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SPECIAL POINTS OF INTEREST:

- EU: Updated ESMA FAQs on prospectuses
- Market manipulators may face at least four years in jail
- Luxembourg dents EU hopes to end banking secrecy
- Belgian Regulators Issue Joint Bitcoin Warning

Dear Members,

Dear Colleagues,

Meer dan 90 leden waren aanwezig op onze infosessie inzake de nieuwe regelgeving omtrent de communicatie met betrekking tot financiële producten. Het doel was te informeren over het nieuwe regel gevende kader inzake de communicatie en de publiciteit rond financiële producten, in het bijzonder de openbare uitgiftes van effecten (obligaties), de fondsen en de verzekeringsproducten.

Een grondige kennis van deze regels is een must voor Compliance Officers, namelijk in het kader van hun controletaak op het verschaffen van duidelijke, volledige en niet-misleidende informatie aan klanten.

Cette session d'informations, initialement prévue en novembre dernier, a été postposée pour tenir compte de l'actualité toute récente sur le sujet et, en particulier, des dernières recommandations de la FSMA. On pense bien entendu aux derniers Arrêtés Royaux du Twin Peaks II mais aussi à l'avant-projet d'Arrêté Royal imposant certaines obligations en matière d'information lors de la commercialisation de produits financiers auprès de clients de détail, dont la portée est de loin beaucoup plus large et transversale. On pense aussi au projet de Règlement de la FSMA concernant l'interdiction de commercialisation de certains produits financiers auprès de clients de détail ou encore au projet de Règlement concernant les exigences techniques du label de risque.

Willem van de Wiele, advocaat bij Allen&Overy en senior associate in de Bank&Financiële afdeling, heeft voor ons het overkoepelend kader geschetst van de verplichting om duidelijke, correcte en niet-misleidende informatie te verstrekken aan de klant, de genaamde financiële consument.

Nous avons également entendu Sylvia Kierszenbaum, avocate en la même Etude, spécialisée notamment en marchés de capitaux et instruments financiers. Ze heeft een presentatie verzorgd omtrent de externe communicatie regels vervat in de nieuwe Prospectuswetgeving evenals de inhoud besproken van de aanbevelingen van de FSMA over de reclame en berichten die betrekking hebben op de openbare aanbieding van beleggingsinstrumenten, meestal obligaties, en hun toelating tot de verhandeling op een gereglementeerde markt.

Ensuite, Tom Van Dijck, associé chez Liedekerke, nous a invités à découvrir les nouvelles règles de communication externe relatives aux fonds d'investissement ainsi que celles inhérentes à la publicité relative à l'offre publique de parts d'OPC.

Son comparatif entre la loi Prospectus, la loi OPC, MiFID, la loi sur les pratiques du commerce et le projet d' Arrêté Royal transversal était des plus édifiant et témoignait de la complexité du sujet.

Last but not least, nous avons redoublé d'attention lorsque Veerle De Schryver, Directeur-Adjoint auprès de la FSMA, s'est exprimée tant à propos de la communication externe en matière d'assurances qu'elle a éclairée pour nous (Twin Peaks II et projets d'Arrêtés d'exécution) que des considérations émises à l'égard du projet d'Arrêté Royal transversal.

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EDITORIAL (PART II)

Le débat qui a suivi était riche d'enseignements pratiques notamment au regard de la responsabilité inhérente à la documentation promotionnelle, à l'absence de définition claire entre le marché primaire et secondaire et les conséquences qui en résultent et ce, nonobstant l'abondance des réglementations et à la difficulté de réconciliation des textes.

Les premiers échos ont confirmé que la séance fut fructueuse, les exposés clairs et soutenus par une riche documentation très appréciée.

Nul doute néanmoins que les Compliance Officers, les cabinets d'avocats et les Inspections de la FSMA sont plus que jamais promis à un bel avenir !

C'est, entre autres, la raison pour laquelle ce numéro de la Newsletter attire notamment votre attention sur l'accord intervenu entre le Conseil et le Parlement européen à propos de MiFID II/ MiFIR et sur quelques cas de mis-selling. Si on y ajoute le projet de loi relatif aux class actions, le cocktail peut devenir détonnant ...

Enjoy the reading !

Marie-France De Pover

Chairwoman

IN MEMORIAM

Anoushka Cordonnier

Anoushka était, jusqu'il y a quelques années, administratrice du Forum Compliance au sein duquel elle était très active. Elle a notamment animé le Compliance Day en 2010 en sa qualité de Vice-Présidente.
Sa récente disparition, des suites d'une longue maladie, nous a bouleversés. Nous garderons d'Anoushka le souvenir d'une personnalité joviale, ouverte, chaleureuse et attachante. Ses compétences dans le secteur des assurances n'étaient plus à démontrer.
Nos pensées émues et recueillies sont adressées à sa famille, à ses proches et à ses collègues. Puissent-ils trouver la force de surmonter cette douloureuse épreuve.

Le Conseil d'administration

GUIDING PRINCIPLES ON OUTSOURCING

An industry-wide Outsourcing Working Group (OWG), which comprises over 30 individuals from 24 organisations including the Investment Management Association (IMA), asset managers, outsourcing service providers and support from the big four accountancy firms (Deloitte, EY, KPMG, PwC) has published on 9 December 2013, practical measures for asset managers to improve the oversight and resilience of their outsourcing arrangements. The 'Guiding Principles' cover three areas:

Oversight

- Building a full understanding of the scope, nature, locations and contractual terms of their outsourcing arrangements in order to effectively manage and oversee the relationship with their service provider
- Conducting a risk-based assessment of outsourcing arrangements to understand the impact on the firm and the end client
- Establishing an appropriate level of ownership at a senior level for the outsourced activities

Exit Planning

The process of transitioning from one outsourcing service provider to another should include:

- A comprehensive exit plan
- Oversight by the asset manager's governance framework
- Periodic review of the exit plan

Standardisation

Having standard terminology and documentation, data interfaces and testing processes by outsourcing providers will help with transition management from one outsourcing company to another.

EU PARLIAMENT AND COUNCIL PRESIDENCY REACH AGREEMENT ON MIFIR AND MIFID II

Comprehensive rules to govern financial markets were agreed informally by negotiators for Parliament and the Council of Ministers on 14 January 2014. These rules are designed to close the loopholes in the existing legislation, ensuring that financial markets are safer as well as more efficient, investors are better protected, speculative commodity trading is curbed and high-frequency trading is regulated.

The new rules will apply to investment firms, market operators and services providing post-trade transparency information in the EU. They are set out in two pieces of legislation,
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EU PARLIAMENT AND COUNCIL PRESIDENCY REACH AGREEMENT ON MIFIR AND MIFID II (PART II)

a directly applicable regulation dealing inter alia with transparency and access to trading venues and a directive governing authorisation and organisation of trading venues and investor protection.

Market structure

All systems enabling market players to buy and sell financial instruments would have to operate as Regulated Markets (RMs) like stock exchanges, Multilateral Trading Facilities (MTFs) or Organised Trading Facilities (OTFs) designed to make sure that all trading venues are captured by the Market in Financial Instruments Directive (MiFID). Trading on OTFs would be restricted to non-equities, such as interests in bonds, structured finance products, emission allowances or derivatives.

The trading obligation would ensure that investment firms do their trades in shares on organised trading venues such as RMs or MTFs. Transactions in derivatives subject to this obligation would have to be concluded on RMs, MTFs, or OTFs.

Investor protection

Under the new rules, the duty of firms providing investment services to act in clients' best interests would also include designing investment products for specified groups of clients according to their needs, withdrawing "toxic" products from trading and ensuring that any marketing information is clearly identifiable as such and not misleading. Clients should also be informed whether the advice offered is independent or not and about the risks associated with proposed investment products and strategies.

Commodities

Parliament's negotiators ensured that for the first time, the competent authorities would be empowered to limit the size of a net position which a person may hold in commodity derivatives, given their potential impact on food and energy prices. Under the new rules, positions in commodity derivatives (traded on trading venues and over the counter), would be limited, to support orderly pricing and prevent market distorting positions and market abuse. The European Securities and Markets Authority should determine the methodology for calculating these limits, to be applied by the competent authorities.

Position limits would not apply to positions that are objectively measurable as reducing the risks directly related to the commercial activity.

High-frequency algorithmic trading

Parliament also introduced, for the first time at EU level, rules on algorithmic trading in financial instruments. As defined by these rules, such trading takes place where a computer algorithm automatically determines individual parameters of orders, such as whether to initiate the order, the timing, price or quantity. Any investment firm engaging in it would have to have effective systems and controls in place, such as "circuit breakers" that stop the trading process if price volatility gets too high. To minimize systemic risk, the algorithms used would have to be tested on venues and authorized by regulators. Moreover; records of all placed orders and cancellations of orders would have to be stored and made available to the competent authority upon request.

Third country regime

Third countries whose rules are equivalent to the new EU rules would be able to benefit from the "EU passport" when providing services to professionals.

Next steps

The political agreement with the European Parliament on updated rules for markets in financial instruments constitutes an important step aimed at establishing a safer, sounder, more transparent and more responsible financial system.

The details of this deal will be fine-tuned in technical meetings.

The Greek Presidency reached a provisional agreement in trilogue on updated rules for MiFID II

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UNE BANQUE CONDAMNÉE POUR AVOIR CONSEILLÉ À UN CLIENT D'ACHETER DES ACTIONS NATIXIS

Le 17 décembre 2013, la Cour d'appel de Grenoble a condamné la Banque populaire des Alpes (BPA) à indemniser un de ses clients qui avait acheté des actions de la banque Natixis. La Cour dénonce un défaut de conseil, au vu de la perte de valeur importante de ces actions.

En décembre 2006, puis en août 2007, un client a acheté, sur conseil de sa banque, plus de 600 actions de la banque Natixis, la banque d'affaires du Groupe Banques Populaires et Caisses d'Epargne (BPCE), le deuxième groupe bancaire en France.

A l'époque, la banque Natixis venait d'être introduite en bourse, et ses actions ont été massivement proposées dans le réseau des Banques populaires et des Caisses d'épargne du groupe BPCE.

Moins de deux ans plus tard, les problèmes de Natixis entraînent l'effondrement de l'action qui passe de près de 19,55 EUR fin 2006 à moins de 1 euro en 2009.

Le client revend ses actions début 2010, au cours de 3,61 EUR, et subit une moins-value de 8.292 EUR. Il décide alors de se retourner contre sa banque.

Dans son arrêt la Cour d'appel a estimé que la BPA a manqué à ses obligations d'information, de conseil et de loyauté envers son client, et l'a condamnée à l'indemniser à hauteur de 5.800 EUR.

La Cour souligne que ce client n'était pas un investisseur qualifié et reproche à la BPA de ne pas avoir attiré son attention sur les risques que comportaient ces opérations.

Elle l'accuse surtout de ne pas lui avoir expliqué le conflit d'intérêts dans lequel elle se trouvait, puisque la BPA était actionnaire majoritaire de la banque Natixis et avait un intérêt majeur à la vente massive de ses actions.

Plusieurs centaines d'actions en justice pourraient être introduites si l'arrêt fait jurisprudence.

L'arrêt de la Cour d'appel, rendu le 17 décembre 2013, confirme un premier jugement du Tribunal d'instance de Grenoble, rendu en septembre 2011 .

Le texte complet de l'arrêt est disponible sur le site Legifrance.

Une banque est sévèrement sanctionnée pour ne pas avoir révélé un conflit d'intérêts

BASEL COMMITTEE'S GUIDELINES ON ANTI-MONEY LAUNDERING AND TERRORISM FINANCING

The Basel Committee on Banking Supervision has issued on 15 January 2014 a set of guidelines to describe how banks should include the management of risks related to money laundering and financing of terrorism within their overall risk management framework.

The Committee's commitment to combating money laundering and the financing of terrorism is fully aligned with its mandate to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability.

Prudent management of these risks together with effective supervisory oversight is critical in protecting the safety and soundness of banks as well as the integrity of the financial system.

Failure to manage these vulnerabilities exposes banks to serious reputational, operational, compliance and other risks.

These guidelines are consistent with the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation issued by the Financial Action Task Force (FATF) in 2012 and supplement their goals and objectives.

These risk management guidelines include cross-references to FATF standards to help banks comply with national requirements based on those standards.

JPMORGAN FINED $461 MILLION BY FINCEN

On January 7, 2014 the US Financial Crimes Enforcement Network (FinCEN) fined J.P. Morgan Chase Bank, N.A. $461 million for willfully failing to report suspicious transactions arising out of Bernard L. Madoff's decades-long, multi-billion dollar fraudulent investment scheme. In addition, from 2006 to 2008, JPMorgan also made its own investments in BLM's so-called "feeder funds."

From the 1970s until he was arrested in December 2008, Bernard L. Madoff committed a massive securities fraud scheme against investors that resulted in more than $20 billion in losses to thousands of victims. JPMorgan, its predecessors and affiliates, had a long relationship with Bernard L. Madoff Investment Securities LLC (BLM), including holding the primary bank accounts in the United States used by BLM to facilitate its fraudulent investment scheme.

In 2007, JPMorgan had concerns that BLM could be engaged in fraud that culminated in the identification of several "red flags" by 2008. These red flags included:

- BLM's investment performance appeared too good to be true;
- BLM's trading techniques and investment activity lacked expected transparency;
- BLM used a small, unknown auditor; and
- BLM repeatedly refused to provide full information to JPMorgan as part of its due diligence reviews.

In the Fall of 2008, JPMorgan took steps to protect its own business interests yet failed to notify FinCEN of the same suspicious, potentially fraudulent, activities and failed to file any Suspicious Activity Report (SAR) with FinCEN until after Mr. Madoff's arrest in December 2008.

During the intervening time, JPMorgan redeemed approximately $275 million of its own investments from the BLM feeder funds, which in turn drew the funds out of BLM's JPMorgan accounts in the United States. Mr. Madoff also drained billions of dollars out of BLM's JPMorgan accounts during this time period.

When Mr. Madoff was arrested on December 11, 2008, JPMorgan booked a loss of approximately $40 million, substantially less than it would have lost but for its transactions in the Fall of 2008.

FinCEN has determined that the penalty in its matter will be $461 million, based on the suspicious transactions that flowed through Mr. Madoff's primary account at JPMorgan during 2008..

When JPMorgan suspected Mr. Madoff's fraud, it focused on its own investment exposure

IOSCO PUBLISHES REPORT ON REGULATION OF RETAIL STRUCTURED PRODUCTS

The International Organization of Securities Commissions (IOSCO) published on December 20, 2013 the final report on Regulation of Retail Structured Products, which provides a toolkit outlining regulatory options that securities regulators may find useful to regulate retail structured products.

The Toolkit has been developed with the goal of enhancing investor protection by providing securities regulators with possible approaches to address certain concerns with retail structured products.

The Toolkit has five sections with 15 regulatory tools that are organised along the value chain of the retail structured product market, from issuance to distribution to investment. They cover:

- A potential overall regulatory approach to retail structured products.
- Potential regulation of the design and issuance of the products.

These regulatory tools are concerned with the issuer's processes for product design and development. Specifically, the tools

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IOSCO PUBLISHES REPORT ON REGULATION OF RETAIL STRUCTURED PRODUCTS (PART II)

concern investor identification, the use of modelling in the product development and disclosure processes, and product approval processes.

• Potential regulation of the disclosure and marketing of the products.

These regulatory tools concern the marketing of the product using disclosure documents (such as prospectuses) and other materials (such as brochures and websites). While these materials may be prepared by the market intermediary that faces the end-customer for the product, the material information is usually provided by the issuer of the product. The Toolkit offers regulatory options that are aimed at disclosure materials regarding retail structured products, including suggested approaches to disclosures of the features, risks and costs of retail structured products to retail investors.

• Potential regulation of the distribution of the products.

IOSCO's Final Report on the Suitability Requirements with respect to the Distribution of Complex Financial Products (Suitability Requirements) concern the distribution of complex financial products and should be considered in addressing the issues raised here.

• Potential regulation of post-sales practices (i.e., once the products are in the hands of investors).

These regulatory tools concern the last element in the value chain – the investor holding the product. Here, the Toolkit looks at what post-sales responsibilities issuers (and, consistently with the Suitability Requirements, distributors) could have to the investors.

No regulatory action is proposed to be mandated by the Toolkit and it is recognized that not every Toolkit suggestion would work within the regulatory regimes of all IOSCO members. Use of any specific regulatory tool would be at the discretion and subject to the legal framework of the jurisdiction of each individual IOSCO member.

The market for structured products is substantial In 2010, sales were €85 billion in Belgium

PROJET DE LOI RELATIF A L'ACTION EN RÉPARATION COLLECTIVE

Le projet de loi relatif à l'action en réparation collective a été publié le 17 janvier 2014. Il est structuré autour de trois chapitres.

Le premier chapitre est consacré aux dispositions générales (conditions de recevabilité de l'action, composition du groupe, qualités du représentant).

Le deuxième chapitre est relatif au déroulement de la procédure en réparation collective (recevabilité, négociation, homologation de l'accord ou procédure contentieuse et exécution).

Le dernier chapitre expose les règles de procédure dérogatoires au droit commun du Code judiciaire.

L'action en réparation collective ne peut être introduite que par une association de consommateurs qui remplit les conditions fixées par la loi ou par une association qui répond à certaines conditions cumulatives.

Le Service public autonome peut également introduire une telle action, mais uniquement en vue de conclure un accord de réparation collective.

Les cours et tribunaux de Bruxelles sont les seules juridictions compétentes pour connaître de l'action en réparation collective. Le juge statue à propos de la recevabilité de l'action sur base de conditions objectives strictement définies par la loi et d'une appréciation du caractère plus efficient de l'action collective par comparaison aux recours individuels.

Une phase de négociation est systématiquement imposée aux parties afin qu'elles concluent un accord en réparation collective. Cet accord doit être homologué

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PROJET DE LOI RELATIF A L'ACTION EN RÉPARATION COLLECTIVE (PART II)

par le juge. À défaut d' accord homologué, il se prononcera sur le fond de l'affaire. Un liquidateur désigné par le juge assurera l'exécution correcte de l'accord homologué ou de la décision sur le fond.

Le juge appréciera pour chaque action introduite lequel des systèmes d'option d'inclusion ou d'exclusion convient le mieux au cas d'espèce en vue de la composition du groupe de consommateurs lésés. Il doit faire application d'un système d'option d'inclusion si la réparation de dommages corporels ou moraux est réclamée.

L'accord homologué ou la décision sur le fond sera opposable à tous les membres du groupe quel que soit le système de composition applicable et ouvrira le droit à la réparation individuelle aux consommateurs lésés qui se seront identifiés, en temps utile, auprès du greffe.

Cette action collective en réparation du dommage causé à un groupe de consommateurs par une entreprise devrait contribuer substantiellement à un plus grand respect et à une meilleure défense des droits des consommateurs.

UK'S SFO LAUNCHES FORMAL BRIBERY INVESTIGATION OF ROLLS-ROYCE

The UK's Serious Fraud Office (SFO) has launched, on 23 December 2013, a formal investigation into Rolls-Royce Holdings Plc, Europe's largest manufacturer of aircraft engines.

The investigation is centered around the company's business dealings in China and Indonesia and follows up on concerns the SFO raised a year ago about possible bribery and corruption involving intermediaries in Asia.

According to one widely reported claim, in the early 1990s Rolls-Royce gave Tommy Suharto, son of Indonesia's former president, a Rolls-Royce car and $20m in the hope it would help prompt Garuda, the country's airline, to buy its Trent 700 engines.

Some of the allegations date back more than 10 years, suggesting that the offenses might not fall under the UK's Bribery Act, which came into effect in 2010.

The law includes as an offense the failure to prevent bribery and prohibits 'facilitation payments,' (goods or services given to a public official to perform or speed up the performance of an existing duty) regardless of their size or frequency.

In its 2012 annual report, the company noted that it had enhanced its anti-bribery and corruption training program on a global level and tightened its policies on how it works with advisers and consultants.

Rolls-Royce is accused of paying bribes in the 1990s

£31M IN COMPENSATION TO BE PAID OUT FOLLOWING FCA'S ARCH CRU CONSUMER REDRESS SCHEME

Arch cru funds were high-risk products that typically invested in non-mainstream assets such as private equity and private finance. Advisers should only have recommended the funds to investors who fully understood - and were willing to accept - the risks.

However, the regulator found the funds were unsuitably sold to some investors as low or medium risk products. The FCA, and its predecessor, stepped in to ensure affected investors received redress, in line with its objective to secure an appropriate degree of protection for consumers.

Under the consumer redress scheme 3,414 sales have been reviewed by firms and 85.4% of these have been found to be unsuitable.

Total redress due under the scheme is calculated to be £31.47m.

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STANDARD BANK PLC FINED £7.6M FOR FAILURES IN ITS ANTI-MONEY LAUNDERING CONTROLS

On 22 January 2014, the Financial Conduct Authority (FCA) has fined Standard Bank PLC (Standard Bank) £7,640,400 for failings relating to its anti-money laundering (AML) policies and procedures over corporate customers connected to politically exposed persons (PEPs).

Standard Bank is the UK subsidiary of Standard Bank Group, South Africa's largest banking group. Standard Bank Group is an international banking group with extensive operations in 18 African countries and operations in 13 other countries outside of Africa.

Between 15 December 2007 and 20 July 2011, Standard Bank failed to comply with the Money Laundering Regulations because it failed to take reasonable care to ensure that all aspects of its AML policies were applied appropriately and consistently to its corporate customers connected to PEPs.

As with any financial services activity, commercial banking business can be used to launder money, particularly in the layering or integration stages of the money laundering process. In order to prevent financial crime, banks operating in this sector must have effective AML systems and controls in place ensuring that all the participants in commercial banking transactions are subjected to effective and appropriate due diligence. This is particularly important where the transaction involves PEPs or other high risk customers.

Guidance issued by the Joint Money Laundering Steering Group (JMLSG) provides that where a corporate customer is known to be linked to a PEP, such as through a directorship or shareholding, it is likely that this will put the customer into a higher risk category, and that enhanced due diligence (EDD) measures should therefore be applied.

During the relevant period, Standard Bank had business relationships with 5,339 corporate customers of which 282 were linked to one or more PEPs.

The FCA reviewed Standard Bank's policies and procedures and a sample of 48 corporate customer files, all of which had a connection with one or more PEPs. The results of this review highlighted serious weaknesses in the application of Standard Bank's AML policies and procedures.

This meant that it did not consistently:

- carry out adequate EDD measures before establishing business relationships with corporate customers that had connections with PEPs; and
- conduct the appropriate level of ongoing monitoring for existing business relationships by keeping customer due diligence up to date.

The FCA considers these failings to be particularly serious because:

- Standard Bank provided loans and other services to a significant number of corporate customers who emanated from or operated in jurisdictions which have been identified by industry recognised sources as posing a higher risk of money-laundering;
- Standard Bank identified issues relating to its ability to conduct ongoing reviews of customer files early in the relevant period, but failed to take the necessary steps to resolve the issues; and
- the FCA has previously brought action against a number of firms for AML deficiencies and has stressed to the industry the importance of compliance with AML requirements.

The weaknesses in Standard Bank's AML systems and controls resulted in an unacceptable risk of Standard Bank being used to launder the proceeds of crime.

Standard Bank and its senior management have taken significant step towards remediating the issues identified, including seeking advice and assistance from external consultants.

AML cases can also be focused on commercial banking activity

COUNCIL OF THE EU ADOPTS DIRECTIVE ON MORTGAGE CREDITS

The Council adopted on January 28, 2014 a directive aimed at creating a single market for mortgage credits in the EU, with a high degree of consumer protection.

The directive sets out to to create an efficient and competitive single market for the benefit of consumers, creditors and credit intermediaries. It seeks to establish a high level of protection whilst addressing irresponsible lending and borrowing which, in the recent context of financial crisis, has contributed to increased numbers of unaffordable loans, defaults and foreclosures throughout the EU.

By ensuring that mortgage credit markets operate in a responsible manner, the text also seeks to promote financial stability.

EU rules on misleading advertising and on unfair terms in consumer contracts do not take account of the specificities of mortgage credit. Pre-contractual information for mortgage loans is the subject of a voluntary code of conduct, though its implementation has been inconsistent.

Mortgage and renovation loans in excess of €75 000 are outside the scope of EU rules on consumer credit, and there are currently no EU requirements for non-credit institutions providing credit or for credit intermediairies.

The directive therefore establishes conditions to ensure a high degree of professionalism amongst creditors and credit intermediairies. It sets out principles for marketing and advertising, and obligations for pre-contractual information, as well as requirements for information concerning credit intermediaries and for information on the borrowing rate.

Provisions require the creditor to assess the creditworthiness of the consumer, as well as disclosure obligations on the part of the consumer. The text establishes regulatory and supervisory principles with regard to credit intermediairies, as well as provisions to enable adequate regulation and supervision of non-credit institutions.

The text adopted by the Council includes all amendments voted by the European Parliament, following an agreement reached between the two institutions in first reading.

Member states will have two years to transpose the directive into their national laws, regulations and administrative provisions.

The aim of the Mortgage Credit Directive is to make responsible mortgage lending the norm across Europe

IOSCO PUBLISHES RECOMMENDATIONS REGARDING THE PROTECTION OF CLIENT ASSETS

On January 29, 2014, the International Organization of Securities Commissions published its final report on Recommendations Regarding the Protection of Client Assets, which seeks to help regulators improve the supervision of intermediaries holding client assets.

Events such as the Lehman Brothers insolvency have placed client asset protection regimes in the spotlight. This is the result of investors trying to better understand the potential implications of placing their assets with particular intermediaries and in certain jurisdictions.

Regulators also have been seeking to address risks to client assets and how to transfer or return client assets in default, resolution or insolvency scenarios.

The eight published principles provide guidance to regulators on how to enhance their supervision of intermediaries holding client assets by clarifying the roles of the intermediary and the regulator in protecting those assets.

EUROPEAN COMMISSION UNVEILS FIRST EU ANTI-CORRUPTION REPORT

Corruption continues to be a challenge for Europe. Affecting all EU Member States, corruption costs the European economy around 120 billion euros per year. Member States have taken many initiatives in recent years, but the results are uneven and more should be done to prevent and punish corruption. These are some of the conclusions from the first ever EU Anti-Corruption Report published on February 3, 2014 by the European Commission.

The EU Anti-Corruption Report explains the situation in each Member State: what anti-corruption measures are in place, which ones are working well, what could be improved and how.

The report shows that both the nature and level of corruption, and the effectiveness of measures taken to fight it, vary from one Member State to another. It also shows that corruption deserves greater attention in all Member States.

Here are some of the main corruption-related trends across the EU:

1. Control mechanisms

There are large differences between Member States concerning prevention of corruption. For some, effective prevention has contributed to a strong reputation of little corruption, others have implemented preventive policies in an uneven way and with limited results.

Rules on conflicts of interest vary across the EU, and the mechanisms for checking declarations of conflicts of interest are often insufficient. Sanctions for violations of rules are rarely applied and often weak.

2. Prosecution and punishment

The efficiency of law enforcement and prosecution in investigating corruption varies widely across the EU. Outstanding results can be seen in some Member States. In some others successful prosecutions are rare or investigations lengthy.

3. Political dimension

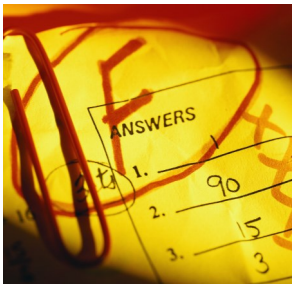
Integrity in politics remains an issue for many EU States. Codes of conduct within political parties or elected assemblies at central or local level are often missing. Dissuasive sanctions against illegal party funding are rarely imposed.

4. Risk areas

Within Member States, corruption risks are generally higher at regional and local levels, where checks and balances and internal controls tend to be weaker, than at central level.

Some shortcomings exist regarding the supervision of state-owned companies, increasing their vulnerability to corruption.

The Report calls for stronger integrity standards in the area of public procurement and suggests improvements in control mechanisms in a number of Member States.



The European Union Anti-Corruption Report covers all 28 EU Member States

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