SUMMARY MINUTES

Video Conference hosted by the SNB

Participants: EFMLG, HKMA, MAS, FMLC, FMLG, FLB, SNB

Friday, 23 May 2014, 14 – 16 CEST

1.	EFMLG	European Financial Markets Lawyers Group (European Central Bank)
a.	Completion of Banking Union	The EU's Banking Union has been practically completed by means of the finalisation of both the EU's Single Resolution Mechanism (SRM) Regulation and the Agreement on the transfer and mutualisation of contributions to the Single Resolution Fund (SRF) signed among the euro area Member States. The Agreement is an intergovernmental instrument. The choice for this instrument instead of bringing the financing of the SRF into the SRM Regulation is due to the doubts of some EU Member States as to the adequacy of using the EU legal basis for the SRM, for also establishing a common fund with contributions from the banks across the euro area. From a practical point of view there are no immediate major consequences of this division into two instruments since the SRM Regulation and the Agreement mirror each other. The SRM Regulation will be published in the course of July 2014. The Regulation and the Agreement will enter into force fully on 1 January 2016 (the Agreement will be ratified in the meantime by national Parliaments). Before that, and already from 1 January 2015, the EU will start the preparations in order to have a performing Single Resolution Board from 1 January 2016. As to the SRF, there will be a gradual geometrical mutualisation of national contributions and a full common SRF after 8 years.

		As to the Single Supervisory Mechanism (SSM), the ECB will take up its supervisory tasks over the whole euro area from November 2014 as previously foreseen. It is reminded that the coverage of the SSM and the SRM is identical: banks of the euro area plus of the EU Member States outside the euro area which want to participate (for this, the Member State signs an agreement with the ECB for the ECB to become the supervisor of its banks). As a consequence, the SRM Regulation applies to the banks of these non-euro area EU Member States and these Member States join the Agreement on the SRF. Also, the Eurogroup (euro area Ministers of Finance) has agreed on the definitive Guideline and resolution containing the terms of the direct recapitalisation of credit institutions by the intergovernmental European Stability Mechanism (ESM). Once that the instrument will be approved by the parliaments of the Member States which need parliamentary approval, the ESM will adopt it. This is foreseen for November 2014. In parallel to this the completion process of the Banking Union, the Bank Recovery and Resolution Directive and the new Deposit Guarantee Scheme Directive have been published. Member States have started their implementation process.
b.	Status of the Financial Transaction Tax initiative	Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia and Spain advance on the discussion on the Commission proposal for these Member States to introduce a Financial Transaction Tax (FTT) by means of enhanced cooperation (an EU procedure allowing Member States to advance into EU integration when there is not enough majority to do it at the level of the whole EU). The Commission proposal was presented on 14 February 2013. An action of the United Kingdom against this enhanced cooperation because it will have extraterritorial effects into other EU Member States was dismissed as premature by the European Court of Justice on 30 April 2014 (case C-209/13). Under the EU Treaties, enhanced cooperation discussions are held in full EU composition (28 Member States) but only those participating in the enhanced cooperation vote. The intention of the participating Member States is to have the first step of the FTT it implemented on 1 January 2016 at the latest.

2.	HKMA	Hong Kong Monetary Authority
a.	Proposed Regulatory Regime for Stored Value Facilities and Retail Payment Systems in Hong Kong	It was proposed to amend the Clearing and Settlement Systems Ordinance (“CSSO”) to give effect to the new regulatory framework for stored value facilities (“SVF”) and retail payment systems (“RPS”), to migrate the existing multipurpose stored value card regime under the Banking Ordinance (“BO”) to the CSSO, and to expand it to cover those SVF which were not device-based. There was a need to enhance the current regulatory framework to ensure the safety and soundness of SVF and RPS, and to maintain the public confidence in payment systems, which in turn would help contribute to the stability and effective working of the financial systems in Hong Kong. **Proposed regulatory framework** The proposed regulatory framework for SVF included the implementation of a licensing regime that would cover both device-based multipurpose stored value products and non-device based multipurpose SVF which stored value on mobile network accounts or computer network-based accounts. In line with the existing multipurpose store value card regime under the BO, as well as the practices adopted by major overseas jurisdictions, single-purpose SVF would remain not being subject to specific regulation under the proposed regulatory framework. A set of licensing criteria for SVF would be stipulated in the CSSO. The major proposed criteria included: (a) a licensed SVF issuer should have a physical presence in Hong Kong; (b) the principal business of the issuer would be the issuing of SVF; (c) the issuer met a minimum on-going capital requirement that the aggregate amount of its paid-up capital should not be less than HK$25 million. (i.e. about US$3.2 million); (d) the issuer had adequate risk management policies and procedures for the management of the float (i.e. the total sum of money paid by a user to an issuer for storage on SVF); and (e) the controllers of SVF licensees were fit and proper persons, and persons responsible for the management

		of the SVF business possessed appropriate knowledge and experiences. The proposed regulatory framework for RPS (e.g. credit card schemes, debit card schemes, large merchant acquirers and payment gateways) included the enlargement of the existing designation regime under the CSSO to empower the HKMA to designate and oversee RPS if the proper functioning of which was material to the monetary and financial stability of Hong Kong or it was in the public interest to do so. Designated RPS would be subject to safety requirements which included: (a) risk management and control procedures relating to the operation of the system; (b) safety and integrity of information held within the system; and (c) soundness of the system. **Supervisory and enforcement powers** It was proposed that the HKMA would have supervisory and enforcement powers which included: (a) the power to conduct on-site examinations and off-site reviews; (b) the power to gather information, give directions, impose operating rules, make regulations and issue guidelines and practical guidance, etc.; (c) the power to conduct investigation into SVF licensees and designated RPS when the HKMA had a reasonable cause to believe that an offence had been committed; and (d) the power to impose a range of civil and supervisory sanctions (e.g., caution, warning, reprimand, suspension or revocation of licence and pecuniary penalty), which were proportionate to the severity, circumstances or duration of a breach. The HKMA's decisions were subject to checks and balances by the Clearing and Settlement Systems Appeals Tribunal and the Process Review Committee. **Transitional arrangements** It was proposed to give a transitional period of 12 months for existing SVF issuers to apply for SVF licences.

		Legislative timetable The Government sought to introduce the bill to amend the CSSO into the Legislative Council in the 2014-15 Legislative Year.
b.	Proposed Establishment of an Independent Insurance Authority	The Insurance Companies (Amendment) Bill 2014 provided for, among other things, the establishment of the IIA and a statutory licensing regime for insurance intermediaries to replace the existing self-regulatory system in Hong Kong. **Policy objectives** The policy objectives of setting up the IIA were to (a) modernise the insurance industry regulatory infrastructure to facilitate the stable development of the industry, (b) provide better protection for policyholders, and (c) comply with the requirement of the International Association of Insurance Supervisors that insurance regulators should be financially and operationally independent of the government and industry. **Regulatory functions** The two major aspects of the regulatory functions of the IIA would be (a) prudential regulation of insurers to ensure that they were financially sound, and (b) conduct regulation of insurers and insurance intermediaries to ensure that the sale and after-sale administration of insurance policies were conducted honestly, fairly and professionally. **Governance and funding mechanism** The IIA would be a body corporate with perpetual succession comprising a chairperson, a chief executive officer and not less than six directors all appointed by the Chief Executive of the Hong Kong Special Administrative Region. At least two directors should be persons with knowledge of or experience in the insurance industry. It was proposed that the IIA should be financed by, among other things, fees payable by insurers and insurance intermediaries to ensure that the IIA was financially independent of the Government.

		Licensing of insurance intermediaries and transitional arrangements Under the new regime, a person would require a licence granted by the IIA to carry on "regulated activities" which were defined to cover activities in relation to giving advice on insurance and sale and after-sale administration of insurance policies in the course of their business or employment or for reward, with certain exemptions (e.g., lawyers and accountants providing regulated advice wholly incidental to their professional practice). The categorisation of licences would mirror the existing five categories of registration under the self-regulatory system to ensure a smooth transition. It was proposed that all pre-existing insurance intermediaries validly registered with the self-regulatory organisations before the commencement of the statutory licensing regime should be deemed as licensees under the new regime for three years. **Regulatory powers of the IIA** The IIA would be vested with appropriate powers of inspection, investigation and imposing disciplinary sanctions including reprimand, fines, suspension or revocation of licence of insurance intermediaries or authorisation of insurers; as well as prohibition of licence application of insurance intermediaries in relation to a regulated activity or authorisation application of insurers for any class of insurance business in a specified period. As safeguards, the IIA would be statutorily required to publish guidelines on fines and its disciplinary decisions would be appealable to an independent quasi-judicial body, the Insurance Appeals Tribunal. **Legislative timetable** The Insurance Companies (Amendment) Bill 2014 was gazetted on 25 April 2014 and the first reading and commencement of the second reading debate in the Legislative Council was on 30 April 2014. The relevant Bills Committee was formed on 2 May 2014.

3.	MAS	Monetary Authority of Singapore
a.	Update on Joint Consultation Paper on Asia Region Funds Passport Framework	1. As an update from the previous FMLG telephone conference on 21 October 2013, Australia, New Zealand, Singapore and South Korea, together with Philippines and Thailand, have issued a joint consultation paper on 16 April 2014 on the proposed rules and operation of the Asia Region Funds Passport ("Passport"). 2. The Passport's primary objective is to allow collective investment schemes ("CIS") established and regulated in one passport member economy (the "home economy") to be offered to investors in other passport member economies (the "host economy") under a framework. 3. The arrangements under the Passport ("Passport arrangements") will adopt a partial approach to mutual recognition i.e. a mix of the laws and regulations of the home economy1 and host economy2, as well as specific Passport rules3, will apply under the framework of the Passport. 4. It is proposed that the partial approach to mutual recognition will apply in the following way: (a) The home economy laws and regulations, will apply to certain areas of the regulation of CIS under the Passport ("passport funds") and passport fund operators.

[1] The home economy refers to the economy in which the passport fund is constituted or established, and is authorised for offer to the public in that economy. The home economy laws and regulations refer to the laws of the home economy, associated regulations, and any other regulatory requirements that apply to regulated collective investment scheme in that economy.

[2] The host economy refers to any economy (other than the home economy) in which the passport fund is permitted to be offered, or is proposed to be permitted to be offered, to the public. The host economy laws and regulations refer to the laws of the host economy, associated regulations, and any other regulatory requirements that apply to regulated collective investment schemes in that economy.

[3] The Passport rules will be a separate set of rules applicable to all passport funds (regardless of where they are established or where they are offered) which are implemented in each passport member economy in a form that achieves substantially equivalent outcomes.

		(b) To ensure a common minimum standard applies, certain areas of the regulation of the Passport in which the home economy laws and regulations apply, will be supplemented with Passport rules. (c) Under certain circumstances, the Passport rules might be at a higher threshold than the home economy laws and regulations. However, where the home economy laws and regulations would be a higher standard than the Passport rules, compliance with the home economy laws and regulations will result in compliance with the Passport rules. (d) In areas of regulation of the Passport which primarily relate to the interaction of passport funds with investors, the host economy laws and regulations will apply. (e) The home regulator and host regulator will be principally responsible for assessing and monitoring compliance of its respective laws and regulations and the Passport rules.
b.	Overview on Regulation of Virtual Currency Intermediaries for Money Laundering and Terrorist Financing Risks	1. MAS will regulate virtual currency intermediaries in Singapore to address potential money laundering and terrorist financing risks which arise due to the anonymous nature of these transactions. 2. Key points of regulation of our proposed virtual currency intermediaries: (a) MAS will regulate virtual currency intermediaries, which are entities that buy, sell or facilitate the exchange of virtual currencies for real currencies. Virtual currency intermediaries will include operators of Bitcoin exchanges and Bitcoin vending machines; (b) Virtual currency intermediaries will be required to verify the identities of its customers and report suspicious transactions to the Suspicious Transaction Reporting Office (which is a unit of the Commercial Affairs Department). These requirements will be similar to those imposed on money changers and remittance businesses which undertake cash transactions; and (c) The regulations will pertain specifically to the money laundering and terrorist financing risks they pose.

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<tr><td></td><td></td><td>3. MAS will continue to monitor closely the development and implications of virtual currencies as well as evolving regulatory approaches taken towards virtual currencies by major jurisdictions. If necessary, MAS will consider additional measures to address key risks posed by virtual currency transactions and virtual currency intermediaries.</td></tr>
<tr><td>c.</td><td>Key points on Review of Securities Market Structure and Practices</td><td>1. MAS and the Singapore Exchange (SGX) conducted an extensive review of the securities market in Singapore and concluded that while the securities market remains sound, there were three key areas for improvement:

(a) Measures to promote orderly trading and responsible investing
(i) Minimum trading price: To require a minimum trading price as a continuing listing requirement for issuers listed on the SGX Mainboard, so as to address the risks of low-price securities being highly volatile and in turn more susceptible to speculation and potential market manipulation.
(ii) Collateral requirements for securities trading: To require securities intermediaries (including banks) to impose minimum collateral on their customers for trading in both SGX-listed and foreign listed securities, and to shorten the settlement cycle to T+2 days, so as to reduce credit risks exposure of market participants and enhance the robustness and resilience of the securities market.
(iii) Short position reporting requirements: To enhance transparency in short selling, a short position reporting regime where market participants either report aggregate positions or disclose significant individual short positions.

(b) Enhancements to improve the transparency of market intervention measures
(i) Transparency of trading restrictions imposed by securities intermediaries: To require trading restrictions imposed by securities intermediaries for securities listed on SGX-ST to be announced through the SGX website.</td></tr>
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		(c) Framework to strengthen the process for admitting new listings and enforcement of regulatory actions against breaches of listing rule (i) *Reinforcing the SGX listing framework:* To establish an Independent Listings Advisory Committee to consider listing policy issues and listing applications that meet certain referral criteria, so as to address the perceived and actual conflicts of interests in relation to SGX's role as the listing authority. (ii) *Strengthening powers to enforce regulatory actions against breaches of listing rules:* To establish an Independent Listings Disciplinary Committee and Listings Appeals Committee, and to expand the range of regulatory sanctions for breaches of listing rules, so as to improve the transparency of SGX's disciplinary process and ensure fair administration of sanctions for listing-related matters.
4.	**FMLC**	**Financial Market Law Committee (Bank of England)**
a.	Banking Reform	The UK Financial Services (Banking Reform) Act 2013 (the "UK Act") received Royal Assent on 18 December 2013 and is expected to take full effect by 2019. The UK Act does not contain an outright prohibition on proprietary trading for UK banks, but (amongst other things) prohibits ring-fenced bodies from dealing in investments as principal. On 29 January 2014, the European Commission published a first draft proposal for a European Regulation which provides for an outright ban of proprietary trading as well as for the possible ring-fencing of certain activities (including hedging, market-making and underwriting activities). The proposed Regulation is intended to take full effect by 1 July 2018. Member States which adopted primary ring-fencing legislation prior to the publication of the proposed Regulation may, however, apply to the Commission in due course to obtain a derogation from the ring-fencing requirements for specified credit institutions.

		The FMLC previously published papers commenting on issues of legal uncertainty arising under the UK Act and implementing secondary legislation, and is currently considering issues of legal uncertainty regarding the proposed Regulation. These include uncertainty relating to the scope and application of the derogation and the risk that, absent a derogation, certain banks in the UK will be required to comply with two differing ring-fencing regimes. The FMLC is monitoring the ongoing developments in respect of the proposed Regulation.
b.	Credit Rating Agencies Regulation	On 11 February 2014, as required by the European Regulation on credit rating agencies (as amended), the European Securities and Markets Authority (ESMA) published a consultation on a number of regulatory technical standards, including on structured finance instruments. The FMLC responded to the consultation by highlighting two key concerns, namely (i) that the scope of the disclosure requirements under the draft regulatory technical standard extended beyond publicly rated structured finance instruments, and, therefore, exceeded the ambit of the legislative authority conferred by the underlying Regulation, and (ii) that the disclosure regime in the draft regulatory technical standard was incompatible with the disclosure regimes under the Prospectus Directive and the Market Abuse Directive. ESMA is expected to publish a final draft of the regulatory technical standards shortly, at which point the FMLC will be able to ascertain whether or not its concerns were addressed.
c.	Money Market Funds	On 4 September 2013, the European Commission published a proposal for a European Regulation on money market funds. The proposed Regulation follows from the work on shadow banking undertaken pursuant to the G20 “Pittsburgh” commitments. The FMLC published a discussion paper highlighting the legal uncertainties in the proposed Regulation, focusing on three main issues, namely: (i) the liability regime for money market fund managers; (ii) the requirements as to assets eligible for investment by such funds; and (iii) the operability of the three per cent. net asset value buffer for constant net asset value money market funds. Further work on the proposed Regulation has been put on hold pending the conclusion of parliamentary elections in Europe. The FMLC continues to monitor developments and will take action as required.

5.	FMLG	Financial Market Lawyers Group (Federal Reserve Bank of New York)
a.	CFTC Update	Below is an update on CFTC matters since our last ICI videoconference on October 21, 2013. First, on the leadership front, Chairman Gary Gensler's last day on the job was January 3, 2014, so the CFTC currently has an Acting Chair Mark Wetjen. Also, Commissioner Bart Chilton's term ended on March 21, so the Commission currently has only one Commissioner, other than Acting Chair Wetjen – Commissioner Scott O'Malia. Tim Massad has been nominated to serve as the next Chair of the CFTC, with some expectation that he will be confirmed by the Senate by mid-summer. In October 2013, the CFTC implemented rules for swap execution facilities ("SEFs"), which are trading systems or platforms through which multiple participants have the ability to trade swaps by accepting bids and offers made by multiple participants. Starting in February of this year, a narrow range of benchmark IRS contracts and certain CDS indices became mandated for SEF trading, or MATed (Made Available to Trade). While there has been a slow transition to SEF trading and signs of potential market fragmentation in the MATed IRS market, more progress was observed in transitioning MAT CDS index products to SEF trading. It is a little too early for data, but many anticipate an increase in on-SEF trading activity soon, since, beginning May 16, market participants executing swaps subject to MAT requirement that are part of a "package transaction" must be traded on a SEF or DCM pursuant to a phased compliance timeline. (Swaps are often traded in combination with other swaps or one or more financial instruments in a single economic transaction where trade execution of the package is simultaneous or contingent. According to the CFTC, these package transactions represent a 50% share of the total notional volume of the interest rate market.)

		The Commission is actively seeking ways to increase SEF volumes and towards that end, the FMLG has been considering various operational and legal issues as relate to executing prime brokerage transactions on a SEF. The FMLG has also been working with outside counsel to draft Illustrative Implementation Steps and Best Practices that could be applied to address compliance with the CFTC's External Business Conduct Rules in "intermediated" prime brokerage arrangements. In these arrangements, an intermediary, the FX intermediary, acts as an agent for a prime broker that intermediates between a counterparty and an executing dealer, providing the counterparty with the benefit of anonymity and access to a larger pool of possible executing dealers. Regarding trade reporting, in March of this year, the CFTC issued a request for public comment on the Commission's swap data recordkeeping and reporting requirements, with a due date of May 27, 2014. The request for comment listed approximately 70 questions addressing such topics as the reporting of primary economic terms, confirmation and continuation data, the manner in which the reporting rules address different transaction types, business models and data flows present in swaps markets (such as prime brokerage), the reporting of cleared swaps, and data harmonization.
b.	Insurance	Recent developments in insurance regulation in the United States have focused on reform efforts for the existing tiered system of oversight. Currently, state agencies (pursuant to different state regimes) are the primary day-to-day regulators that enforce rules related to licensing, financial standards and other prudential aspects of insurance activity. Insurers that are part of bank holding companies or savings and loan holding companies are indirectly supervised by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The Federal Reserve regulates the holding company, and state regulators retain responsibility for the insurance subsidiaries themselves. Lastly, U.S. insurers and related entities that conduct activity on a global basis may be subject to regulation by foreign jurisdictions outside the United States. Under this system, a past and continuing topic of discussion has been whether a

		unified federal regulator should supplement or take over responsibilities from state regulators to reduce inefficiency, inconsistency and duplication of efforts. Notable recent initiatives have focused on revamping the Federal Insurance Office (the “FIO”), which was introduced by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). Currently, the office is tasked with a variety of monitoring and research responsibilities related to insurance regulation. The FIO’s director serves as a non-voting member of the Financial Stability Oversight Council (the “FSOC”) and must provide consent before the Federal Deposit Insurance Corporation can be appointed as a receiver for an insurance company under Title II of the Dodd-Frank Act. The FIO also represents the United States on an international level with respect to insurance-related issues and has the authority to recommend to the FSOC that an insurer be designated as a nonbank financial company subject to supervision by the Federal Reserve. In December 2013, the FIO released a report on modernization and improvement of insurance regulation in the United States. In the report, the office supported continued use of a state/federal system subject to a series of specific recommendations in key reform areas. In April 2014, at a policy summit attended by the director of the FIO, U.S. Congressman Ed Royce also supported the creation of a strengthened federal insurance regulator, with a goal of introducing an insurance regulatory structure similar to that of the dual banking system currently in place in the United States. Most recently, on May 20, 2014, the Subcommittee on Housing and Insurance of the House Financial Services Committee held a hearing on various proposals to reform domestic insurance policy. Among other changes, one of the proposals suggested providing the Federal Reserve with more flexibility for the imposition of insurance-specific capital standards.

6.	FLB	Financial Law Board (Bank of Japan)
a.	Amendment to the Companies Act	**(i) Crowdfunding and Revised Trading Regulation of Unlisted Stocks** One of the measures taken in the amendment is to facilitate Crowdfunding. Specifically, minimum capital requirement will be lowered for stock brokers specialized in Crowdfunding, in order to facilitate entry into this market. In parallel, self-regulation imposed by the Japanese Securities Dealers Association that effectively prohibited equity-type Crowdfunding is expected to be eased. Another measure is easing of trading regulations on unlisted stocks. Under the new rules, securities dealers may solicit investments to unlisted stocks from small group of investors who registered themselves as “well informed investors”, under similar less-demanding disclosure requirement to the ones applied to normal unlisted stocks. Overall, these new rules aim at promoting provision of risk money to startup and growth companies especially at early stages and to help create new innovative businesses in Japan. **(ii) Regulation on Financial Benchmarks** In the amended act, a framework for regulation and supervision on financial benchmarks will also be introduced. The amended act requires “Financial Benchmark Administrator” designated by J-FSA, who publishes “Specified Financial Benchmark,” should formulate and comply with operational rules in line with IOSCO Principles. The Act also establishes supervisory framework including reporting and on-site inspections. “Specified Financial Benchmark” is defined as financial benchmarks whose credibility may have a critical impact on Japanese financial market. Currently, TIBOR (Tokyo Interbank Offered Rate) is the only “Specified” financial benchmark. JBA TIBOR Administration has been established on April 1 and has taken over calculation and publication operations of JBA TIBOR from the Japanese Bankers’ Association.

b.	Amendment to the Financial Instruments and Exchange Act	First, the amendment is expected to promote the introduction of Outside Directors. Large companies that do not appoint an Outside Director will be required in their stockholders meetings to explain the reason why they do not think it appropriate to have one. In addition, a new design of corporate organ, “Companies with Audit and Supervisory Committee” will be introduced along with the existing designs. Audit and Supervisory Committee Members must be Directors, the majority of which shall be Outside Directors. Derivative (representative) action will also be introduced in the amended act. This will allow stockholders of a Parent Company to file actions against Directors of its subsidiaries.
c.	Bitcoin	Although bitcoin is commonly referred to as virtual currency, it is not issued by a single entity like a central bank. Recently, the transaction volume of bitcoins has been sharply increasing. By downloading softwares from certain websites, anyone can easily exchange legal currency to bitcoin. As bitcoin offers certain degree of anonymity, it is said to be used for illegal transactions through the Internet. In early February of this year, one of the world largest bitcoin exchanges called Mt. Gox, which is located in Tokyo, suspended withdrawals from its customers. On February 28, Mt. Gox had filed for bankruptcy protection in Japan, saying that about 850,000 bitcoins had been stolen due to security holes of their trading system. The allegedly lost bitcoins were worth almost $470 million at the rate of that time. On April 14, the Tokyo district court dismissed Mt. Gox’s rehabilitation application, and Mt. Gox filed for liquidation. In March, the Japanese government released a statement about the legal status of bitcoin. According to the statement, bitcoin is not a legal currency because the acceptance of bitcoin is not mandatory. As for banking regulation, the statement says that the Banking Act does not allow banks to broker bitcoin transactions, exchange bitcoins to legal currencies, and set up accounts for customers to store bitcoins. As regards taxation, the statement says that bitcoin transactions are taxable if they meet certain conditions set forth by the Income Tax Act, the Corporation Tax Act or the Consumption Tax Act.

7.	SNB	Swiss National Bank
a.	New Financial Market Infrastructure Act	A new Financial Market Infrastructure Act (the "Act") is currently being prepared in Switzerland. The Federal Council has launched a public consultation on the draft act which ended on 31 March 2014. Overall, the new rules have been well received. In particular, there is broad agreement that the regulation of financial market infrastructure and derivatives trading has to be adapted to international standards in order to safeguard the competitiveness of Switzerland's financial centre and to strengthen financial stability. The new Act governs the organisation, operation and supervision of financial market infrastructure (FMI) including trading venues, central counterparties, central securities depositories (including securities settlement systems), trade repositories and payment systems. The provisions that are currently part of various federal acts will be merged in a single act and brought in line with international standards, in particular the CPSS-IOSCO Principles for Financial Market Infrastructures (CPSS-IOSCO PFMI). Under the new Act all FMI – with few exceptions – require an authorisation by the Swiss Financial Market Supervisory Authority FINMA. FMI that are systemically important have to fulfil additional conditions specified by the SNB according to international standards. The rules on systemically important FMI only apply to central counterparties, central securities depositories and payment systems, but not trading venues and trade repositories. Whether an FMI is systemically important or not will be determined by the SNB according to various criteria such as volumes, amounts and types of transactions cleared or settled by the FMI. In general, FMI will be supervised by FINMA. In case of systemically important FMI a dual system applies: the FMI is subject to the supervision of FINMA and the oversight of the SNB.

		Moreover, the new Act will also govern derivatives trading in line with the applicable international standards, i.e. the G20 obligations and the FSB recommendations on OTC derivatives trading. In order to secure EU market access, regulation that is equivalent to that in the EU will be required. This is the reason why the new rules are primarily aligned with European law. For derivatives trading, four key obligations will apply: First, the obligation to clear derivatives transactions through a central counterparty. Second, the obligation to report certain information on derivatives transactions to a trade repository. Third, risk mitigation obligations with regard to derivatives transactions which are not cleared through a central counterparty authorised or recognised by FINMA. Fourth, the obligation to conduct derivatives transactions through a trading platform. However, according to the transitional provisions of the new Act the latter obligation will only come into force once an equivalent obligation has been introduced in partner states as well. Furthermore, many of the existing rules under the Swiss Stock Exchange and Securities Trading Act (SESTA) will be transferred into the new Act without any substantial changes. In particular, the existing principle of self-regulation (under the supervision of FINMA), which has been proved and tested, will be maintained. However, while the SESTA distinguish between stock exchanges and institutions similar to stock exchanges only, the new Act will refer to stock exchanges, multilateral trading systems and organised trading systems, in line with the relevant EU legislation. Also, the existing categories of securities dealer acting as issuing and derivatives houses, dealers acting for their own account and market makers will be transferred from the SESTA into the new Act. Separate authorisations for such activities will no longer be required. Finally, the SESTA provisions on the disclosure of holdings, public takeover bids, insider trading and market manipulation will be transferred from the SESTA into the new Act.

b.	Amendments to the National Bank Act and the Financial Market Supervision Act – international cooperation	The new Financial Market Infrastructure Act provides for changes and amendments to various federal laws, including the Swiss Financial Market Supervision Act (FMSA) and the National Bank Act (NBA). In both acts there will be new sections dealing with international cooperation between the SNB and foreign central banks and international organisations and bodies, and between FINMA and international organisations and bodies, respectively. Under the current legal regime the SNB's and FINMA's participation in multilateral initiatives has proven to be difficult because of the lack of a sound legal basis for the exchange of confidential information. This is because the SNB is only allowed to share aggregated data with foreign authorities and international organisations; and because FINMA can share non-public information and documentation with foreign authorities responsible for financial market supervision only, but not with international organisations. So, both amendments contain similar provisions which will provide a legal basis for the exchange of confidential data in the context of multilateral initiatives in the area of financial stability or the development of international regulatory standards. As regards the amendment to the National Bank Act, the SNB – within its statutory mandate – will be able to exchange confidential information with international organisations and bodies on a non-aggregated basis provided certain conditions are met, i.e. the recipient must use the data for the fulfilment of its statutory tasks only, and must be able to ensure confidentiality. Also, both amendments provide that in case the participation of the SNB or FINMA in a multilateral initiative largely affects the Swiss financial market, the Federal Department of Finance will have to consent to the exchange of information. Moreover, the amendment to the National Bank Act will also include a general provision according to which the SNB – subject to certain conditions – will be able to share non-public information and documentation with foreign central banks and the Bank for International Settlements.