**ICI Telephone Conference with Representatives of**

**EFMLG, FLB, FMLC, FMLG, HKMA, MAS and SNB**

**Hosted by the FMLC**

**Wednesday 20 November 2019, 12.00pm GMT Time**

**DRAFT MINUTES**

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| 1. **EFMLG** | |
| Participants: | Iñigo Arruga Oleaga, Cristiano Martínez, Gyorgy Várhelyi, G. Ronzino |
| Topics: | **Reform of the European Stability Mechanism including European CACs**  (C. Martínez, G. Varhelyi)  The European Stability Mechanism (ESM) is a euro area permanent stability mechanism established under a 2012 international treaty.  It can provide financial assistance (also precautionary) to Member States to cope with severe financing problems, if indispensable to safeguard the stability of the euro area as whole. The ESM is intergovernmental and not properly EU, but there is strong participation of EU Institutions for several of the key elements of ESM activity. For example applicable conditionality is negotiated and monitored by the ESM itself and the European Commission (with the ECB).  Since 2015 the ESM reform has been discussed, to be achieved (under the initial proposal) in the form of integration of the ESM into the EU – eventually abandoned due to EU budget and legal basis concerns - and (under the current proposal) through a revision of the ESM treaty. The key lines of the envisaged reform (Euro Summit of 14 December 2018) are:  (1) the creation of an ESM backstop for the resolution of major euro area credit and financial institutions,  (2) the enhancement of precautionary assistance instruments and (3) the political commitment of Member States to consider the insertion of single-limb collective action clauses (CACs) in future government debt issuances.   1. The backstop would be a revolving credit facility to be established by 2024. The ESM would grant the backstop to the European resolution agency. The use of the backstop would be of last resort and fiscally neutral over the medium term. 2. For precautionary assistance instruments, transparent access criteria would be pre-defined consistent with EU economic policy coordination, instead of largely discretional decision-making of the ESM. Full or partial satisfaction of such criteria would entitle, respectively, to the precautionary conditioned credit line and the enhanced conditions credit line. Ex post monitoring would also be further detailed. The ESM would enjoy preferred creditor status (junior only to IMF). 3. Member States would also politically commit to insert from 2022 single-limb CACs in future government debt issuances. In case of debt restructuring, all series of bonds would be aggregated into a single voting majority.   Implementing acts are being discussed. It is foreseen that the amendment treaty be signed next year. The Member States will then start their ratification processes.   * **EU progress on sustainable finance: taxonomy**   (I Arruga Oleaga)  The EU legislative process for this ground-breaking EU initiative is expected to finalise in December 2019. The EU taxonomy will be formally in force in January 2020 with its fundamental elements entering into force in June 2020 (those related to climate change) and June 2021 (those related to the other environmental objectives).  The EU Taxonomy (Regulation on the establishment of a framework to facilitate sustainable investment) is directly applicable in all Member States. In principle, its purpose is limited: it contains the criteria for determining whether an economic activity is environmentally sustainable for the purposes of establishing the degree of environmental sustainability of an investment.This leads the Regulation indeed to establisha unified classification system for sustainable economic activities: **i. e. what economic activities can be considered environmentally sustainable.** This exercise has immense potential; and it is the first exercise of this magnitude at world level. **For the EU taxonomy, an economic activity is environmentally sustainable if (4 criteria):**   1. **It contributes to environmental objective/s** (full value chain impact of any economic activity to be considered, as well as the impacts of the products and services provided by that economic activity). The environmental objectives are: 2. climate change mitigation; 3. climate change adaptation; 4. sustainable use and protection of water and marine resources; 5. transition to a circular economy including waste prevention and recycling; 6. pollution prevention and control; 7. protection and restoration of biodiversity and ecosystems. 8. **It complies with the other 3 criteria:** 9. the activity does not significantly harm any of the other environmental objectives (clearly laid down in the draft Regulation: it harms climate change mitigation if it leads to significant green house emissions; same for the other objectives); 10. the activity is carried out in compliance with minimum safeguards (OECD, UN, ILO, SG principles); 11. the activity complies with technical screening criteria to be specified by the Commission (quantitative if possible (if not, qualitative)). |
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| 1. **FLB** | |
| Participants: | Seiya Hikuma, Makoto Chiba, Kenta Sekiguchi, Megumi Kosono, Teppei Ito |
| Topics: | * Summary of Discussion on the Review of TSE Cash Equity Market Structure * Summary of Discussion on Status of Virtual currency under Private Law |
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| 1. **FMLC** | |
| Participants: | Joanna Perkins, FMLC Chief Executive; and  Venessa Parekh, FMLC Research Manager |
| Topics: | * Brexit * Crypto-assets |
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| 1. **FMLG** | |
| Participants: | Michael Nelson and Shawei Wang |
| Topics: | * Congressional Update * GAO Opinions on Supervisory Guidance |
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| 1. **HKMA** |  |
| Participants: | Teresa Barreira, Senior Counsel; and  Vivian Tam, Counsel |
| Topics: | * Measures on Sustainable Banking and Green Finance * Reform of Interest Rate Benchmarks |
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| 1. **MAS** | |
| Participants: | Lynette Lee, Deputy General Counsel;  Amanda Goh, Assistant General Counsel; and  Novella Chan, Senior Legal Counsel |
| Topics: | * Digital Bank Licences * Regulatory developments in Financial Technology |
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| 1. **SNB** | |
| Participants: | Claudio Faeh, Senior Legal Counsel |
| Topics: | * Update: EU equivalence of Swiss Stock Exchanges and Countermeasures * BIS Innovation Hub Centre |