News

Upbeat about euro area

Investors are upbeat about the outlook for the euro zone and corporate profits, according to the lastest installment of the respected BofA Merrill Lynch Fund Manager Survey. The proportion of investors believing the global economy will strengthen in the year ahead has risen to a net 81% in January, up from 71% in December.

Binding carbon targets

Binding national targets on renewable energy have been unveiled by the European Commission despite the widespread expectation that they would be dropped from the draft. "In spite of all those arguing that nothing

Salim Virji

ambitious would come out of the Commission today, we did it," Commissioner Hedegaard said triumphantly. Renewable energy must now make up 27% of the European energy mix by 2030. The EU executive also outlined a 40% goal for emission cuts as well as a reform for the embattled carbon trading scheme.

Expanded CDS trading

MarketAxess Holdings, a provider of market data and post-trade services for fixed-income markets, has expanded its MarketAxess Trade Crossing Hub, a central limit order book for single-name credit default swaps.

SunGard adds assets

SunGard has expanded asset class coverage of its SunGard Global Network Short-Term Cash Management solution by working with broker Tullett Prebon PLC. The solution now provides access to bank deposits and certificates of deposit (CDs) in addition to money market funds.

New EU Rule Moves Equities onto Platforms

European Parliament and Council adopt MiFID II

The European Parliament and the European Council agreed to new rules governing financial instruments last week, commonly referred to as MiFID II. The reform requires that equity instruments be traded on regulated platforms in order to increase transparency in the financial industry. Unregulated trading, usually taking place in so-called dark pools, will be banned if it crosses certain thresholds.

The ban does not extend to bonds and derivatives even though this was initially demanded by the EU Commission, lead by Michel Barnier. However, central clearing of most derivatives was already made mandatory by another landmark piece of EU legislation, EMIR, which equally aims to stamp out perceived excesses in the financial industry by pulling back the curtains on its opaque structures. In addition, the MiFID rules create a new multilateral trading platform for non-equity instruments, including bonds, known as an organised trading facility or OTF.

Carnotdigital

Agreement on MiFID II in Europe: the European Parliament in Strasbourg.

It will take some time for the new regulation to be put into practice as EU technocrats still need to hammer out the details. Experts expect the directive to be implemented no earlier than 2015, perhaps even 2016. This also includes the most crucial aspect for many treasurers: who is exempt from what rules and which circumstances.

These exemptions are likely to increase. Past experience shows that EU reforms start out tougher than they emerge from the legislative process, thanks to relentless lobbying by financial services firms that sets in as soon as the first draft is out.

Nonetheless, many experts already warn that the new rules will increase costs of derivatives. "For the over-the-counter derivatives market, there will be a seismic shift resulting in higher costs, tighter margins and reduced flexibility when hedging," Ed Parker from Mayer Brown said. "To the extent that the new rules restrict liquidity...this will have the most significant effect on treasury functions. The investor protection rules may also put certain strategies out of bounds," he added *sta*

EU: We Will Not Postpone EMIR

Final preparations as reporting start date draws closer

The unexpected postponement of the SEPA deadline last month (see story p. 2) has begun to cast a shadow of doubt over EMIR. Implementation surveys show that many treasuries are woefully short of compliance, meaning that an extension would provide companies with some much-needed breathing room.

In November the EU watchdog ESMA propsed a delay that was rejected by the EU Commission.

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An EMIR delay will not be happening, the EU says.

People close to EMIR report of "rumours" that the EU is planning a postponement, but also caution that these rumours are unreliable. One source said that "there is no indication whatsoever" of a postponement. He points out that any such announcement would have been made by now.

The SEPA delay was announced three weeks before the intended start date. The EMIR reporting start date is less than three weeks away.

The European Union continues to assert that no postponement will be forthcoming regardless of the state of preparation. In fact, a person close to the EU said that a formal rejection of the ESMA proposal to delay EMIR was impending.

The EU's ostensibly tough position means corporate treasurers have little choice but to prepare. Meanwhile, technology providers are looking to cash in on the regulatory obligation. Bank messaging provider SWIFT is the latest company to announce a new service aimed at companies seeking to comply with the new rules (see Software page). German bank Commerzbank also recently unveiled its own solution to help clients with EMIR compliance. *sta*

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