

Annual Review 2015

Towards Europe's Capital Markets Union



About AFME

The Association for Financial Markets in Europe (AFME) is the voice of Europe's wholesale financial markets.

We represent the leading global and European banks and other significant capital market players.

We believe that liquid capital markets and a well-functioning banking system are central to any successful modern economy.

We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

Focus

on a wide range of market, business and prudential issues

Expertise

deep policy and technical skills

Strong relationships

with European and global policymakers

Breadth

broad global and European membership

Pan-European

organisation and perspective

Global reach

via the Global Financial Markets Association (GFMA)

Policies and products

Fixed Income

Primary Dealers

Covered Bonds Trading

Credit

High Yield

Securitisation

Prime Services

Post Trade

Equities

Equities Trading

Equity Capital Markets

Corporate Finance

Prudential

Regulation

Resolution

Policy and Compliance

Compliance

Accounting

Tax/VAT

Global

Foreign Exchange (FX)

Commodities

Message from the Chairman

By **Frédéric Janbon**

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The past year has been characterised by continuing change in our industry and the environment in which we operate
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Frédéric Janbon
 Chairman

Association for Financial Markets in Europe

September 2015



The past year has been characterised by continuing change in our industry and the environment in which we operate. A new European Commission under President Jean-Claude Juncker came into office in November 2014 with a welcome commitment to financial markets as part of the solution to Europe's growth and employment malaise.

At the same time, the European project has been overshadowed by ongoing uncertainty with regards to Greece, and complicated by the UK's decision to renegotiate its relationship with the European Union. With a referendum on UK membership coming before the end of 2017, AFME has reached the clear view that the UK should stay within the EU. The EU needs vigorous financial markets to deliver economic growth and jobs, and without the UK, it risks being deprived of its main financial markets engine.

The departure of the UK would also make the successful completion of Capital Markets Union (CMU) much harder to achieve. The European Commission (EC) has committed to creating a CMU that stimulates cross-border investment, diversifies funding opportunities, and reduces risks faced by market participants, an initiative that AFME whole-heartedly supports. We also welcome the related Investment Plan for Europe, which will inject at least €315 billion into the European economy to encourage investment in infrastructure, research and innovation, as well as providing risk finance for small businesses.

The key is to remove obstacles to the flow of finance within Europe. This has been AFME's priority in the five years since it was founded. This year, together with the Boston Consulting Group, we published 'Bridging the growth gap', an original research report that highlights barriers to European growth and identified how capital market investment can finance Europe's SMEs and infrastructure.

Since its inception, AFME's mission has been to promote deep, liquid and diverse capital markets in Europe. To that end, we have worked closely with policy-makers and regulators to ensure that regulation meets these objectives. This year's UK Fair and Effective Markets Review, which will introduce new standards of conduct for the fixed income and currency markets, drew on AFME Board Members, member firms and staff expertise. This shows cooperation between the industry and the authorities to be highly constructive, auguring well for the implementation of the new regime.

This year strategic work on strengthening relationships with other financial trade associations continued. We issued joint statements on topics such as credit risk, Senior Managers' Regime and financial accountability, alongside collaborating with the International Capital Markets Association (ICMA) on a well received guide to infrastructure financing. These vitally important relationships have allowed us to present the industry's view with a single voice.

As I come to the end of my term of office after two eventful years, I would also like to thank the AFME Board members for their hard work over the year. Important, detailed work on Level 2 issues such as MiFID II and Bank Structural Reform is ongoing, but through the commitment and engagement of Board members we have been able to make meaningful, evidence-based responses to key legislation. I would also like to thank AFME staff members for their hard work on these and other files. It remains for me to wish my successor, Michael Cole-Fontayn, every success as he takes over as Chairman of AFME.

Chief Executive Review

As the voice of Europe's capital markets, we understand the need to build constructive dialogue between our members and regulators. In our experience, an evidence-based approach brings the best results.

Creating a Capital Markets Union

On 1 November 2014 the new European Commission began its five-year term, and advanced two vital and interconnected projects: The first, to establish a Capital Markets Union (CMU) by 2019; the second, to deliver a European-wide investment plan worth €315bn.

Both initiatives come at a crucial point. Europe is struggling to expand, especially when compared to the similarly-sized, yet growing, US economy. In the US, capital market financing accounts for 70-80% of the overall economy, with 20-30% coming from the banking sector. In Europe – as our European growth report, 'Bridging the growth gap' shows – the opposite is true, which has led to under-developed alternatives to a banking industry increasingly hesitant on long-term investment. The creation of a European-wide Capital Markets Union will act as a catalyst for growth across Europe by encouraging greater investment from the capital markets.

Capital Markets Union has arguably been an implicit goal of EU policy since the Single European Act in 1986. It is now an explicit aim with strong support from Commission President Jean-Claude Juncker and led by Commissioner Hill, who has made an impressive start as the Commissioner for Financial Stability, Financial Services and Capital Markets Union.

We have proposed three objectives for the CMU initiative: 1) Develop more efficient and liquid markets; 2) harness long-term savings to promote investment; and 3) promote an open integrated capital markets infrastructure. Encouragingly the Commission's Green Paper on CMU, released in February 2015, reflected these proposals.

Revival of a European securitisation market is expected to play a large part in a Capital Markets Union, with the Commission noting that "The development of a high-quality securitisation market constitutes a building block of the Capital Markets Union". To this end we have highlighted the main regulatory factors holding back the revival of this market.

We will continue to urge the Commission to use CMU as an opportunity to be ambitious on the big strategic issues – for example, reform of Europe's insolvency laws and the impact of over-regulation on growth.

UK referendum

While concrete steps are being taken to build a Capital Markets Union, Europe is faced with the possibility of losing its main financial engine as the UK reconsiders its EU membership.

Since the General Election, there has been much discussion of the proposed in-out referendum on EU membership. David Cameron, the British Prime Minister, has set out his aims to EU counterparts for a renegotiated membership; these include an opt-out on the core EU aim of an "ever closer union" and measures to safeguard the City of London and other non-eurozone financial centres.

Making the case for the UK remaining in the EU is critically important. The EU is home to over 500 million people, 11 million small- and medium-sized enterprises and 11,000 listed companies. Leaving the EU will almost certainly affect the UK's ability to trade and invest in this huge marketplace. It would also mean Europe's financial centre would be absent from a Capital Markets Union.

By appointing Jonathan Faull to lead a taskforce on "strategic issues related to the UK referendum", the Commission has sent a message as to the seriousness of the issue. One of Britain's longest serving Commission officials, Faull has a strong reputation in Brussels and his appointment is an indication of the EU's desire for the UK's continued membership.

We will continue to work with the broader business community to support a fact-based campaign to demonstrate the benefits of the UK's continuing membership of the EU.

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Creating a European-wide Capital Markets Union will encourage greater private sector investment
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// Making the case for the UK remaining in the EU is critically important

Representing the industry

In the last 12 months, both the industry and regulators have moved to increasingly integrated capital markets. For example, the idea of a banking union in Europe, with a single supervisor and resolution mechanism was unimaginable a few years ago. And yet in November 2014, the ECB began supervising banks in the eurozone.

AFME continues to be a trusted interlocutor for both the industry and policy makers, and as a result we can reflect on a number of achievements this year:

- Growth – We published an investor-led growth report, 'Bridging the growth gap', followed by two guides: 'Guide to infrastructure financing' and 'Raising finance for Europe's small & medium-sized businesses' (read more on page 5).
- Bank Structural Reform – Through an active advocacy programme, we helped ensure that the Council position on BSR was a significant improvement on the original Commission proposal.
- Post-Trade – We published 'Post Trade explained', a high-level guide to the role of post-trade in the financial services.
- MiFID II – We secured recognition that paid research should not be considered an inducement.

Restoring public trust in the financial services also continues to be an important focus. In the UK, AFME and its members have been closely involved in the Fair and Effective Markets Review, which published its Final Report in June 2015. AFME also made important contributions to the PRA and FCA's proposals on strengthening personal accountability in the banking sector.

At the GFMA Level, we continue to work on priority issues, including: TLAC, shadow banking, and liquidity. GFMA's Global FX division also made important progress on developing benchmarks to restore confidence in how global FX markets operate.

Move to Canary Wharf

November 2015 will see AFME relocate from our current premises in the City to take up residence in Canary Wharf's 25 Canada Square.

Located on the 39th floor, our new offices provide state-of-the-art facilities and modern meeting spaces. This move gives us a firm footing for the next phase of AFME, putting us closer to our members, many of whom are based in Canary Wharf.

We will have access to the building's 150-seat auditorium, giving us the ability to hold onsite conferences, talks and events. We look forward to welcoming members to the new office later in the year.

I would like to thank the AFME team for all they have done in the last 12 months, and to also welcome Tanguy van de Werve as the new head of AFME's Brussels office. Tanguy was previously Director General of Eurofinas and Leaseurope, and his deep knowledge of European institutions will help take our advocacy work forward.

Finally, I would also like to express my gratitude to AFME's outgoing Chairman, Frédéric Janbon. He has led the Board with distinction and it has been a privilege to work with him these last two years. I look forward to working with his successor, Michael Cole-Fontayn of BNY Mellon.



Simon Lewis

Chief Executive
Association for Financial Markets in Europe

September 2015

Building a constructive dialogue

Capital Markets Union

One year ago, European Commission President Jean-Claude Juncker identified Capital Markets Union (CMU) as a flagship initiative and included the project in Commissioner Jonathan Hill's brief as part of the wider financial services portfolio. This is a broad and long-term agenda which has the potential to transform Europe's financial markets if policymakers, the industry and consumer groups can forge an effective partnership.

AFME strongly supports the goals of CMU and we are working hard to offer practical solutions to help fill out a vision for CMU that benefits all 28 EU Member States. In December 2014, we published our position paper 'An agenda for capital markets union' setting out a clear set of goals for CMU and a range of firm policy proposals to promote new issuance, stimulate investment and join up Europe's market infrastructure. In January 2015, we met with Commissioner Hill to present our proposals and discuss the European Commission's plans.

In February 2015, the Commission published its Green Paper on CMU, together with two consultations on the Prospectus Directive and on Securitisation. We were pleased to see good alignment between the Green Paper and our position paper, both in terms of overall objectives and specific policy options. There are also clear synergies with our work on funding growth. In May 2015, we submitted a substantial response to the Commission's consultation, guided by our member steering group on CMU.

Since June 2015, we have undertaken an outreach programme to meet with key policymakers and opinion formers on CMU – including Commission officials, finance ministries and central banks, MEPs and think-tanks. We are now looking ahead to the publication this autumn of the Commission's action plan on CMU and we will continue to develop new proposals, building on two papers which we published in spring 2015 on insolvency law reform and securities law. These papers were led by our High Yield Division and our Post Trade Division respectively.

We will continue to be active and closely engaged across the CMU agenda, including in areas such as infrastructure, securitisation and SME funding, which are vital to promoting growth. In December 2015, together with Euromoney and ICMA, we will hold a conference in Brussels on CMU. Commissioner Hill is confirmed as keynote speaker, and this event should provide the opportunity for the industry to respond in detail to the Commission's action plan.

MiFID

Work has continued on Level 2 measures for operationalising the Level 1 texts agreed in early 2014.

In mid 2014, ESMA consulted on draft standards and advice. Key points from AFME's response included: a rejection of the proposal to treat research as an inducement and ban its purchase from dealing commission, and our recommendation that conflicts instead be managed via CSAs and research contracts. For bond transparency, we recommended an instrument-by-instrument-approach to liquidity calibration and the setting of transparency exemption thresholds to optimise transparency, but not impede market makers' ability to commit capital.

Following our response, we engaged with policymakers to explain our recommendations and in December 2014, ESMA published its final advice to the European Commission and a further consultation paper on its standards.

The December 2014 materials were both positive and disappointing. For research, we welcomed ESMA's recognition that research is not an inducement if it is paid for, but were concerned by the conditions for using client resources to fund research and by the application of the regime to FICC markets where investors do not pay for research. For bond transparency, we were concerned that the proposed calibration does not recognise the heterogeneous and dynamic nature of liquidity, and by the overly high transparency thresholds.

Informed by our responses and the advice, ESMA and the Commission, are expected to adopt their proposed standards and delegated acts by September. Following a period for objections from the Council and European Parliament, both sets of measures are expected finalised by Q1 2016, less than 12 months before the application of the new regime.

Given increasing member concerns surrounding both the operational and market issues raised by the January 2017 application of the new regime, we have started work to address those issues, including in specific product and policy areas

Collaborating with like-minded associations and focusing on priority areas, we will continue to advocate our position on the evolving Level 2 measures, as well as reviewing key messages and interlocutor focus as the measures progress through the legislative process.



Growth

In February 2015, AFME published with the Boston Consulting Group our flagship growth report 'Bridging the growth gap', which compared European and US capital markets, focusing on differences in financing for infrastructure, SMEs and private placements. The report received a very positive response from policy-makers, the press, buy side, corporates and other groups.

'Bridging the growth gap' was widely distributed and was the subject of several constructive meetings with policymakers. In March 2015, we held a roundtable event in Brussels jointly with the European Forum for Manufacturing, featuring the report. The event was attended by a number of MEPs, European Commission and EIB staff, investors and corporates, with Commission Vice President Jyrki Katainen providing the keynote speech. At the event, newly-developed statistics highlighted the shortfall of equity risk capital available in Europe, particularly for SMEs.

AFME actively supported ICMA on development of the Pan European Private Placement PEPP Market Guide, which was launched in February. We're now engaged in related follow-up activities to develop the PEPP market throughout Europe.

In June 2015, we launched the AFME-ICMA 'Guide to infrastructure financing' to help issuers and investors financing infrastructure projects and in support of the European Commission's Investment Plan for Europe. The launch of the guide was supported by two events: a workshop in Amsterdam, held with ICMA and the International Project Finance Association, featuring speakers from the EIB and the Commission, and a breakfast event in Brussels, aimed at senior policy makers and featuring a senior EIB speaker.

To support SMEs' ability to raise bank and non-bank debt and equity finance, we have produced 'Raising finance for Europe's small & medium-sized businesses', which will be available in English, French, German, Italian and Spanish when it is launched in September 2015. The guide's launch will be supported by a series of SME finance-related events across Europe, where we will be working alongside the European Banking Federation, national banking associations, officials, national exchanges, SMEs, accountancies, business angels and crowdfunding associations.

AFME will continue our outreach activities to promote the growth publications, and use the expertise and credibility we have demonstrated in these areas to work on related policy issues.

Policy priorities 2015

AFME's focus over the past year remained on the core issues that shaped Europe's capital markets:

Capital markets reform – help secure progress towards liquid, transparent capital markets and open and efficient market infrastructure in Europe

Financial Transaction Tax (FTT) – maintain principled, effective opposition to an enhanced cooperation FTT, working closely with key end-user groups

Growth – continue AFME's leading role on the EU growth agenda and highlight ways to improve market access for infrastructure finance, private placements and SME finance

Resolution – support the implementation of resolution regimes in Europe and internationally for banks and CCPs

Bank Structural Reform – build consensus through solid evidence and effective advocacy across market participants and EU Member States to recast the Barnier proposal

Ethics and standards – engage with the UK Fair and Effective Markets Review, Banking Standards Review Council and key EU initiatives to help shape proposals to restore public confidence in wholesale markets

Capital Markets Union – help define the priorities for an EU Capital Markets Union, focusing on practical measures to promote growth, integration and competition

Global coordination – promote regulatory convergence across key jurisdictions through GFMA and with other global standard setters, including IOSCO and the BCBS

Strategic relationships – strengthen our relationships with key policymakers in Europe, build stronger partnerships with the buy-side and with ICMA

Public policy – develop a strategy for articulating the case for the UK to remain closely engaged in the EU Single Market

Securitisation

Following AFME's constructive engagement with key policymakers at national, European and global levels, concrete steps are now being taken to help revive Europe's securitisation markets.

The concept of "qualifying securitisation" – which AFME helped establish – is now deeply embedded in regulatory thinking and has helped rehabilitate securitisation after the stigma created by the financial crisis. Today securitisation is seen as part of the solution, not part of the problem. Regulators increasingly acknowledge the need for a more level playing field, especially when securitisation is compared with covered bonds or direct investment in whole loan pools.

The ECB's ABS Purchase Programme established in autumn 2014 has also sent a strong signal to the markets that ABS is a safe investment. While there are varying views on the Programme's efficacy, at the very least it underpins the market while regulations are re-calibrated to reflect the strong credit and price performance of European securitisation over the last eight years. However, much more work remains to be done.

In June, as part of CMU, Commissioner Hill announced an action plan to be published in September 2015 to be followed by "concrete proposals" for revised regulation of securitisation, including "updated calibrations for Solvency II and the CRR". At the global level, the recent publication by the Basel / IOSCO Task Force on Securitisation Markets on "simple transparent and comparable" securitisation opened the door to a potentially less onerous capital regime. And lastly, the EBA's July 2015 report on qualifying securitisation acknowledged that the discriminatory treatment between "certain securitisations and other investment instruments may not be fully justified".

The forthcoming Commission proposals, and the deliberations of the Basel Committee, will therefore provide a crucial opportunity to reduce the capital and liquidity costs of investment in qualifying securitisation, and to level the playing field. The focus for our work will now switch from not whether securitisation regulation should be recalibrated, but how quickly this can be achieved.

We have no time to waste. The amount of asset-backed securities in the hands of investors continues to shrink. Last year almost two-thirds of issuance was retained, suggesting that securitisation is still being used to give banks access to central bank liquidity rather than to provide funding for the real economy.

AFME greatly appreciates the efforts policymakers have made to revive the European securitisation market. We urge them to continue to push forward as swiftly as possible to achieve real and positive change.

Words must now turn quickly into action, so that simple, transparent and standardised securitisation can once again make its contribution to financing growth, strengthening balance sheets and widening and deepening our capital markets.

Fair and Effective Markets Review

June saw the publication of the Final Report of the UK's Fair and Effective Markets Review (FEMR). The report, sponsored by the Bank of England, HM Treasury and Financial Conduct Authority, had three clear aims: 1) to assess existing FICC market operations; 2) to establish how to restore trust in the markets; and 3) initiate a global debate on issues and standards.

The Final Report makes 21 recommendations for improved conduct and individual accountability. These include the need for tougher standards in the FICC markets and criminal sanctions for misconduct. There is also a call for senior leaders to shape conduct from within organisations, alongside a focus on regulators and firms taking a more forward-looking approach in identifying and mitigating risks at an earlier stage. Enforcement will come from the extended Senior Management Regime.

FEMR has drawn on the expertise of AFME members since its inception in June 2014. The Bank of England named the AFME Chair Frédéric Janbon as a member of its steering committee, together with AFME Chairman-elect Michael Cole-Fontayn and GFMA Chair Samir Assaf. In addition, the review's fixed income, rates and product expert group was chaired by AFME Board member Peter Nielson of RBS, while James Kemp, Head of GFMA's Global FX division, chaired the expert group for currencies.

FEMR has already received substantial cross-sector support from the industry, including from our members. We look forward to building on the industry's constructive relationship with the authorities to ensure the smooth implementation of FEMR's recommendations, both domestically and, where applicable, internationally.

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Bank structural reform

The European Commission published its proposals for structural regulation measures in January 2014. This mandated prohibition of proprietary trading, as well as requirements for ring-fencing market-making and high-risk trading activities, subject to meeting a set of undefined metrics.

The European Central Bank (ECB) followed this with its finely balanced opinion on these measures in November 2014, which recognised the importance of market making. The opinion also suggested further metrics to be applied by national authorities when considering whether to separate trading activities.

However, in May 2015, the European Parliament's (EP) ECON Committee vote failed to produce a parliamentary position on these measures. Voting was marked by strong divisions among the political groups on key compromise amendments relating mainly to the automaticity of separation of trading activities.

Despite the deadlock in the EP, the Ecofin ministers agreed on a General Approach (GA) for Bank Structural Reform (BSR) on 19 June 2015. The Council's GA diverges from the Commission's original draft in several areas. Most notably, it requires the separation of proprietary trading, instead of an outright ban. Furthermore, the Council text emphasises protecting market-making from separation and provides carve-outs for banks that have limited EU retail deposits or are already subject to UK ring-fencing.

The EP's ECON Committee needs to agree on a position before the negotiations with the European Council can begin, which is expected to happen in September or October 2015. After this the trilogue process will commence, during which further changes to the text are likely before it is finally approved by Parliament. This is estimated to happen around the end of 2015.

To support its advocacy efforts on this dossier, AFME commissioned PWC to lead a research project on BSR which was completed in November 2014. Three work streams looked at the wider economic impact of the proposed structural reform, the level of implicit subsidy in bank bond yields, and the banking sectors response to the current regulatory overhaul. The report and related presentation materials were widely distributed among the key interlocutors in the Parliament, Council and Commission.

Since the initial discussions with the interlocutors on the back of the PWC study, AFME organised further bilateral meetings with key MEPs. We provided feedback and drafting suggestions on several versions of the EP draft text, highlighting the need for a flexible framework without mandatory separation of all trading activities.

AFME also held a number of meetings with the Council authorities and provided both substantive comments on the issues and drafting suggestions in an attempt to improve the Presidency texts.

Recovery and resolution

Following the agreement of the Bank Recovery and Resolution Directive (BRRD) in June 2014, AFME has been heavily engaged in the development of a substantial amount of Level 2 legislation.

This work has included important EBA standards on the implementation of the minimum requirement for own funds and eligible liabilities (MREL), recovery and resolution planning, resolvability assessments, contractual recognition of bail-in and a number of other issues. In total, we have responded to 24 consultations and produced a number of position papers over the last year.

To support members' implementation of BRRD requirements, we have developed a model clause for the contractual recognition of bail-in which can be included in relevant contracts.

We have continued our work on the development of the Single Resolution Mechanism (SRM) and established our relationship with the Single Resolution Board (SRB), which was created in early 2015. The SRB will gain full powers to act as the resolution authority for large and cross-border banks within the Banking Union from 1 January 2016.

Our work in relation to the development of global standards has also continued, with particular focus on cross-border recognition of resolution and the FSB proposals for minimum Total Loss Absorbing Capacity (TLAC), which will require global systemically important banks (G-SIBs) to hold significant amounts of loss absorbing liabilities. TLAC is a vital initiative and has been described by FSB Chair Mark Carney as "a watershed in ending 'too big to fail'". We will continue to contribute to the development of policy on upcoming areas of focus, including operational continuity and liquidity in resolution.

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Facilitating global cooperation

The Global Financial Markets Association (GFMA) represents the common interests of the world's leading financial and capital market participants, and speaks for the industry on the most important global market issues. GFMA's mission is to provide a forum for global systemically important banks to develop policies and strategies on issues of global concern within the regulatory environment.

The GFMA brings together three of the world's leading financial trade associations to address the increasingly important global regulatory agenda, and to promote coordinated advocacy efforts. The Association for Financial Markets in Europe (AFME) in London and Brussels, the Asia Securities Industry & Financial Markets Association (ASIFMA) in Hong Kong and the Securities Industry and Financial Markets Association (SIFMA) in New York and Washington are, respectively, the European, Asian and North American members of GFMA.

Global FX division

The Global FX division of the GFMA promotes efficiency and international convergence of regulation in the global FX market, the world's largest financial market. The division has 24 members, accounting for over 90% of the global FX market, in North America, Asia Pacific and Europe.

This year we have actively engaged in discussion with global supervisors and regulators on best practice and market conduct issues, in particular the Fair and Effective Markets Review. During the review we worked across the industry on a proof of concept for stop-loss order best practice and organised member events with the FCA on its FX remediation programme and with Guy Debelle, FSB, on benchmarks and standards. We will continue to engage as these issues are advanced in the BIS FX global code of conduct project.

The team also focused on regulatory issues, such as the suitability of FX products for mandatory clearing. Notable developments include ESMA's February 2015 determination that FX NDFs will not be included in its clearing mandate. In addition, our advocacy to the CFTC on US SEF confirmations issues was productive and well received. Supporting members implement regulation was also a priority, with ongoing discussion and clarification of MiFID ahead of the 2017 go-live, and a cross-asset industry initiative to address the lack of standardisation in EMIR trade reporting. We will continue to advocate for global harmonisation as regulations such as trade reporting and clearing mandates are implemented in a number of Asia-Pac jurisdictions.

Clearly, recent industry headlines have raised questions that require analysis and investigation. As a leading trade body, we will support all aspects of industry reviews by regulators to ensure confidence in a well functioning global FX market.

This year's Board meeting in Beijing allowed us to directly continue our outreach efforts towards the Chinese banking sector, including ICBC, the world's biggest bank. During this meeting the Board agreed to commission a major study on the cumulative impact of changes in regulation on liquidity, due for release in autumn 2015.

In 2015, GFMA priority issues included TLAC, Net Stable Funding Ratio (NSF), Fundamental Review of the Trading Book (FRTB), shadow banking and liquidity. The FX division also made important contributions to the UK's Fair and Effective Markets Review, with James Kemp, GFMA's Global Head of FX, chairing the MPP expert group for currencies.

GFMA Commodities Working Group

GFMA's Commodities Working Group (CWG) continued to advocate for a level regulatory playing field within the commodity markets, with banking issues and commodities as an asset class being the priority.

The Group made good progress on legislative issues affecting commodities, with an emphasis on proposed European regulation and related implementation issues, especially MiFID II and the Regulation on wholesale Energy Market Integrity and Integration (REMIT).

CWG responded to various ESMA MiFID I and II consultations, with particular focus on clarifying the scope of commodity derivative contracts within MiFID, appropriately drawn exemptions, new position limit and reporting regimes, and transparency requirements for commodity derivatives trading. The Group highlighted the need for properly calibrated regimes, which reflect the characteristics of the underlying markets.

Engagement with the Agency for the Cooperation of Energy Regulators (ACER) about the implementation of the REMIT trade reporting system, which begins its first phase in October 2015, also continued. This focused on advocating for clarity in REMIT's requirements, as well as consistency with existing reporting regimes.

In January 2015, CWG urged the Commodity Futures Trading Commission's (CFTC) to consider the effect of excluding commodity index contracts from the scope of its proposals on position limits for derivatives, and suggested two solutions to enable dealers' to account their net risk positions taken to hedge commitments under these contracts.

Over the course of the year, the Group continued to monitor developing legislation that might affect specific commodity markets, including IOSCO, EU and UK benchmarking proposals, capital exposure requirements and Financial Transaction Tax (FTT).

For our members

What we do



Advocacy

Ensure the industry's views are heard through extensive outreach meetings with European policymakers



Policy development

Help to shape legislation by applying our policy and technical expertise



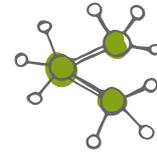
Education

Improve understanding of capital markets supported by evidence-based content and third-party research



Member-led output

Focused committees produce 100+ consultation responses, briefing notes and reports per year



Networking

30 conferences, seminars and educational events per year held in major European cities

What makes AFME different?

Focus on wholesale banking issues from a European perspective

Direct participation by member firms, not an association of associations

Influence and credibility enhanced by:

- unique member-led committees that address wholesale financial industry topics from a market, prudential and policy perspective
- expertise in producing evidence-based research and content including position papers, publications and events

Deep in-house expertise from highly qualified staff with market backgrounds

Why join AFME?

Be at the cutting edge of policy development

- Influence regulatory reform
- Take part in working groups
- Be part of the single, coherent European industry voice that speaks to regulators and policymakers

Keep up with the news on regulatory reform

- Stay informed on proposed reforms across all asset classes
- Get weekly and monthly updates on proposals and progress
- Receive complimentary third-party email digests on what's affecting the markets
- See expert-led reports, blogs and video content

Shape the development of best practice and standardisation

- Help develop processes and standard practices
- Be at the forefront of market developments
- Participate in member briefing calls on issues shaping the market

Access events and professional networking opportunities

- Participate in regular AFME forums, conferences and seminars
- Meet with Europe-wide peers in similar roles
- Be part of a thriving and supportive wholesale capital markets community

Full and associate membership

Full members can take part in the entire range of AFME activities and include global and regional banks, corporate finance advisors and brokers.

Associate members tend to have more specific interests, and can participate in the high-yield and securitisation divisions and other selected divisional working groups. Typical associate members include: accountancy and law firms; data and services providers; investors; ratings agencies; and stock exchanges and trustees.

Want to know more?

For more details of AFME Membership, email: membership@afme.eu or visit www.afme.eu/About/Membership.aspx

AFME events

AFME's programme of events brings together members and other stakeholders to increase member engagement, drive thought leadership and raise our profile in Europe. AFME hosts an annual programme of approximately 30 high quality and reputable events each year. Combined, these attract over 250 speakers and 5,000 delegates and are held in major European cities such as Amsterdam, Barcelona, Berlin, Brussels, London, Madrid, Milan and Paris.

Signature events

9th Annual European Government Bond Conference
3 November 2014, Brussels



2nd Annual AFME/vdp Covered Bond Markets Conference
5 December 2014, Berlin



High Yield Black Tie Dinner
29 January 2015, London



6th Annual Spanish Funding Conference
5 February 2015, Madrid



10th Annual European Market Liquidity Conference
25 February 2015, London



8th Annual European Post-Trade Conference
6 May 2015, London



10th Annual European High Yield Conference
21 October 2015, London



Our speakers include:

- **Paul A. Bodart**, T2S Board Member, European Central Bank
- **Christophe Frankel**, CFO and Deputy Managing Director, ESM
- **Fernando González**, Head of Risk Strategy Division, European Central Bank
- **Andrew Hauser**, Director, Markets Strategy, Bank of England
- **Lord Hill**, Commissioner for Financial Stability, Financial Services and Capital Markets Union, European Commission
- **Bronwen Maddox**, Editor and Chief Executive, Prospect Magazine
- **Sir Christopher Meyer KCMG**, Former British Ambassador to the United States
- **Steve Richards**, Broadcaster and columnist with the Independent, and Senior Adviser to Hanover Communications
- **David Rule**, Executive Director, Prudential Policy, Bank of England
- **Raoul Ruparel**, Co-Director, Open Europe
- **Kai Gereon Spitzer**, Financial Stability, Financial Services and Capital Markets Union, DG FISMA, European Commission
- **Martin Wheatley**, Chief Executive, Financial Conduct Authority
- **David Wright**, Secretary General, IOSCO

Charity update



AFME staff volunteering at the Whitechapel Mission in London

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

Our active Charities Committee develops initiatives throughout the year for employee involvement, culminating in our annual summer 'Charity Week' of fund-raising and community activities.

Over the past year, groups of AFME employees have served breakfasts at a day centre for the homeless, abseiled in aid of a children's hospice and slept out overnight in aid of young people in need. A variety of office-based fund-raising initiatives have also taken place, with proceeds directed to charities nominated by employees.

Board member firms

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 citi	 CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK	CREDIT SUISSE 
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Special Advisor, Member of the Group Executive Committee

Chairman Elect: **Michael Cole-Fontayn**, BNY Mellon
Chairman, EMEA

Vice Chairman: **Kostas Pantazopoulos**, Goldman Sachs
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Co-Head of Macro Trading

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Global Head of Fixed Income Emerging Markets,
Head of Fixed Income for EMEA

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T J Lim, UniCredit
Executive Vice President, Global Head of Markets

Simon Lewis
Chief Executive

Eddy Wymeersch
European Advisor and Independent Director

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