ESMA updates its Questions and Answers on the Securitisation Regulation

This document provides clarification on different aspects of the templates contained in ESMA's draft technical standards on disclosure requirements. In particular, the document clarifies how several specific fields in the templates should be completed. In addition, a new section has been added to the document with questions and answers relating ESMA's draft technical standards on notifications to ESMA of securitisations which meet the Simple Transparent and Standardised ('STS') criteria.

The purpose of this document is to promote common, uniform and consistent supervisory approaches and practices in the day-to-day application of Securitisation Regulation and help regulated entities comply with their obligations. ESMA will continue to develop this Q&A on the Securitisation Regulation in the coming months and will review and update them where required.

ESMA has provided these Q&As in advance of several delegated acts being adopted by the European Commission, with a view to providing guidance to market participants seeking further context that may be helpful for their future expectations of how to comply with these technical standards. Market participants should be aware that the Q&As are subject to change should the delegated acts adopted by the European Commission contain changes relative to the draft technical standards submitted by ESMA to the Commission. Furthermore, ESMA reserves the right to further adjust or update the Q&As at any time. Therefore, the Q&As below are indicative until the delegated acts on which they are based have been adopted by the European Commission and furthermore do not signal that the final delegated acts adopted by the Commission on these standards will necessarily be identical to the provisions referenced in the document.

ESMA updates its opinion on ancillary activity calculations

Market participants, under the revised Markets in Financial Instruments Directive (MiFID II), are required to measure their own activity against total market sizes in commodity derivatives. These sizes are important to enable market participants to assess whether they exceed the ancillary activity thresholds in MiFID II and consequently would have to apply for authorisation as an investment firm.
In issuing this opinion, ESMA considers that the guidance on market size will

contribute positively to the consistency of supervisory practices and will ensure a uniform approach throughout the Union.

Background
Determining market size figures is challenging for national competent authorities (NCAs) and market participants since there is no centralised recording of on-venue and off-venue transactions for commodity derivatives and emission allowances, which are publicly available. NCAs and market participants have asked ESMA to provide guidance for the determination of the market size figures to ensure the correct application of Article 2(3) of the Delegated Regulation.

Benoît Cœuré: Payments for the people

Speech by Introductory remarks by Benoît Cœuré, Member of the Executive Board of the ECB and Chair of the CPMI, at the High-level meeting on financial inclusion, Basel, 27 May 2019

Introduction

Thank you Agustín for the kind words of welcome and for hosting this fifth high-level meeting on financial inclusion. Thanks also for your continuing support of the Committee on Payments and Market Infrastructures (CPMI).

I am honoured to be co-hosting this meeting with Queen Máxima of the Netherlands. Her Majesty is here today in her capacity as the United Nations

Secretary-General’s Special Advocate for Inclusive Finance for Development (UNSGSA). You will also know Queen Máxima as an honorary patron of the G20’s Global Partnership for Financial Inclusion. By lending her voice to raise global awareness of the importance of financial inclusion in the fight against poverty and gender inequality, Her Majesty is an extremely effective advocate of universal access to affordable, effective and safe financial services. We are genuinely grateful for your support.

Today, we are bringing together the United Nations, the global standard-setting bodies and a range of other international organisations, central banks and non-governmental organisations to discuss financial inclusion.[1]

Before we turn to the agenda, allow me to reflect briefly on financial inclusion and payments, drawing on the work of the CPMI.[2]

Payments and financial inclusion

Milton Friedman once said that “inflation is always and everywhere a monetary phenomenon”. In a similar vein, I would argue that *financial inclusion* is always and everywhere a *payments* phenomenon – at least in the early stages. Payments are the lifeblood of any economy. Think about the basic needs that we pay for on a daily basis: food, transportation, healthcare and clothing, to name but a few. Paul Volcker once famously asked how many financial innovations have been as important to the individual as the automatic teller machine.[3]

So, financial inclusion starts with payments. It is the gateway to other financial services, such as savings accounts, credit or insurance, that allow individuals to invest and protect their income against risks. The distinguished role of payments has guided the work of the World Bank and the CPMI. Three years ago, we published a report on Payment Aspects of Financial Inclusion, affectionately known as PAFI, to help countries expand access to payment services.

The PAFI principles outline concrete actions that countries can take, including (i) providing basic accounts at little or no cost, (ii) stepping up efforts to increase financial literacy, and (iii) leveraging large-volume payment programmes, such as government payments, by adopting electronic payment services.

In the meantime, the PAFI framework has been adopted as the analytical underpinning for designing and implementing country-level actions under the World Bank’s Universal Financial Access 2020 agenda. By the end of last year, the PAFI framework had been used as a tool to critically analyse the degree of access to payment services and transaction accounts and their usage in about a dozen countries. In addition, many countries have used the framework to undertake a self-assessment of the financial infrastructure in their country.

As we mark the PAFI report’s third anniversary, it seems like a good time to review the progress made in expanding access to payment services. Since 2011, more than one billion adults have gained access to basic transaction accounts

– that is, accounts with a financial institution or a mobile money service provider.[4]

Much of this gain can be attributed to the greater use of new technologies, including smartphones and the internet, which enable services to be provided using digital channels instead of through bricks-and-mortar operations. Such electronic channels support the efficient and low-cost delivery of services, even in remote areas, and open up markets to new providers.

Yet, as of 2017, around 30% of the adult population worldwide still lacked access to payment services. While financial exclusion is also an issue in some advanced economies, it affects a majority of adults in Africa and South America. Only seven African countries have achieved a 60% penetration rate. In many African countries, less than half the population has access to basic payment services.

Unfortunately, but not surprisingly, the lack of access to an account disproportionately affects low-income households and women. Financial exclusion of this type threatens the cohesion of societies. It is often part of a much wider social exclusion faced by individuals who lack access to education, insurance or healthcare.

And those who do own an account often face large transaction costs, particularly in cross-border payments. Take remittances as an example. The World Bank estimates that almost USD 530 billion in remittances were sent last year – more than three times the amount of official development assistance sent to the receiving countries.[5] Evidence shows that foreign workers from low- and middle-income countries sending funds home face an average cost of about USD 14 for a USD 200 payment.[6]

In other words, cross-border payments still tend to be notably slower, more expensive and more opaque than domestic payments. No wonder, then, that many turn to what I call “shadow payments”, such as informal networks or unregulated cryptocurrency platforms, that lack proper cyber security, basic risk management, legal certainty or consumer protection.[7]

New SWIFT data that the CPMI is publishing today provides further evidence that access to safe and cost-effective cross-border payments is not improving. It shows that the correspondent banking network has shrunk by 20% over the past seven years and has become more concentrated as a result.

Taking PAFI forward

Broader access to payment systems is therefore crucial.

The PAFI report notes a number of potential barriers to providing transaction accounts, from high fees, low income levels and poor financial literacy, to economic and labour informality. Many of these issues remain today, and are also a problem for emerging fintech solutions. Many fintech solutions, for example, require a smart phone. Such requirements add to the cost of the solution and automatically exclude certain populations – those with low income levels or limited technical aptitude.

These remaining obstacles clearly illustrate that we need to continue our efforts. That's why, in late 2018, the CPMI and the World Bank embarked on the next stage of our journey on the road to ensuring universal access to transaction accounts. The PAFI task force will be focusing on the following three topics:

- First, we are reviewing the lessons learned from applying the PAFI framework. We will look at how PAFI is being implemented, the challenges involved and recent developments in payments that need more detailed guidance, such as emerging fintech solutions. And we will build on previous CPMI work on fast payments, correspondent banking, cross-border payments and digital currencies and see how this could broaden access to existing and new payment services.
- Second, we will develop a toolkit to facilitate the application of the PAFI guiding principles and key actions for consideration. This work stream will aim to provide more detailed guidance on how to approach specific issues in practice, and possibly also on the interpretation of some of the guiding principles and the accompanying key actions for consideration. We hope that a practical toolkit to promote financial inclusion will inspire public and private sector organisations in interested countries to do more.
- And last but not least, we are also developing a framework for measuring the effectiveness of financial inclusion efforts from a payments perspective. This will allow us to measure progress more accurately. The framework will provide guidance on a set of indicators, together with the underlying methodology, that can be developed by each country to measure the effectiveness over time of its financial inclusion efforts. We believe that helping countries to assess the progress they are making will allow them to better target their financial inclusion policies.

As you can see, this is quite an ambitious work programme. We have also set ourselves an ambitious timeline: we aim to finish the PAFI work in the first half of next year. And in addition to the work being done by the PAFI task force, the CPMI is also supporting the Financial Inclusion Global Initiative, which is a three-year programme led by the World Bank Group, the International Telecommunications Union, the CPMI and the Bill & Melinda Gates Foundation. Its objective is to provide targeted technical assistance to China, Egypt and Mexico to increase acceptance of electronic payments, extend the use of digital identification for financial services and enhance payment system security, infrastructure and technology.

Conclusion

Financial inclusion starts with payments, and with this I would like to conclude. It has therefore been, and remains, a key objective for the CPMI. Thanks also to the support of Queen Máxima, significant progress has been made in recent years, with a number of innovative solutions helping to increase access to payment services for underserved populations around the world.

However, a significant number of people across the globe still lack the means to make fast, secure and trustworthy payments. Lack of access to basic payment services risks feeding wider social exclusion and supporting the rise of potentially unsafe shadow payments that do not offer legal certainty or sound credit and liquidity risk management.

To protect consumers, and to spread the benefits of financial inclusion more widely, we need to continue our work – in close cooperation with all stakeholders – so that everyone, and not just a portion of the population, enjoys access to basic payment services. Ultimately, this work will not only benefit those who become financially included; it will also foster social cohesion and support economic prosperity more broadly.

Thank you.

EEA Agreement turns 25 with the pending challenge of completing the internal market and its social dimension

The 25th anniversary of the European Economic Area (EEA) Agreement, in force since 1994, was the main topic of the EEA Consultative Committee meeting that took place on 23 and 24 May. This committee, which represents employers, workers and other civil society players of EEA member states, insisted on the importance of completing the internal market and taking into account its social dimension.

At a special session dedicated to the 25 years celebration, **Dilyana Slavova**, President of the External Relations Section of the EESC, defined the EEA Agreement as *a success story; more than a trade agreement it's an example of cooperation between countries that share the same values*. **Henri Gétaz**, Secretary-General of the EFTA, stressed the resilience of the EEA Agreement: *We went through the financial crisis, up to four reforms of EU Treaties, and the EEA is still in place and working; it takes a lot of work to get this level of cooperation, and also political effort*.

The members of the EEA Consultative Committee approved a report and resolution on the Benefits of 25 years of the EEA Agreement, drafted by **Judy McKnight**, in representation of the European Economic and Social Committee (EESC), and **Halldór Árnasson**, from the European Free Trade Association (EFTA) Consultative Committee. The resolution takes stock of the progress made since the entry into force of the EEA Agreement in 1994.

It is generally agreed that the internal market has had a positive effect, with economic benefits that amount to about 8.5% of the European Union's GDP. However, according to the report approved by the EEA Consultative Committee, *integration in the internal market is still far from fulfilling its potential*, especially in the field of services, which account for around 75% of the GDP in the EU, while only for around 25% of trade in the internal market.

Social issues

Equally important is the development of the social dimension of the internal market. As stated by **Judy McKnight**, rapporteur of the resolution, *economic growth is not enough if it goes just to 1% of the population, and the same goes for sustainability*. The EEA Agreement contains important legislation in the field of labour law, workers' rights, health and safety at work and anti-discrimination. The social dimension of the agreement received a renewed focus through the European Pillar of Social Rights, which aims to ensure equal opportunities and access to the labour market, fair working conditions and social protection and inclusion.

The EEA Agreement Consultative Committee also approved a report and resolution on the European Labour Authority (ELA), drafted by **Robert Rene Hansen**, from the EFTA Consultative Committee, and **Vladimira Drbalová**, from the EESC.

The resolution welcomes the establishment of the ELA, which will be up and running in 2019 and reach its full operational capacity in 2023, but also calls for an *adequate funding and staffing* and for a *full implementation of EEA labour law*. While acknowledging the economic benefit of an integrated labour market, it also asks the ELA to guarantee a fair mobility within the EEA member States and to facilitate the participation of social partners from both the EU and the EFTA in its relevant bodies.

[Main topics and media events 24 May – 9 June 2019]()

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