



# E.A.C.T. Frankfurt - April 2016

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# Who we are?

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- EACT is an Association of 21 National Treasury Associations (NTA's) from 20 countries in Europe
- The EACT was originally established in 1999 to share experience with the implementation of the EUR



AUSTRIA	ÖPWZ-Forum Finanzen
BELGIUM	Association des Trésoriers d'Entreprise en Belgique
CROATIA	The Croatian Association of Corporate Treasurers
CZECH REPUBLIC	Ceska Asociace Treasury
FINLAND	Finnish Association of Corporate Treasurers
FRANCE	Association Française des Trésoriers d'Entreprise
GERMANY	Association of Chief Financial Officers Germany
GERMANY	Verband Deutscher Treasurer
HUNGARY	Hungarian Treasury Club
IRELAND	The Irish Association of Corporate Treasurers
ITALY	Associazione Italiana Tesorieri d' Impresa
LUXEMBOURG	Association des Trésoriers d'Entreprise à Luxembourg
NETHERLANDS	Dutch Association of Corporate Treasurers
POLAND	Polish Corporate Treasurers Association
RUSSIA	Russian Association of Corporate Treasurers
SLOVAKIA	Slovak Association of Finance and Treasury
SLOVENIA	Slovenian Corporate Treasury Association
SPAIN	Asociación Española de Financieros y Tesoreros de Empresa
SWEDEN	Swedish Association for Corporate Treasurers
SWITZERLAND	Swiss Treasury Association
UNITED KINGDOM	The Association of Corporate Treasurers



# EACT's Mission Statement

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- Support the finance and treasury profession across Europe by developing relations with European Authorities and Institutions, by sharing knowledge between national finance and treasury associations and by bringing the professional expertise of its members to European level discussion on regulations
- Promote the value of finance and treasury skills by determining best treasury practices and by defining standards for education
- Encourage the evolution of the treasury role as a vital part of strategic financial management

# EACT Chairman – Jean-Marc Servat

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*“I’m very excited to be taking over as EACT Chairman at a time when our voice continues to be vitally important in helping to build strong treasury management and careers for European treasurer. Against this background, I will continue to seek to provide a unifying focus for issues that, on a European level, affect how the members of the national associations can operate. Through our website we endeavor to provide useful information about the EACT and provide a conduit for visitors to access the websites of the individual treasury associations making up the EACT”.*

# EACT BOARD

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## EACT Officers



Jean-Marc Servat,  
EACT Chairman



HTC,  
T. Ónody  
Deputy Chairman



ATEL,  
F. Masquelier  
Deputy Chairman



AFTE,  
V. Herlicq  
Treasurer



K. Van Den Driessche  
Secretary

## EACT Members of the Board



ACT  
C. Tyler



ACTSR  
G. De La Fuente



AITI  
M. Battistella



ASSET  
JC. Cuevas



CACT  
M. Ostojic



CAT  
I. Haco



DACT  
E. Vassbinder



FACT  
M. Rydman



GEFIU  
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IACT  
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OPWZ  
A. Kaali-Nagy



PCTA  
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RACT  
V. Kozinets



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K. Lagerborg



SAF  
A. Revay



SCTA  
J. Peterlin



VDT  
C. Hesse

# THE BOARD

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## Others



**Anni Mykkänen,**  
Policy Advisor



**Richard Cordero,**  
Chief Operating Officer

## Honorary Chairman



Honorary Chairman  
**Pierre Poncet**

# Regulations and Trends impacting Treasurers

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# A constantly shifting risk landscape

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- One of major challenges for Treasurers is being able to adapt in an ever more hostile and volatile economic and regulatory environment
- A recent EY survey emphasised that the number one risk for 500 CEO's surveyed was the *"regulation and compliance"* risk
- Fear is also that the juxtaposition of these new regulations seems to arouse in the minds of the managers of MNC's
- Risk number two is access to credit. This risk is (in)directly bound up with the future B3 and with the still visible stigmata of the 2008 crisis
- Series of new regulations have just been brought in or are on the drawing board and their impact is difficult to quantify, but it is indisputable



# What are the « regulatory risks » for Corp's?

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## Regulatory Risks

What are these new risks generated by “regulations”?

They consist of

- ▶ Risk of not being compliant which could lead to fines, penalties additional taxes, etc...
- ▶ Risk of reputation if non-compliance or penalties disclosed into press
- ▶ Risk of qualification of accounts by external auditors
- ▶ Risk of loss of confidence of stakeholders including employees, clients, etc... which could lead to sales decrease
- ▶ Risk of being overloaded by new reg's and fight to comply and time spent distract resources from main tasks or create risks on core activities by lack of time
- ▶ Risk of boring and demotivating staff and teams as they are dedicated to pure compliance efforts without necessarily added-value generated
- ▶ Risk of spending more on services, consulting, IT solutions, etc.. to be compliant
- ▶ Risk of being forced to potentially revisit and amend a specific strategy given new paradigm or new constraints

# Impacts of Regulatory Risks?

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## REGULATORY ISSUES & IMPACTS

Type de regulation	Expected impacts	
	Direct/indirect impact	Positive/Negative
EMIR	Direct	Negative
CDR IV	Indirect	Negative
Capital Market Union	Indirect	Positive (Negative)
FTT (Financial Transaction Tax)	Direct	Negative
Money Market Funds	Direct	Negative
Bank Structure Reform	Indirect	Negative
Credit Rating Reform	Direct/Indirect	Negative
MiFID 2 / MiFIR	Direct/Indirect	Negative (Positive)
PSD 2	Direct/Indirect	Negative
LIBOR (ICE)/Financial Benchmark Regulation	Direct	Positive
BEPS	Direct	Negative
IFRS (e.g. IFRS 9, leasings, etc.)	Direct	Positive (Negative)
Others	Direct/Indirect	Negative

NB: accumulation of regulations make compliance more complex and difficult to maintain, with potential overlapping and contradictions.

# Financial Regulations

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- Lots of post crisis regulations have an impact on Treasurers: e.g. capital requirements, derivatives pricing, infrastructure costs, reporting and disclosures, etc...
- What EACT is working on:
  - EMIR – reporting, clearing & margining (gradual phase in starts Q2 2016)
  - CRD IV – CVA
  - Shadow banking
  - FTT
  - MMF
  - CMU
  - Bank Structural Separation



# Call for Evidence

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- As part of the CMU initiative, Commission launched a consultation in October to look for evidence on the impact of financial services regulation put in place to date
- EACT response highlighted the impact of:
  - EMIR: reporting burden, impact on hedging in general
  - CRD IV: impact on deposit-taking, pricing and availability of derivatives and other products and services, impact on lending
  - KYC, documentation and admin burden
- Meeting with DG FISMA very positive

# Derivatives trading in Europe

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## ESMA data from Trade Repositories, extract as at 20 Feb 2015

Counterparty zone / status	Number of counterparties	Number of counterparties (%)	Number of trades	Number of trades (%)	Notional Amount (EUR mn)	Notional Amount (%)	Average number of trades per counterparty	Average notional per counterparty (EUR mn)
1 Financial	23,613	27%	24,301,464	93%	598,562,507	98%	1,029.2	25,349
2 Europe	22,540	25%	23,648,593	90%	592,645,910	97%	1,049.2	26,293
3 Third country	1,073	1%	652,871	2%	5,916,598	1%	608.5	5,514
4 Non Financial	65,325	73%	1,924,052	7%	9,649,908	2%	29.5	148
5 Europe	64,295	72%	1,870,319	7%	9,497,337	2%	29.1	148
6 Third country	1,030	1%	53,733	0%	152,570	0%	52.2	148
7 Grand Total	88,938	100%	26,225,516	100%	608,212,415	100%	294.9	6,839

## Non Financial Counterparties

Number of counterparties	65 325	72%
Number of trades	19 mio	7%
Notional amounts	EUR 9 649 bio	2%
NFC+	424 counterparties	43 groups
NFC+	EUR 1 568 bio	
Large NFC-	EUR 3 395 bio	
Small NFC-	EUR 4 686 bio	

Initial margins (Std model)

6% FX

1 to 4% for IR

Let's do the maths...

And compare... (EUR)

Juncker plan: 320 bio

Europe

Corp. Bonds: 1.1 tio

Loans to Corp.: 5.5 tio



# EMIR Review

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- EACT meetings with the Commission:
  - there seems to be no serious support for the ESMA proposals on eliminating the hedging criterion
  - Commission understands that there are problems with reporting and that intragroup transactions might not be relevant to report
- Next steps of the review:
  - Commission will draft a review report by the summer
  - The report could include proposals for reviewing the reporting regime in level 1 legislation

# CRD IV - CVA

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- CRD IV exempts corporate hedging transactions from the requirement of CVA risk capital charge (read-across exemption with EMIR)
- In February EBA published a report recommending supervisory measures that would impose additional capital requirements on banks to cover for CVA-exempted transactions
- EACT letter signed by nearly 100 companies sent in December 2015
- EBA public hearing in January:
  - EBA convinced that there is a valid legal mandate to impose Pillar 2 requirements
  - Many stakeholders argued against EBA measures
- EBA public consultation ended mid-February
  - Almost all of the responses are against the EBA proposals
- EBA plans to finalize the guidelines by mid-2016; to be applied as of beginning 2017
- EACT lobbying focuses on MEPs and the Commission

# MIFID / MIFIR 2

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- MiFID/R 2 was originally to enter into force in January 2017; due to requests from many stakeholders the Commission has now officially proposed to postpone implementation by one year
- The Parliament and the Council now have to agree on the postponement
- The topic of electronic trading platforms (360T, FXAll etc) was raised again
  - These platforms very likely to be qualified as MTFs under MiFID 2
  - Corporates using such platforms would have to be MiFID-licensed to be able to continue to use them, due to the narrowing of the exemption for dealing on own account
- EACT letter to ECON – amendments introduced to continue the exemption for corporate end-users
- Council more reserved on introducing amendments



# Euribor / Libor Reviews

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- Both Libor and Euribor are being reviewed by their administrators
- Aim to change calculation methodology so that the benchmarks are connected to real-life transactions and not estimations
- Banks' transactions with corporates also to be included in the calculation of the benchmark
- Euribor administrator aims to implement changes by the end of the year; Libor changes will come into force gradually as of 2017

# Financial Transation Tax (FTT)

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- “Agreement” in last December – basically just an agreement to continue the discussions
- Estonia no longer part of the group of enhanced cooperation
- New deadline for agreement is mid-2016 but no progress made so far and not many meetings scheduled

# Bank Structure Reform

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- **Little progress**
- **Parliament seems unable to agree on a position, but Commission unlikely to withdraw the proposal**

# Money Market Funds and Others

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- **MMF: Essentially no progress since last meeting: Germany now seems to be the Member State most opposed to CNAV**
- **BEPS: Transfer Pricing new EU Directive**
- **Capital Market Union (CMU)**

# Trends impacting Treasurers

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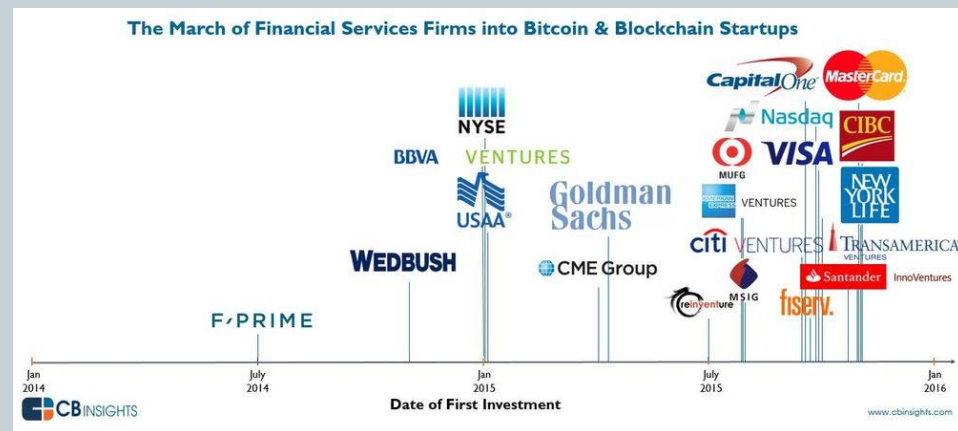
- Risk aversion exacerbated
- Changing role of banks and more disintermediation and digital transformation
- Fintech: market place lending, crowd funding, robot advice, high frequency trading, new payment infrastructures, *block chain* technology, etc....
- Tsunami of financial regulations and IFRS standards imposing more disclosures and always more transparency
- Corporate Tax, BEPS, relocation of Treasury Centres
- New risks: Cyber risks, frauds, Counter party risk, regulatory and non-compliance risks



# Blockchain and Digitalization

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- “*Bitcoin bad, blockchain good*”
- Secured Decentralised Ledgers
- Cryptography, Computing Power, Speed, Accessibility
- Chain of Trust
- Public or Private
- Disrupting banking?
- Wait and see ?
- Register valuables, land registry?
- Treasurers should stir the debate in their companies





## Member Login

<input type="text"/>	<input type="text"/>
Username	Password
<input type="button" value="log in"/>	<a href="#">Forgot?</a>

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access the websites of the individual treasury associations making up the EACT.

**Jean-Marc Servat, EACT Chairman**

*Please see our latest news below. Use the map on the right to explore the member associations that make up the EACT.*



## Latest News

### **MiFID2: Clarification for non-financial end-users transacting on multilateral electronic trading platforms**

The EACT has sent a letter to the European Parliament asking for a clarification of MiFID 2 so that non-financial companies transacting on their own account on electronic trading platforms continue to be exempt from MiFID licensing requirements. [Please click here to read the EACT letter >>...](#)

### **EACT Response to the European Bank Authority's Consultation on the Treatment of CVA under SREP**

The EACT has responded to the European Banking Authority's consultation on the treatment of CVA risk under the supervisory review and evaluation process (SREP). In our response we highlight that the EBA's mandate for issuing the proposed guidelines is questionable and that applying the guidelines would partially eliminate the exemption from CVA risk charge from which non-financial counterparties are benefitting under CRR. [Please click here to read the EACT's response >>...](#)





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# Thank you!

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# The European Association of Corporate Treasurers

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