SUMMARY MINUTES

Video conference with representatives of FLB, FMLC, FMLG, HKMA, MAS, SNB and EFMLG (organiser)

Tuesday, 19 April 2011, 2 pm – 4 pm CET

1.	**FLB initiatives**	**Financial Law Board** **Kenji Sakuta & Keiko Harimoto**
a.	Effect of the Earthquake in Japan on the Stock Market Operations	(Effect of the Earthquake in Japan on the Stock Market Operations) On Friday, March 11, Japan was hit by one of the largest earthquakes in human history. The destructive shaking arrived in Tokyo only about 15 minutes before the closing time of the Tokyo Stock Exchange. So the Stock Market closed as usual just after the earthquake, without any special decision. After the earthquake, trading at the Tokyo Stock Exchange was continued every business day. However, stock prices in Tokyo fluctuated extremely as the huge damage of the earthquake followed by the tsunami was revealed in the northeastern part of Japan. In addition to this, the crisis at the nuclear plant in Fukushima became serious. The Nikkei Stock Average fell by 16% in the two sessions following the quake on Monday and Tuesday, then rose by 6% in the next session on Wednesday. In this situation, it was reported that certain politicians started to claim that stock market should be closed. Such politicians seemed to think that extreme fluctuation of stock prices itself could worsen sentiment of investors, make Japan's financial system unstable, and give rise to undesirable effect on the whole economy. In addition to this, it was reported that some foreign financial institutions in Tokyo called for the suspension of the stock market in Tokyo. They seemed quite nervous about growing fears over radiation levels in Tokyo caused by the nuclear crisis in Fukushima, and part of staff members of such institutions had actually started to temporary retreat from Tokyo to Osaka, Hong Kong, or Singapore. In fact, Japan's legal framework for stock exchange has rules related to the situation like this. Article 152 of the Financial Instruments and Exchange Act provides that the Prime Minister may suspend trading in a stock exchange when the trade in the exchange is found to be harmful for the public interest or investor

		protection. Such suspension period could not exceed 10 days if the decision is made by the Prime Minister, although the period could be up to 3 months if the cabinet consents. Apart from this Article, Stock Exchange has the sole discretion to suspend trading on the Stock Exchange. According to the rules made by the Tokyo Stock Exchange, the Stock Exchange would make a decision to suspend trading if brokerages accounting for 20% of trading volume cannot do business. However, both the Japanese government and the Tokyo Stock Exchange did not take action to suspend stock trading. There seem to be several backgrounds for this: First, temporary suspension of trading could have some adverse effects. If trading is suspended, it might accelerate concerns by investors and result in a market meltdown after the suspension is over. In addition to this, confidence in Japan’s market could be severely damaged in the long run, if the suspension was regarded as an abuse of discretion. Second, infrastructures for securities trading were not severely damaged in Tokyo. No office buildings collapsed and the transportation network was not damaged in Tokyo, although most of the train services in Tokyo stopped on Friday night, just after the earthquake, and most of the office workers had to spend several hours to walk home. In addition to this, power supply never stopped in the central part of Tokyo, and infrastructures for trading, clearing and settlement had no problems in continuing their operations as usual. Moreover, we have to take note the fact that the earthquake occurred on a Friday afternoon, just before a weekend. Saturday and Sunday just after the earthquake were literally precious time for Japan to prepare for the next business day. Financial authorities and the Stock Exchange were able to spend the weekend to closely monitor how things developed and to prepare necessary actions. (The proposal for management integration between Tokyo Stock Exchange and Osaka Securities Exchange) On March 10, Tokyo Stock Exchange and Osaka Securities Exchange expressed their intention to discuss their management integration.

		They are Japan’s two largest exchanges. Tokyo Stock Exchange is dominant in cash equities trading while Osaka Securities Exchange is strong in Nikkei futures and other derivatives. Through their management integration, they aim to enhance efficiency by sharing the cost of establishing and operating systems to handle variety of products such as derivatives and eventually improve their positions in the global competition among exchanges. It was reported that an integration proposal under consideration would reorganize the Japanese exchanges’ operations and would establish separate subsidiaries handling different types of products respectively under a holding company. It was also reported that Tokyo Stock Exchange plans to prepare for listing, aiming for an initial public offering this fall, in order to enhance transparency with regard to the merger ratio, while Osaka Securities Exchange’s shares has already listed on the JADAQ market. Although the discussion on their management integration had been planned to start by the end of March, it has been delayed due to the earthquake on March 11. The president of Tokyo Stock Exchange stated to the media that the most important thing for them to do after such disastrous earthquake would be to provide liquidity to investors in Japan and all over the world, and to keep running trading systems continuously.
2.	**FMLC initiatives**	**Financial Markets Law Committee**
a.	UK Government’s latest measures and proposals relating to the break-up of the Financial Services Authority	James Grand (“JG”) described the structure of the reforms to the regulatory system in the UK following the breakup of the Financial Services Authority. The Financial Policy Committee (“FPC”) is to have responsibility for macro-regulation, whilst the Prudential Regulatory Authority (“PRA”) is to have operational responsibility for micro-prudential regulation of firms which manage significant risks. Firms not regulated by the PRA will be regulated by the Financial Conduct Authority (“FCA”). James explained that an FMLC working group submitted a Paper to HM Treasury on 7 December 2010 which suggested that, given the close relationship between prudential and conduct issues at a business level, it would be important to ensure the rule books of the PRA and FCA remain coordinated and consistent in their approach. The FMLC working group put forth that a coordinated approach between

		the agencies was particularly important in relation to authorisation and enforcement, so as to avoid duplication and manage the regulatory overlap. Furthermore, the FMLC working group suggested that legal certainty could be promoted by providing regulated persons with “bright lines” for self-direction. JG explained that HM Treasury released a second consultation paper on 17 February 2011, which described with greater depth the roles and powers to be given to the FPC, PRA, FCA and the Bank of England. JG informed those present that a new White Paper and a draft Bill are expected in spring 2011 and that the new regulatory architecture was expected to be in place by the end of 2012.
b.	Securities Law Directive – European Commission’s consultation on the harmonisation of securities law	JG informed those present that the EU Commission had published a consultation paper on 5 November 2010 which invited market participants to feedback on proposals to develop a pan-European legal framework for the holding and settlement of securities, the Securities Law Directive (“SLD”). A further objective of the proposals is to enhance investors’ rights against intermediaries. JG explained that the Secretariat had been invited by HM Treasury to prepare a response to the consultation paper and that an FMLC working group was set up for this purpose. The FMLC Group sent a letter to the EU Commission on 21 January 2011, suggesting that: (i) legal certainty would be achieved through harmonisation of the SLD with the UNIDROIT Geneva Securities Convention; (ii) it is advisable to exclude OTC derivatives from the scope of the SLD unless or until a market wide centralisation of derivatives settlement, as envisaged by the European Market Infrastructure Regulation, has occurred; (iii) systemic risk could follow from legislation that mandates flat cost structures for domestic and overseas securities holding of securities by intermediary, whilst increasing the compliance burdens on intermediaries; and (iv) systemic risk could result from the imposition of a strict liability standard on intermediaries. JG informed those present that the FMLC Secretariat is awaiting publication of more detailed legislative

		proposals in 2011.
c.	Trustees' role and liability in capital markets transactions	Trustees have an important role in the capital markets, acting on behalf of noteholders and bondholders in the event of a default an issuer. JG expressed his view that the performance of this role has been disappointing to date as trustees are held back by their concurrent obligations to noteholders and bondholders and to issuers. JG explained that an FMLC working group, established to examine the uncertainty in this arena, has split into two sub-groups. One sub-group is considering an elective, legal regime to govern the relationship between trustees and bondholders/noteholders. The other sub-group is considering best practice documentation: how the current drafting could be improved to provide legal certainty. The working group has also been discussing whether it is necessary to appoint trustees at all and the issues of bondholder rights to requisition meetings, transferring trust property to a new trustee and the availability of documents. JG informed those present that FMLC publications on this topic can be expected in 2011.
3.	**HKMA initiatives**	**Hong Kong Monetary Authority**
a.	Latest developments on Renminbi business in Hong Kong	1. **Overseas Direct Investments in RMB by Mainland Enterprises** – In January this year, the People's Bank of China announced the launch of a pilot scheme for the settlement of overseas direct investments in RMB. Under the Scheme, Mainland enterprises can conduct direct investments overseas using RMB after they have obtained approval from the relevant Mainland authorities. Moreover, the Hong Kong branches and correspondent banks of Mainland banks can obtain RMB funds from the Mainland and extend RMB lending to the enterprises conducting the investments. We expect that the launch of the Scheme will further enhance the circulation of RMB funds for trade and investment activities.

		2. **Launch of RMB Fiduciary Account Service** – The Hong Kong Association of Banks raised in November 2010 the issue of credit limit against the background of an increasing amount of RMB deposits being placed by Participating Banks with the Clearing Bank given that RMB business in Hong Kong continued to expand and deepen. The issue is now resolved by providing an option for Participating Banks to place RMB funds through the Clearing Bank under a custody arrangement for onward depositing with the People's Bank of China. While RMB funds for their day-to-day business and settlement needs would continue to be placed with the Clearing Bank, Participating Banks can place excess RMB funds in a segregated Fiduciary Account with the People's Bank of China through the Clearing Bank. In this way, Participating Banks can better manage their credit exposure to the Clearing Bank for RMB business in Hong Kong.
b.	Development of a Local Trade Repository for OTC Derivatives Trades in Hong Kong	1. Following the global financial crisis in 2008, concerted effort has been made by the international community to improve the transparency and reduce the counterparty risks in the OTC derivatives markets. G20 leaders, at the Pittsburgh meeting in September 2009, specifically recommended that all standardised OTC derivatives contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparty clearing facilities ("CCPs") by the end of 2012. Further, all OTC derivatives contracts should be reported to TRs. Non-centrally cleared contracts should be subject to high capital requirements. 2. As an international financial centre, Hong Kong will need to comply with these international standards. 3. The TR is a centralised registry that maintains an electronic database of records of OTC derivatives transactions. By providing OTC derivatives transactions information to regulatory authorities, the TR plays a vital role in supporting authorities with the carrying out of their market surveillance responsibilities, which will help maintain stability of the financial systems in Hong Kong. It also improves market transparency for better systemic risk assessment, promotes standardisation and provides a level of consistency in the quality and availability of transaction data. 4. Scheduled for launch in 2012, the TR in Hong Kong will be provided as a new service under the CMU operated by the HKMA. A link will be developed between the TR in Hong Kong and the CCP

		for OTC derivatives to be launched by Hong Kong Exchanges and Clearing Ltd ("HKEx") to allow eligible transactions to be passed to the CCP for central clearing. The HKMA will work together with the Government and the Securities and Futures Commission to build a regulatory regime for OTC derivatives markets and ensure a level playing field for financial institutions in Hong Kong. This would cover the reporting of OTC derivatives transactions to the TR (particularly those which are relevant to the Hong Kong market) and the clearing of standardised OTC derivatives transactions through an authorised CCP. 5. At the initial stage, the reporting and clearing requirement will be applicable to interest rate swaps and non-deliverable forwards only. Consideration will be given to extending the requirement to other appropriate OTC derivatives asset classes after the initial roll out, having regard to local and overseas market developments including any further guidance from international regulatory bodies. Industry consultation on the relevant supervisory requirements will be conducted by the third quarter of 2011. 6. The HKMA considers it both timely and necessary for Hong Kong to develop a local TR. The local TR and the CCP for OTC derivatives to be launched by HKEx are crucial for enhancing the robustness and transparency of local OTC derivatives markets, bringing Hong Kong's financial market infrastructure in line with global standards.
4.	**MAS initiatives**	**Monetary Authority Singapore**
a.	Changes to the Deposit Insurance and Policy Owners' Protections Schemes, and Amendments to the Insurance Act	**Changes to the Deposit Insurance and Policy Owners' Protections Schemes, and Amendments to the Insurance Act** 1. The Singapore Parliament passed the Amendments to the Deposit Insurance and Policy Owners' Protection Schemes Bill and the Insurance Act on 11 April 2011 which seek to enhance protection to Depositors and Insurance Policy Owners. : 2. Key features of the enhanced Deposit Insurance Scheme are as follows: (a) Under the old Deposit Insurance Scheme only individuals and charities were insured. The enhanced Deposit Insurance Scheme now covers all non-bank depositors; (b) the maximum level of coverage is also increased from S$20,000.00 to S$50,000.00, raising the proportion of insured depositors that are fully insured to 91%; and

		(c) depositors will be paid the gross amount of their insured deposits. The depositor however remains responsible for any liabilities he might owe to the Scheme member, whose liquidator will then be empowered to recover those liabilities from the depositor. 3. Key features of the expanded Policy Owner's Protection Scheme (the "PPF Scheme") are as follows: (a) The previous PPF scheme covered only life policies written by life insurers as well as compulsory motor third party injury and work injury compensation insurance policies. The expanded PPF scheme will cover – (i) all accident and health ("A&H") policies by life insurers; and (ii) Singapore policies of specified personal lines written by general insurance. These are: personal motor insurance, individual and group short-term A&H insurance, personal property insurance for structure and contents, foreign domestic maid insurance, and personal travel insurance; (b) the enhanced PPF scheme will cover 100% of the liabilities of insured policies, subject to caps in respect of insured policies issued by a life insurer; 4. Key amendments to the Insurance Act are as follows: (a) the amendments will give MAS broad powers in dealing with failing insurers, including the power to direct that an insurer stop issuing or renewing existing policies to protect existing policy owners from further deterioration of the insurer's financial strength. MAS may also assume control and manage part or all of the business until such time as the reasons for the assumption of control cease to exist, or when it is no longer necessary to do so to protect policy owners. (b) MAS shall have the power to apply to the High Court for a moratorium not exceeding six months, during which the High Court may order that no resolution to wind up the insurer shall be passed, that no security shall be enforced against the insurer's property, etc. and (c) MAS shall have the power to determine that all or part of the shares in an insurer be transferred, or that the share capital of the insurer be restructured by reduction.
b.	Proposed regulation of Credit Rating Agencies	**Proposed regulation of Credit Rating Agencies** 1. In keeping with – (a) Principle 22 of the Objectives and Principles of Securities Regulation ("IOSCO Principles")

		adopted by the International Organisation of Securities Commissions ("IOSCO") in June 2010; and (b) the global trend towards regulating credit rating agencies ("CRAs"), MAS released a consultation paper in March 2011 relating to the proposed regulation of CRAs 2. Broadly, the consultation paper proposes that CRAs be regulated by designating the business of "providing credit rating services" as a regulated activity under the Securities and Futures Act (Cap. 289) (the "SFA"). This will have the effect of – (a) requiring CRAs to hold a Capital Markets Services ("CMS") licence under the SFA; and (b) requiring individuals who act as representatives of CRAs to register under the Representative Notification Framework, thus bringing them within the existing regulatory architecture for persons licensed under the CMS Licence framework; and subject them to comply with existing Regulations, Notices and Guidelines issued under the SFA. 3. The proposed definition of credit rating being expressing "an opinion on creditworthiness" on a rating target is – (a) consistent with the definition of "Credit Rating" in the IOSCO Principles as an opinion on creditworthiness; (b) distinguishable from recommendations to buy and sell; and (c) not meant to include – (i) private credit ratings prepared pursuant to individual order and not intended for public disclosure or distribution by subscription; (ii) the operation of internal credit ratings systems; and (iii) credit scoring relating to consumer, commercial, or industrial obligations. 4. It is proposed that CRAs be subject to prudential requirements similar to existing CMS licensees advising on corporate finance, including the maintenance of a minimum base capital of S$250,000. 5. It is proposed that a Code of Conduct applicable to CRAs (the "Code") be issued. This is broadly divided into the following sections: (a) the Quality and Integrity of the Rating Process; (b) the Independence and Avoidance of Conflicts of Interest;

		(c) Responsibilities to the Investing Public and Issuers; and (d) Disclosure of Internal Code of Conduct and Communication with Market Participants. Whilst infractions of the Code are not statutory violations, they may be taken into account by MAS in determining whether or not to impose extra conditions, or to grant, renew or suspend approvals for both CRAs as well as their representatives. 6. A transition period of 6 months is proposed.
c.	Proposed amendments to Financial Advisers Regulations	**Proposed amendments to Financial Advisers Regulations** 1. A consultation paper proposing amendments to the Financial Advisers Regulations was released by the MAS in the last quarter. 2. There are two broad issues addressed in the proposed amendments aimed at: (a) ensuring that financial advisers satisfy certain due-diligence requirements; and (b) ensuring the segregation between bank teller activities and sales of investment products. 3. Under the current framework, licensed financial advisers must review the suitability of a product prior to recommending a product to a client. Financial advisers are also prohibited from making recommendations with respect to any investment product to a client who is reasonably expected to rely on the recommendation, unless the financial adviser has a reasonable basis for making the recommendation, which involves considering the investment objectives, financial situation and the subject-matter of the recommendation. 4. The proposed amendments are intended to supplement the current framework in two aspects – (a) by requiring financial advisers to ascertain the suitability of *new* products. This includes an assessment of factors such as the type of client for which the product would be suitable, the key risks faced by investing in the new product, fees and costs as compared with similar products, measures to prevent conflicts of interest, etc; and (b) by requiring the senior management of the financial adviser to personally satisfy themselves of the suitability of the new product for target clients before approving the new products. 5. On the segregation between bank teller and financial advisory functions, the proposed amendments will make it mandatory that tellers may only introduce clients to financial advisers where the client

		has expressly requested so, and where the teller himself is not remunerated by either the client or the financial adviser for the introduction.
5.	**SNB initiatives**	**Swiss National Bank** **Ursula Thier**
a.	Tripartite agreement between Swiss authorities on collaboration regarding financial market issues	The Federal Department of Finance (FDF), the Swiss Financial Market Supervisory Authority (FINMA) and the Swiss National Bank (SNB) are the three authorities that deal with financial market issues in Switzerland. In the aftermath of the 2008 financial crisis the three authorities have signed a tripartite memorandum of understanding in January 2011 in order to enhance their collaboration. The overall objective is to improve and strengthen the stability of the Swiss financial system. The MOU applies to the exchange of information on matters relating to financial stability and financial market regulation, as well as the cooperation in the event of a crisis that has the potential to threaten the stability of the financial market. According to the MOU the three authorities will meet regularly for an exchange of information and views on financial stability and issues of interest in financial market regulation. Also, in the event of a severe crisis, the three authorities will work closely together and coordinate their work. To this end, a joint crisis management organisation will be set up and crisis management tools will be established. However, the various responsibilities and powers of the three authorities established by law remain unchanged by the MOU.
b.	Results of the public consultation on "too big to fail" legislative proposals	Following the 2008 financial crisis, an expert group was set up to examine the TBTF problem. The expert group's report was published in November 2010. Following the report the Federal Council in December 2010 submitted for public consultation legislative proposals dealing with the systemic risks of big banks. According to this proposal, the Swiss Federal Banking Act should be amended. Namely, systemically important banks should hold more capital, meet more stringent liquidity requirements and improve their risk diversification. They should be organised in such a way that a national economy's systemically important functions can be maintained even if their solvency is at risk. In order to promote the issue of new reserve and convertible capital in Switzerland, the Federal Council also proposed tax measures. The consultation ended on 23 March 2011. Most of the proposals were well received and widely accepted. However, the detailed report has not been released yet. It is expected that the matter will be

		referred to Parliament during the next couple of weeks so that the bill can be considered by the first chamber during the summer session and by the second chamber during the autumn session. The legislative amendments are scheduled to come into force at the beginning of 2012.
c.	Depositor protection: update (including revised bank insolvency law)	In December 2008 the Swiss Parliament has passed new temporary legislation providing for an enhanced depositor protection. The legislation was limited in time up until December 2010. It was the intention to revise the existing depositor protection regime entirely. To this end the Federal Council proposed a new Federal Act on Deposit Protection in 2009. However, the draft act was heavily criticised during the public consultation in 2009. The proposed creation of a fund of around CHF 10 billion to be financed by banks and the additional protection of deposits by the Confederation met with great resistance. In contrast, the temporary provisions to strengthen depositor protection introduced already in 2008 as well as the proposed new regulations concerning financial reorganisation and insolvency were well received. The Federal Council therefore decided at the start of 2010 to transform certain elements of the temporary law into permanent law and to introduce the provisions that were positively received during the consultation as part of the Banking Act. However, the provisions concerning depositor protection remained disputed in Parliament, so that those provisions were excluded from the current revision of the Banking Act. Parliament passed the provisions concerning – inter alia – the revised bank insolvency law a month ago. The New provisions will come into force on 1st January 2012. Also, a new implementing ordinance is currently being prepared which should come into force at the same time. To this end the regimes of other jurisdictions, such as the Special Resolution Regime in the UK, are also being looked at. The temporary legislation on depositor protection was extended up until the end of 2012 in order to give Parliament more time to work on those provisions.
6.	**FMLG initiatives**	**Financial Markets Lawyers Group** **Michael Nelson & Jamila Piracci**
a.	Regulatory Restructuring: Dodd-Frank Act Update	The U.S. Treasury Department's determination as to whether to exempt certain foreign exchange trading from mandatory centralized clearing under the Dodd-Frank is pending. [Since the videoconference, Treasury has actually issued such an exemption.] There have been bills introduced in the U.S. Congress to delay derivatives rulemaking under Dodd-Frank. It is doubtful that these efforts will ultimately succeed. Foreign (non-U.S.) central banks are not exempted from the derivatives provisions of Dodd-

		Frank (for example, trade reporting). Although this appears to have been an oversight when the law was drafted, the chances that the U.S. Congress will change the law to provide for such an exemption are small.
b.	Cross-border Insolvency	The work of the Financial Stability Board to enhance cooperation between relevant authorities in making advanced preparations for dealing with and managing financial crises was described. In the United States, discussions around settling the affairs of systemically important financial institutions and shifting away from too-big-to-fail yielded the resolution authority vested in the FDIC through the Dodd-Frank Act as well as continued conversations about resolution and supervisory policy.
7.	**EFMLG initiatives**	**European Financial Markets Lawyers Group** **Niall Lenihan, Iñigo Arruga, Otto Heinz & Marek Svoboda**
a.	EU latest sovereign debt related developments	The EFMLG explained the current situation: the European Council has adopted its decision on the change of the EU Treaties in order to authorise an intergovernmental permanent mechanism by the euro area Member States to safeguard the financial stability of the area, subject to conditionality. This mechanism (the European Stability Mechanism (ESM)) will be established by means of a Treaty governed by public law. The characteristics of the ESM have been outlined already by the European Council and will be part of the Treaty: the ESM will grant either loans to the Member State in difficulty or will intervene on its sovereign debt primary market buying the bonds it issues; there will be private sector involvement in the case of Member States benefiting from ESM assistance; ESM assistance will benefit from preferred creditor status junior to the IMF's; IMF practice will be followed (debt sustainability study as a first step, pricing etc.); the IMF involvement will be always sought. At the same time, the temporary intergovernmental facility currently in place, the European Financial Stability Mechanism (EFSF), which will be replaced by the ESM in 2013, will be amended in order to expand its instruments to cover primary market interventions. Also, the EFSF's lending capacity will be increased thus anticipating that foreseen for the ESM.

b.	Close-out netting	A topic of central importance this year for the EFMLG is the EU legislation envisaged on close-out netting. Although close-out netting is generally valid and enforceable in all EU Member States, yet there are still considerable differences as regards the details of different national regimes on close-out netting. It would clearly enhance legal certainty of financial transactions in the EU if legislation is enacted on the subject matter. The EFMLG is closely monitoring and actively helping the work of the Commission and is strongly in favour of EU legislation with wide personal and product scope. It is envisaged that by September it will be clarified in what form a legislative proposal can be put forward by the Commission.
c.	Bank recovery and resolution	The main agenda on the European level in this area is the EU Commission's preparation of an EU legal framework for bank recovery and resolution. In January the Commission's Directorate General for Internal market and Services launched a public consultation on its working document on the technical details of a possible framework, including an extensive questionnaire. The envisaged framework would include enhanced supervisory measures in the 'preventative' phase of a bank crisis (stress tests, recovery and resolution plans, intra group financial support), tougher early intervention powers (replacement of managers, limitations on business etc.) and a set of administrative tools that could be used by the authorities to 'resolve' a failing bank (e.g. forced transfer of assets and/or liabilities, bridge banks, temporary suspension of rights, debt write downs, etc.) – subject to a set of protections for affected counterparties and market arrangements. Alongside these measures, the Commission envisages introducing specific financing arrangements for bank resolution; the exact nature of which is still unclear but options include either having a stand alone resolution fund in each EU Member State financed by the banks or alternatively giving deposit guarantee schemes the option to finance resolution measures (e.g. deposit transfers to another credit institution). The framework would also include rules on resolving bank groups, with reinforcement of cooperation between national authorities in order to improve the effectiveness of the arrangements for dealing with the failure of cross border banks. The working document has elicited much interest. The ECB responded with its own comments on 5 April, largely welcoming the initiative but pointing out the legal difficulty and wider complexity of certain of the envisaged measures (e.g. intra group financial support, bail ins). The Commission has announced that once it has digested the numerous responses to the paper, and has carried out an impact assessment on its options, it intends to publish a proposal for an EU directive on bank recovery and resolution in September 2011. The Commission is also concurrently examining the possibility of harmonising the national insolvency regimes for banks in the EU. It has set up an expert group, the insolvency law expert group (ILEG) to

		assist it in this work. It is expected to publish a report on this area by end 2012. Ultimately and as a third step the Commission is considering the creation of an integrated resolution regime in Europe, possibly based on a single European Resolution Authority, by 2014.
d.	Current EFMLG centres of interest	Besides the above-mentioned proposed EU legislation on close-out netting, there are some other key topics this year that are of particular importance for the EFMLG. The EFMLG closely follows the initiatives of the EU Commission on establishing a crises management framework in Europe. The EFMLG also pursues the clarification of the possible extraterritorial effects of the Dodd-Frank Act. Further topics of interest are recently proposed legislative steps relating to the Markets in Financial Instruments Directive and the legislation envisaged on Packaged Retail Investment Products. The EFMLG is also following plans relating to the establishment of a specialized financial tribunal for complex financial products in The Hague.
8.	**Other issues**	
	Date and Organisation of Next meeting	HKMA will host the next video conference.