COMPLIANCE

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NEWSLETTER

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- Bankers advised to seek 'toilet cleaner job descriptions'
- Raiffeisen CEO under scrutiny for property deals
- Fed tells Bank of Montreal to fight money laundering harder

Dear Colleagues,

Dear Members,

In this Editorial, the Board would like to draw your attention on the new Circular of the FSMA (FSMA_2013_08 of 23/04/2013) wrt the Compliance function for asset managers and investment advices companies as well as for management companies of UCITS. As you will see, the definitions and principles of the Circular dated 04/12/12 (FSMA_2012_21 of December 4) are maintained. The introduction, the scope and the working domains are slightly adapted.

Another important document is the FSMA Communication (FSMA_2013_09 dated 23/04/2013) on the permanent training of the Compliance Officers.

We strongly advise to read carefully the content of this Communication together with the FAQ. Beside the requirements applicable to training organisations whose programs are submitted for approval to the FSMA, there are as you know, several requirements applicable to the Compliance Officers themselves save for the staff who exercises pure administrative tasks and for those who are part of the first line of defense reporting functionally to the Certified Compliance Officer.

Pay attention, the Certified Compliance Officers have to follow 40 hours training in the course of 3 years (and every 3 years) starting on January 1st of the year following their inscription on the final list of Certified Compliance Officers. As the large majority of the now Certified Compliance Officers were already exercising the function at the time of the new regulation, they have been registered on this list in the second half of 2012 which means in practice that the beginning of the three years started in January 2013. This is thus applicable a bit retroactively as at that time, they were to our knowledge no organisation recognised as permanent training organisation for Compliance Officers.

For the other colleagues of the Compliance Department in charge of rules of conduct (but also of anti-money laundering according to our interpretation), the same applies but only 20 hours of training are required in the course of 3 years (every 3 years).

We are pleased to inform you that beside Febelfin Academy and Insert, the Compliance Forum.be is accepted as organisation for permanent training of the Compliance Officers by the Executive Committee of the FSMA for which the Board is grateful. It means in practice that a certificate of participation will be delivered, under the conditions mentioned in the FSMA Communication, to the participants to the seminars we organised as well as the Compliance Day as long as those sessions are each time individually approved upfront by the FSMA.

To those who attended the presentation of Benoit Feron on market abuse in April and who signed the attendance list before and after the presentation, the Forum will deliver a certificate in due course.

The global length of the training of the CPL Day of June 14th will be mentioned on the certificate of attendance excluding lunches and coffee pauses.

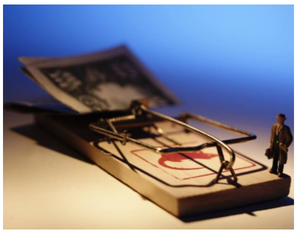
I wish you a pleasant reading of the 11th issue of the Newsletter and on behalf of the Board enjoy the coming holidays period!

With kind regards

Marie-France De Pover

Chairwoman

CIVIL LIBERTIES COMMITTEE MAKES IT EASIER TO CONFISCATE CROOKS' ASSETS EU WIDE



Draft rules to make it easier for national authorities to freeze and confiscate criminals' assets across the EU were beefed up by the Civil Liberties Committee on May 7, 2013. However, Members of the European Parliament (MEPs) also sought to safeguard the right to a fair trial. They also called upon member states to use confiscated assets to fight crime and for social projects. The draft law, which must still be negotiated with national governments, is part of a broader EU strategy to fight fraud and corruption.

Follow the money across the border' should be the driving priority to trace funding for organised crime and terrorism effectively and efficiently. Confiscating criminals' assets, even where a criminal conviction is not possible, is clearly necessary to recover the proceeds of crime.

Today, less than 1% of the proceeds of crimes such as drug trafficking, counterfeiting, human trafficking and small arms smuggling are frozen and confiscated. Most of this "dirty money" is laundered and channelled into the licit economy, often in several member states.

The new rules would enable national authorities quickly to identify and trace such assets – such as cash held in bank accounts, real estate, vehicles, livestock, artworks, company shares, businesses, and collector's items - and to freeze, manage and confiscate them consistently across the EU.

Conviction-based confiscation...

The proposal requires all member states to enable the confiscation of criminal assets following a final conviction for a criminal offence.

... but also in the absence of a conviction

The committee strengthened the rules on "non-conviction based confiscation" to allow the authorities to confiscate money or any assets where a criminal conviction is not possible, provided that a court is "convinced on the basis of specific circumstances and all the available evidence that those assets derive from activities of a criminal nature, while fully respecting the provisions of Article 6 of the European Convention of Human Rights [right to a fair trial] and the European Charter of Fundamental Rights".

However, member states that have already established non-criminal law procedures for non-conviction based confiscation are not required to incorporate these procedures in their criminal law systems too, MEPs explained.

Bringing assets from similar crimes within reach

MEPs also backed clauses strengthening the authorities' power to confiscate assets that are not directly linked to a specific crime, but which were clearly acquired through similar criminal activities by the convicted person. This extended confiscation would be possible where "based on specific facts such as that the value of the property is disproportionate to the lawful income of the convicted person, a court finds it substantially more probable that the property in question has been derived from activities of a criminal nature than from other activities".

Recovering assets from third parties

Criminals often transfer their assets to knowing third parties (such as a spouse, other relatives or a "front man") as soon as they come under investigation, in order to avoid confiscation. MEPs amended these rules to ensure that confiscation from third parties is permitted under specific conditions, i.e. where the acquiring third party got them for free or paid significantly less than the market value, and knew or had enough elements to suspect that the assets were of illicit origin.

Each member state should take legislative measures to tackle this practice of fictitious assignment of property to third parties in order to avoid seizure or confiscation, MEPs added.

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Most of the "dirty money" is laundered and channelled into the licit economy

CIVIL LIBERTIES COMMITTEE MAKES IT EASIER TO CONFISCATE CROOKS' ASSETS EU WIDE (PART II)

Injured parties' claims

MEPs also amended the rules to ensure that where injured parties have a claim against the defendant, confiscation does not jeopardise the enforcement of such claims.

Social reuse of confiscated assets

The draft directive sets out general principles for the disposal of confiscated assets - it does not make their social reuse mandatory. However, MEPs suggest that member states "could as a priority destine such property to law enforcement and crime prevention projects as well as to other projects of public interest and social utility".

Next steps

Parliament's negotiating mandate was approved with 46 votes in favour, 7 against and 3 abstentions. MEPs in the negotiating team will now start talks with member states' representatives with a view to reaching a first-reading agreement..

EU DATA PROTECTION VOTE DELAYED

A vote on the draft Data Protection Regulation (the Regulation) has been delayed again. On May 6 2013, the European Parliament's Committee on Civil Liberties, Justice and Home Affairs (the LIBE Committee) met to discuss the latest draft of the Regulation. LIBE's lead rapporteur, German Member of the European Parliament (MEP) Jan Philipp Albrecht, who is charged with directing the legislation through to the final vote, explained that although several meetings have been held and some agreements have been reached, further discussion is needed in light of the significant number of amendments proposed to the Regulation.

The LIBE Committee is not in a position to vote on the Regulation as planned. Rapporteur Albrecht said he believes that compromises can be adopted with a broad consensus and that a vote is still possible before July.

The Irish government, which currently holds the EU presidency, is eager to hold a vote at the Member State level before the end of its presidency on July 1. However this is only possible after the European Parliament as a whole has voted, something it will not do until it has heard from the LIBE Committee.

Article by John O'Connor

Personal data can only be gathered legally under strict conditions, for a legitimate purpose

HOME LOANS: BETTER PROTECTION FOR BUYERS

Property buyers would be better informed about the costs and consequences of taking on a mortgage, better protected from market swings while the contract lasts and better protected if they cannot repay the loan, under a provisional deal struck by Economic and Monetary Affairs Committee Members of the European Parliament (MEPs) and EU member state representatives in April 2013. To become law, this deal must be approved by Parliament as a whole and endorsed by the member states.

Mortgages are so important because they are the biggest financial commitment made by European families and the market represents more than the 52% of EU GDP. The new legislation on mortgages will become a reference in terms of consumer protection, financial inclusion and economic stability. It will help to avoid the irresponsible lending and borrowing that were at the roots of the current crisis.

To curb irresponsible lending, mortgage sellers should be authorised, registered and supervised by national authorities so that they meet strict professional requirements, without encroaching upon their right to do business in other EU

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HOME LOANS: BETTER PROTECTION FOR BUYERS (PART II)

member states in line with the EU freedoms of establishment and to provide services.

Well-founded decision

Anyone signing up for a mortgage should receive comparable information about the products available, and understand the total cost and long-run financial consequences of taking out the loan. The credit terms offered to borrowers must match their current financial situation and take account of their prospects and possible downturns. Moreover, to ensure that mortgages go only to those who can afford them, the rules on assessing the buyer's creditworthiness, to allow for risks during the lifetime of the loan, have been strengthened.

MEPs also sought for the first time to regulate “tying practices”. For example, the legislation would prohibit lenders from making credit offers conditional upon buying insurance or other financial products from a specified provider. Banning "tied" products would make it easier for borrowers to switch providers. Products such as an insurance policy, if bought elsewhere, would have to have the same level of guarantee as required by the lender.

Cooling-off period

There would be a mandatory 7-day reflection period for a buyer,before signing the loan, or a right of withdrawal for up to 7 days.

Flexibility against market changes

MEPs inserted flexibility rules, including a right for the borrower to repay the loan early, subject to possible conditions to be decided by member states, and a right for the lender to receive a fair compensation for such early repayment. However, obliging borrowers to pay penalties for early repayment would be prohibited.

Proposed rules for loans denominated in a foreign currency would allow the borrower, under certain conditions and at the exchange rate defined in the loan contract, to change the currency. If there is no possibility to convert such loan, then either the buyer should be warned, before signing the contract, that the instalments payable could increase, or the exchange rate risk should be capped..

Protection against default

To protect borrowers better, MEPs added a new rule stipulating that the return of collateral such as the property itself will suffice to repay the loan, provided that the lender and borrower expressly agree to this in the contract.

Where a borrower defaults on a loan, MEPs want arrangements for selling the property for the "best effort" price and for facilitating the remaining debt repayments so as to protect consumers and prevent their becoming over-indebted for long periods.

The legislation will cover mortgages on residential property, property including an office space and building land. Some requirements of the legislation would be adapted to reflect differences among EU member states' national mortgage and property markets, but the basic rules would apply EU wide and information for buyers would have to be presented in a consistent format across the EU.

Implementation

There is one issue which both Council and the European Parliament agreed to leave open. This is about the documents needed to check that the law has been properly implemented.

Next steps

To take effect, the new rules must be approved by Parliament as a whole and endorsed by the member states.

The credit terms offered to borrowers must match their current financial situation and take account of their possible downturns

SAVINGS TAXATION: COUNCIL GO-AHEAD TO NEGOTIATE WITH SWITZERLAND, LIECHTENSTEIN, MONACO, ANDORRA AND SAN MARINO

On May 14, 2013 The Council gave a mandate to the Commission to negotiate amendments to the EU's agreements with Switzerland, Liechtenstein, Monaco, Andorra and San Marino on the taxation of savings income.

The decision represents an important step in the EU's efforts to clamp down on tax evasion and tax fraud. The aim is to ensure that the five countries continue to apply measures that are equivalent to the EU's directive on the taxation of savings income, which is being updated. The Commission will negotiate on the basis of a draft directive amending the savings directive(2003/48/EC), aimed at improving its effectiveness and closing certain loopholes so as to prevent its circumvention.

The draft amendments to the directive reflect changes to savings products and developments in investor behaviour since it came into force in 2005. They are aimed at enlarging the directive's scope to include all types of savings income, as well as products that generate interest or equivalent income, and at providing a "look-through" approach for the identification of beneficial owners.

Background

Directive 2003/48/EC requires the member states to exchange information automatically so as to enable interest payments made in one member state to residents of other member states to be taxed in accordance with the laws of the state of tax residence. During a transitional period, Luxembourg and Austria can impose a withholding tax on interest paid to savers resident in other member states, instead of providing information on savers.

Under the existing EU agreements, signed in 2004, Switzerland, Liechtenstein, Monaco, Andorra and San Marino apply equivalent measures to those provided for in the directive. As do Guernsey, Jersey, the Isle of Man and seven Caribbean territories, under bilateral agreements concluded with each of the member states.

Equivalent measures under the existing agreements involve either automatic exchange of nformation or a withholding tax on interest paid to savers resident in the EU. A proportion of the revenue accrued from the withholding tax is transferred to the country of the saver's tax residence.

Automated access to specific data: the way to speed up the administrative cooperation

EBA CONSULTS ON STANDARDS FOR THE DEFINITION OF MATERIAL RISK TAKERS FOR REMUNERATION PURPOSES

The European Banking Authority launches on May 21,2013 a consultation paper on draft Regulatory Technical Standards (RTS) on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile. These material risk takers will be subject to specific provisions of the Capital Requirements Directive (CRD) related, in particular, to the payment of variable remuneration.

The consultation runs until 21 August.

The EBA proposes an identification process based on a combination of standard qualitative and quantitative criteria and internal criteria developed by the institutions.

The objective of this combined approach is to ensure an appropriate harmonisation and level playing field across the EU while taking into account each institution's risk profile.

Staff shall be identified as material risk takers if they meet one or more of the following criteria:

Standard qualitative criteria: related to the role and decision-making power of staff members (e.g. staff is a member of a management body, is a senior manager, has the authority to commit significantly to credit risk exposures, etc.)

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EBA CONSULTS ON STANDARDS FOR THE DEFINITION OF MATERIAL RISK TAKERS FOR REMUNERATION PURPOSES (PART II)

Standard quantitative criteria: related to the level of variable or total gross remuneration in absolute or in relative terms. In this respect, staff should be identified as material risk takers if:

(i) their total remuneration exceeds, in absolute terms, EUR 500 000 per year, or

(ii) they are included in the 0.3 % of staff with the highest remuneration in the institution, or

(iii) their remuneration bracket is equal or greater than the lowest total remuneration of senior management and other risk takers, or

(iv) their variable remuneration exceeds EUR 75 000 and 75% of the fixed component of remuneration.

Internal criteria: these criteria shall be based on internal risk assessment processes and aim at reflecting the specific institution's risk profile.

Background

A survey on the implementation of the Guidelines on Remuneration policies and practices published by the EBA in 2012 (1) demonstrated that the percentage of staff being 'identified' as material risk takers still differs significantly from one jurisdiction to the other. Moreover, the criteria used by the different institutions for the identification of risk takers did not always consider sufficiently the impact on the institution's risk profile and therefore failed, sometimes, to appropriately identify staff members.

The final comprise on the Capital Requirements Regulation and Capital Requirements Directive (CRR/CRD) provides a mandate for the EBA to set out qualitative and quantitative criteria for the definition of material risk takers, also called "identified staff".

The draft Regulatory Technical Standards shall be submitted to the European Commission by the end of March 2014.

Consultation process
Comments can be sent to the EBA by e-mail to EBA-CP-2013-11@eba.europa.eu by 21 August 2013, indicating the reference EBA/CP/2013/11.

Financial sector compensation and excess risk-taking : an explosive cocktail

SEC CHARGES FATHER AND SON CONDUCTED CHERRY-PICKING SCHEME AT INVESTMENT FIRM

On May 16, 2013 the US Securities and Exchange Commission charged a father and son and their investment advisory firm with defrauding clients through a cherry-picking scheme that garnered them nearly $2 million in illicit profits, which they spent on luxury homes, vehicles, and vacations

The SEC alleges that Charles J. Dushek and his son Charles S. Dushek placed millions of dollars in securities trades without designating in advance whether they were trading personal funds or client funds. They delayed allocating the trades so they could cherry pick winning trades for their personal accounts and dump losing trades on the accounts of unwitting clients at Capital Management Associates (CMA). CMA misrepresented the firm's proprietary trading activities to clients, many of whom were senior citizens.

According to the SEC's complaint filed in federal court in Chicago, the scheme lasted from 2008 to 2012. During that period, the Dusheks made more than 13,500 purchases of securities totaling more than $350 million. The Dusheks typically waited to allocate the trades for at least one trading day – and often several days – by which time they knew whether the trades were profitable. The Dusheks ultimately kept most of the winning trades and assigned most of the losses to clients. At the time of the trading, they did not keep any written record of whether they were trading client funds or personal funds.

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SEC CHARGES FATHER AND SON CONDUCTED CHERRY-PICKING SCHEME AT INVESTMENT FIRM (PART II)

The Dusheks' extraordinary trading success reflects the breadth of their scheme. For 17 consecutive quarters, the Dusheks reaped positive returns at the time of allocation while their clients suffered negative returns. One of Dushek Sr.'s personal accounts increased in value by almost 25,000 percent from 2008 to 2011 while many of his clients' accounts decreased in value.

The illicit trading profits from his personal accounts were Dushek Sr.'s only source of regular income outside of Social Security, according to the SEC. It alleges that he drew no salary or other compensation as president of CMA and relied on profits from the scheme to make mortgage payments on his 6,500 square foot luxury home featuring separate equestrian facilities. He also spent the money on luxury vehicles including a Mercedes Benz SL550, membership in a luxury vacation resort, and vacations abroad. Dushek Jr. is alleged to have used trading profits to pay for a boat slip and vacations to ski resorts and Hawaii.

According to the SEC's complaint, CMA misrepresented its proprietary trading activities to clients in a brochure that is part of the firm's Form ADV. The brochure falsely claimed that Dushek Sr. maintained "reports" of his proprietary trading activities that he submitted to an associate for review, when he did not maintain such reports nor have any associate review his trading. The brochure further stated, "We do not merge or aggregate any client order with any employee order." That claim also was false. When the Dusheks placed orders, there were no client orders or employee orders but instead merely block purchases in CMA's brokerage accounts that were later allocated to client accounts or personal accounts.

The SEC's complaint charges the Dusheks and CMA with fraud and seeks final judgments that would require them to return ill-gotten gains with interest and pay financial penalties.

There were numerous red flags related to the supervision of emails

LPL TO PAY $9 MILLION FOR SYSTEMIC EMAIL FAILURES AND FOR MAKING MISSTATEMENTS TO FINRA

On May 21, 2013 the US Financial Industry Regulatory Authority (FINRA) fined LPL Financial LLC (LPL) $7.5 million for 35 separate significant email system failures, which prevented LPL from accessing hundreds of millions of emails and reviewing tens of millions of other emails. Additionally, LPL made material misstatements to FINRA during its investigation of the firm's email failures. LPL was also ordered to establish a $1.5 million fund to compensate brokerage customer claimants potentially affected by its failure to produce email.

As LPL rapidly grew its business, the firm failed to devote sufficient resources to update its email systems, which became increasingly complex and unwieldy for LPL to manage and monitor effectively. The firm was well aware of its email systems failures and the overwhelming complexity of its systems. Consequently, FINRA found that from 2007 to 2013, LPL's email review and retention systems failed at least 35 times, leaving the firm unable to meet its obligations to capture email, supervise its representatives and respond to regulatory requests. Because of LPL's numerous deficiencies in retaining and surveilling emails, it failed to produce all requested email to certain federal and state regulators, and FINRA, and also likely failed to produce all emails to certain private litigants and customers in arbitration proceedings, as required.

As LPL grew, it did not expand its compliance and technology infrastructure; and as a result, LPL failed in its responsibility to provide complete responses to regulatory and other requests for emails. This case sends a

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LPL TO PAY $9 MILLION FOR SYSTEMIC EMAIL FAILURES AND FOR MAKING MISSTATEMENTS TO FINRA (PART II)

strong message to firms to make sure their business does not outgrow their compliance systems.

Some examples of LPL's 35 email failures include the following:

- Over a four-year period, LPL failed to supervise 28 million "doing business as" (DBA) emails sent and received by thousands of representatives who were operating as independent contractors.

- LPL failed to maintain access to hundreds of millions of emails during a transition to a less expensive email archive, and 80 million of those emails became corrupted.

- For seven years, LPL failed to keep and review 3.5 million Bloomberg messages.

- LPL failed to archive emails sent to customers through third-party email-based advertising platforms.

In addition, LPL made material misstatements to FINRA concerning its failure to supervise 28 million DBA emails. In a January 2012 letter to FINRA, LPL inaccurately stated that the issue had been discovered in June 2011 even though certain LPL personnel had information that would have uncovered the issue as early as 2008.

Moreover, the letter stated that there weren't any "red flags" suggesting any issues with DBA email accounts when, in fact, there were numerous red flags related to the supervision of DBA emails that were known to many LPL employees.

In addition, LPL likely failed to provide emails to certain arbitration claimants and private litigants. LPL will notify eligible claimants by letter within 60 days from the date of the settlement and the firm will deposit $1.5 million into a fund to pay customer claimants for its potential discovery failures. Customer claimants who brought arbitrations or litigations against LPL as of Jan. 1, 2007, and which were closed by Dec. 17, 2012, will receive, upon request, emails that the firm failed to provide them. Claimants will also have a choice of whether to accept a standard payment of $3,000 from LPL or have a fund administrator determine the amount, if any, that the claimant should receive depending on the particular facts and circumstances of that individual case. Maximum payment in cases decided by the fund administrator cannot exceed $20,000. If the total payments to claimants exceed $1.5 million, LPL will pay the additional amount.

LPL failed to keep and review 3.5 million Bloomberg messages

FINRA FINES THREE FIRMS $900,000 FOR INADEQUATE ANTI-MONEY LAUNDERING PROGRAMS

On May 8, 2013 the US Financial Industry Regulatory Authority (FINRA) fined three firms a total of $900,000 for failing to establish and implement adequate anti-money laundering (AML) programs and other supervisory systems to detect suspicious transactions. FINRA also fined and suspended four executives involved. FINRA imposed the following sanctions:

- Atlas One Financial Group, LLC fined $350,000; Napoleon Arturo Aponte, former Chief Compliance Officer and AML Compliance Officer, fined $25,000 joint and severally with the firm, and suspended for three months in a principal capacity,

- Firstrade Securities, Inc. fined $300,000 ,

- World Trade Financial Corporation (WTF) fined $250,000; President and Owner Rodney Michel fined $35,000 and suspended in all capacities except as a financial operations principal for four months; Chief Compliance Officer Frank Brickell fined $40,000 and suspended from association in all capacities for nine months; trade desk super-

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FINRA FINES THREE FIRMS $900,000 FOR INADEQUATE ANTI-MONEY LAUNDERING PROGRAMS (PART II)

visor and minority owner Jason Adams fined $5,000 and suspended for three months in a principal capacity.

FINRA found that between February 2007 through May 2011, Atlas One failed to identify suspicious account activity or did not adequately investigate numerous AML "red flags." For example, in 2007, the United States Department of Justice (DOJ) froze six Atlas One accounts that were all controlled by one customer in connection with a money laundering scheme. Even though the accounts listed the same mailing address in San Jose, Costa Rica, and an email address for another Atlas One customer as contact information for the account and the other customer's information had been utilized as contact information for the frozen accounts, Atlas One failed to perform any additional scrutiny of the accounts that had not been part of DOJ's action.

FINRA also found that certain customers' accounts engaged in a pattern of activity consisting of moving millions of dollars through the accounts while conducting minimal-to-no securities transactions. Atlas One's AML program required Aponte to monitor for potentially suspicious activity and AML red flags, investigate suspicious activity and report suspicious activity by filing a suspicious activity report (SAR), when necessary, which he failed to do.

In a separate case, FINRA found that Firstrade, an online trading firm catering to the Chinese community, failed to implement an adequate AML program to detect and report suspicious transactions, including potential manipulative trading. Many of the suspicious transactions involved Chinese issuer stocks and some of the most suspicious activity in customer accounts was apparent pre-arranged trades of Chinese issuer stock done in related accounts.

In the third case, FINRA found that WTF, Brickell, Michel, and Adams failed to create and enforce a supervisory system and written supervisory procedures to monitor for unlawful transactions in unregistered penny stocks. Between March 2009 and August 2011, WTF bought and sold more than 27.5 billion shares of 12 penny stock issues on behalf of one customer, Justin Keener, generating approximately $61 million in investor proceeds. In October 2012, FINRA barred Keener following a disciplinary hearing for his failure to provide FINRA with documents and information after he purchased an interest in a FINRA member clearing firm. Despite the fact that the securities traded were not properly registered and were not eligible for an exemption to registration, WTF and Brickell executed the transactions. The business generated by Keener's transactions represented the majority of WTF's business and revenue. WTF and Michel failed to supervise Brickell, who was acting as a producing manager when making the stock liquidations at issue. Also, WTF, acting through Brickell, failed to have a program reasonably designed to monitor for and detect and report suspicious activity, as required by the Bank Secrecy Act.

Compensation packages may create an incentive to give unsuitable advice or generate unnecessary trading activity

SOCGEN'S ROSBANK CEO DETAINED ON $1.5M BRIBERY ALLEGATIONS

Societe Generale's chief executive of its Russian unit Rosbank was detained, by Russia's Interior Ministry on suspicion of accepting bribes. Vladimir Golubkov was apparently caught with cash on his desk after demanding $1.5m from a company seeking to modify loan terms, according to a number of media reports. The Russian ministry released television footage showing uniformed officers barging their way into Rosbank's headquarters. It then cuts to a scene scene of Golubkov standing in his office with several wads of 5,000 rouble ($150) notes piled on the desk in front of him.

EUROPEAN COMMISSION CONSULTS ON THE EUROPEAN SYSTEM OF FINANCIAL SUPERVISION

The European Commission services are launching a consultation on the European System of Financial Supervision. Since the beginning of the crisis, the European Commission has tabled around 30 proposals to improve regulation of the financial system and benefit the real economy.

In September 2009 the Commission brought forward proposals to replace the EU's existing supervisory architecture with a European System of Financial Supervision (ESFS), consisting of three European Supervisory Authorities – the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), and the European Insurance and Occupational Pensions Authority (EIOPA).

The three European supervisory authorities (ESAs) and the European Systemic Risk Board (ESRB) were established as from January 2011 and their main role is to upgrade the quality and consistency of national supervision, to strengthen oversight of cross-border groups, to establish a European single rule book applicable to all financial institutions in the financial market as well as to prevent and mitigate systemic risks to the financial stability of the Union.

The 27 national supervisors are represented in all three supervising authorities. Individual ESAs have specific roles: for example ESMA is the EU supervisor of credit rating agencies, while EBA and EIOPA carry out "stress tests" of their respective sectors. ESMA can ban products that threaten the stability of the overall financial system in emergency situations. In addition, the ESRB has been tasked with the macro-prudential oversight of the financial system within the Union.

The political agreement by the European Parliament and the Council on establishing a Single Supervisory Mechanism, with a core role for the European Central Bank (ECB), constitutes a first step towards a banking union. The ECB will carry out its tasks within the framework of the ESFS and will have to closely cooperate with the ESAs, in particular with the EBA.

The legislative acts establishing the ESFS provide for a review by the Commission of the ESRB by 17 December 2013 and of the ESAs by 2 January 2014.

The consultation is open to all stakeholders and will be available in all EU official languages.

It will run until 19 July 2013.

The results will provide important information on the effectiveness and efficiency of the ESAs and the ESRB within the ESFS and on the ESFS as a whole and will help the Commission to prepare the relevant reports.

What are the key elements of the new European financial supervisory framework?

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