and investors in navigating these challenges.

Reports from AFME's Tier 1 country coverage leads

Update from the United Kingdom

AFME has been extremely active in supporting the UK government and regulators in taking forward what has now become the Smarter Regulatory

Framework, with many of members' priorities being either reflected in the recently adopted Financial Services and Markets Act or being considered in the context of the ongoing calls for evidence and public consultations, which are part of the next phase to build the UK's framework.

In addition to sustained, direct engagement with the government, PRA and FCA on AFME priorities (including Basel 3.1, the Wholesale Markets and Listings Reviews) and with no fewer than 60 live workstreams this year, AFME has continued to offer high quality contributions and unique industry insights to the ongoing work of the Investment Research Review and Accelerated Settlement Taskforce. To enhance our direct impact, we also strive to ensure that the association's positions are reflected in the work and priorities of the UK's broader representative bodies for financial services. For instance, the TheCityUK's six-point plan for growth: The enabling role of financial and related professional services encompassed AFME recommendations for the future framework.

We have also endeavoured to help members navigate the volume of change in the UK regulatory framework this year, for instance through member briefing calls designed to help identify the most impactful changes brought about the Edinburgh Review. This is in addition to our ongoing participation in the UK Treasury's Smarter Regulatory Framework Industry Engagement Group, and the APPG on Financial Markets and Services in the House of Commons.

Finally, following reorganisations at the FCA, we refreshed contacts within the new structure and organised a risk horizon scanning session for members with the FCA's Sarah Pritchard, Executive Director of Supervision, Policy & Competition and Kate Collyer their Chief Economist. This was a successful which we hope to repeat as positive feedback feedback was received from both members and the FCA.

Update from Germany

As part of our efforts to integrate into the German financial ecosystem, we have continued our engagement with key policymakers, regulators and private sector interlocutors to provide input on European financial market priorities.

We were encouraged to see that the Ministry of Finance and the Ministry of Justice published the draft Future Financing Act (Zukunftsfinanzierungsgesetz). The proposals aim to ease listings requirements in line with the EU Listings Act, support the digitalisation of capital markets by extending the German Electronic Securities Act to also cover shares, and improve the possibility to raise equity, for example, through introducing dual class shares. We were invited to take part at an oral hearing in Berlin, organised by the BMF and the BMJ, to provide our input to the consultation alongside German trade associations representing the banking, buy-side and corporate sectors.

We significantly developed our engagement with members of the German parliament across the coalition parties (SPD, Greens, FDP) and the opposition (CDU/CSU), with the objective of building greater awareness and earlier engagement on financial markets topics. We continued our outreach with the Ministry of Finance, covering in particular the Capital Markets Union and Banking Package.

This year, we have become members of the Wirtschaftsrat, an economic think tank affiliated with the CDU with close ties to the FDP. We took part in the Finanzmarktklausur (the financial markets conference organised by the Wirtschaftsrat) in March in Berlin, with senior government and CDU interlocutors speaking. At the same time, we established relations with the Wirtschaftsforum and the Wirtschaftsdialog, which are affiliated with the SPD and the Greens, respectively, to broaden our reach across political parties.

Through our Frankfurt Forum, we continued to bring together our membership in Germany to inform our advocacy engagement and build our connections. This included developing the dialogue with Land Hessen, where we organised a roundtable for members to exchange views with State Secretary Dr. Nimmermann.

AFME delivered the third annual European Financial Integration conference in Frankfurt, in partnership with OMFIF. The conference has become established on the Frankfurt calendar, and brings together Europe's most influential policy makers and opinion-formers, key members of the regulatory community and business leaders from global financial institutions.

“We have continued our engagement with key policymakers, regulators and private sector interlocutors to provide input on European financial market priorities”

Update from France

French authorities have continued to be leading voices on key priority dossiers – from the banking package to digital finance, from securitisation to sustainable finance. In this context, AFME has been able to continue a constructive dialogue with public and private stakeholders in France and to promote proportionate outcomes in the above mentioned areas. Through regular meetings, increased engagement in industry discussions in Paris, participation in French authorities consultations, thematic events and meetings, AFME has been able to continue the development of its activities in the French financial ecosystem.

The numerous bilateral meetings have also included discussions with the most senior official in the Tresor and with the new Chair of the Autorité des Marchés Financiers (AMF), Marie-Anne Barbat-Layani. Particularly important has been the participation of François Villeroy de Galhau, Governor of Banque de France in our European Financial Integration Conference last May.

In a context where French authorities are working to support the attractiveness of the Paris financial centre and its ability to leverage on the opportunities offered by the new technologies (from DLT to DeFi), in recent months AFME has worked to significantly

strengthen the dialogue on digital finance issues. We have responded to consultations published by the ACPR and the AMF and, leveraging on this work, we have organised a roundtable in Paris on the topic of the future regulation of DeFi, which saw the participation of key stakeholders and authorities. Building on this we have also engaged with French officials on the important issue of tokenization.

In a similar proactive form, AFME recently addressed a letter to the French Ministry of Finance to highlight concerns on a newly proposed tax ruling on withholding tax.

In addition to topical issues and their related outreach actions, AFME has made inroads into boosting our connectivity and presence alongside local stakeholders in Paris. As part of this, AFME is increasing its participation in local organisations, particularly the new regulatory working groups of Paris Europlace and is assisting in flagship conferences including those of the financial centre itself, as well as others bringing together leading French economic thinkers and policymakers. Finally, we have also successfully intensified our direct engagement with local media outlets such as L'Agefi or Les Echos and other specialized media and intend to build on this momentum in the coming months.

***“We have made inroads into
boosting our connectivity
and presence alongside local
stakeholders in Paris”***

GFMA: FX

James Kemp
Managing Director, Global FX Division

[Find out more](#)



“The Division actively engaged with the industry and regulatory stakeholders on reduction of settlement risk, emerging markets issues, transition to T+1, and diversity and inclusion initiatives”



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 the majority of the international FX inter-dealer market.

In 2023, the Division actively engaged with the industry and regulatory stakeholders on reduction of settlement risk, emerging markets issues, transition to T+1, and diversity and inclusion initiatives.

In the EU, we delivered key messages on pre-hedging, advocating for consistent alignment with the Global FX Code and the FMSB's Standards on Large Trades in FICC Markets. ESMA consequently concluded that global regulatory principles applicable to pre-hedging are helpful, given the cross-border nature of the activity. Given the importance of regulatory harmonization, we successfully advocated against EU Best Execution reporting, ensuring alignment with the UK. We also helped generate increased efficiencies for members through the harmonization of reporting requirements, with ESMA incorporating our positions into the new Level 3 post-trade transparency manual.

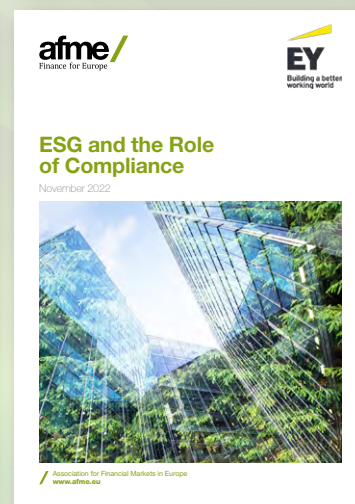
From a global perspective, GFXD continues to focus on improving efficiency in market operations. We published a paper outlining the key considerations of the U.S. transition to T+1 for FX market participants, ensuring that members are supported throughout the transition. We continue to engage with the UK and EU T+1 Taskforces and advocate for the views of the FX market. To advocate for better data quality and standardization in the measurement of settlement risk, we have engaged with the CPMI, key central banks and the Global FX Committee on the design of future settlement risk surveys. Finally, to assist members with their strategic initiatives, we published a paper which outlines the key requirements and dependencies necessary for a transition to accelerated settlement. More generally, we have responded to consultations in Australasia, specifically on new UTI rules, ensuring that new regulations align with the US and EU.

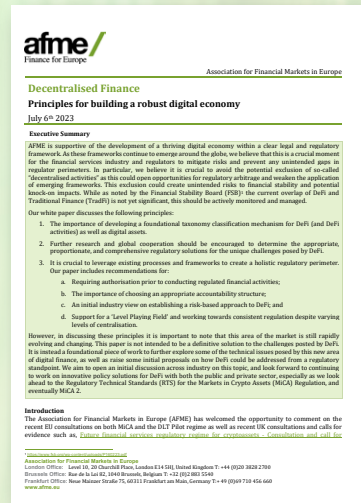
We maintained a commitment towards assisting the industry on disruption events, especially in Emerging Markets. We published a paper outlining guidance for members to consider in their interest compensation claims resolution processes. This guidance is noteworthy following the recent events in Ukraine, and the issue has been particularly challenging for those FX transactions in Russian rouble.

We successfully organized our flagship 'Next Step FX' event in New York to facilitate a conversation around diversity and inclusion and reaffirm our members' commitments towards attracting diverse talent. To gain a greater view of regulatory considerations in the new world of hybrid work, we ran a survey on remote working and trader controls. The survey helped provide input for member decision-making on remote working arrangements.

“From a global perspective, GFXD continues to focus on improving efficiency in market operations”

Publications





Membership

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.

Find out more: www.afme.eu/membership



83 Full members

89 Associate members



Over **5,000**
members from
172 firms

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 expand its media reach. This reflects both our steady output of content by way of reports, webinars and thought leadership, as well as a targeted approach to gaining press coverage on certain areas of AFME advocacy. These strategic areas include MiFIR, Basel finalisation, Securitisation, Sustainable finance, Digital finance and CMU next steps.

For example, AFME has published 16 expert reports and 25 data reports over the past year. These span a range of complex regulatory topics providing evidence-based research and positioning AFME as a thought leader in key areas of capital markets regulation.

AFME has expanded its reach on social media by sharing thought leadership-driven content, enhancing interaction with our audiences, and disseminating our evidence based research to a broader readership. This approach has resulted in AFME's LinkedIn account growing by 49% since September 2022 to 23,849 followers. Over the same period, AFME's Twitter has grown by 3% to reach 4,098 follower. Our active engagement on social media contributes to reinforcing AFME's reputation as thought leaders in the realm of capital markets.

AFME's ongoing 6 strategic media priorities:

MiFIR/MiFID

Basel finalisation

Securitisation

Sustainable agenda

Digital agenda

CMU next steps

Snapshot of AFME's media profile

Engagement



23,849

LinkedIn followers



4,089

Twitter followers



40,000

average page views per month



100,608

EU and UK website users

Impact



48

Consultations responded to



16

Expert publications produced



25

Data reports each year



8%

Increase in overall media coverage



6%

Increase in EU media coverage

Conferences and Events

Over the past 12 months we have continued to deliver an extensive schedule of conferences, seminars and webinars, generating high-quality educational content and valuable networking opportunities for the European capital markets community.

Last September we launched Operations, Post-Trade, Technology & Innovation Conference 2022 (OPTIC). The inaugural event was a tremendous success, with extensive press coverage of the keynote address delivered by the Bank of England Deputy Governor, Jon Cunliffe. The 2023 event is scheduled to take place in October in Brussels.

In the same month we ran our 17th Annual European Leveraged Finance Conference, and in October our 6th Annual Compliance & Legal Conference took place in Amsterdam.

In November, we ran the 17th Annual Government Bonds Conference in Brussels. And we also held a fifth anniversary event of our annual Capital Markets Union report, where a select group of attendees listened to a presentation given by Commissioner Mairead McGuinness on the state of Europe's capital markets and heard from the report's contributors on the progress in the expansion and deepening of capital markets across the EU.

At the end of the year, we ran two webinars: the first in collaboration with Ernst & Young, Nature: The Next Frontier for Capital Markets examining how finance can support the preservation and restoration of nature. And in early December, AFME partnered on European Retirement Week for the first time, producing a webinar titled Retirement Provision: The Importance of Efficient and Integrated Financial Markets.

We kicked off 2023 with our annual Financial Services Policy Dinner. And in February we delivered two webinars, the first on The New UK Regulatory Framework: Planning for change in 2023 in collaboration with Clifford Chance and later in the month, a virtual roundtable on The UK's Future Financial Services Regulatory Regime for Cryptoassets.

We held our annual Equities Dinner at The Savoy in London with guests enjoying a speech from Philip Collins, speechwriter for former British Prime Minister, Tony Blair. And Spring saw the addition of three seminars to the events calendar, all run in collaboration with member firms: two for European Leveraged Finance, with Baker McKenzie in Warsaw, and Mayer Brown in Frankfurt. And one UK Residential Mortgage Finance with Simmons and Simmons in London.



Our 14th Annual Spanish Capital Markets Conference took place in Madrid in April. Historically an event that has focused on securitisation, this year we expanded the agenda to incorporate more capital markets topics such as Spanish and EU Equity Primary and Secondary Markets, Spanish Debt Capital Markets, and EU ESG Markets Perspectives.

In May, we hosted the second European Sustainable Finance Conference in Amsterdam. Speakers representing regulatory and corporate entities, such as the European Commission, ESMA, EBA, FCA and UK Treasury participated on an agenda which covered a broad range of thought-provoking topics, from looking at how well the EU sustainable finance framework is achieving its objectives to developing the sustainable bond market.

In its third year, our European Financial Integration Conference also took place this month, with a keynote address from Luis de Guindos, Vice-President, European Central Bank. And we celebrated the 20th year of the High Yield Black Tie Dinner, which featured Ben Fogle as the evening's motivational guest speaker.

We continued to deliver educational content through our webinars, covering a broad range of topics including: Exploring the EIB DLT Bond Issues - Insights and Opportunities; Climate Risk Stress Testing – What next for industry and supervisors? And US T+1 – What should European firms be doing to prepare? The last two attracted our largest online attendance to date, with 162 and more than 300 people tuning in respectively.

In June we returned to Barcelona for the 27th edition of Global ABS. This year saw an increase of 12% on the 2022 total attendees, representing forty-six countries, with issuers and investors making up 50% of the 4500 attendees on-site.

Our autumn 2023 schedule will once again feature our annual conferences for Compliance & Legal, OPTIC and Leveraged Finance. And in partnership with DealCatalyst, we will be hosting the Investors' Conference on UK Mortgage Finance in London.



“We have generated high-quality educational content and valuable networking opportunities for the European capital markets community”



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