CLIFFORD CHANCE

Briefing note

International Regulatory Update

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PRIIPS: ESAs consult on key information documents

The Joint Committee of the European Supervisory Authorities (ESAs), comprising the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authority (ESMA), has published a discussion paper on key information documents (KIDs) for packaged retail and insurance-based investment products (PRIIPs).

The Regulation on KIDs for PRIIPs empowers the three ESAs to prepare draft regulatory technical standards (RTS) on specific areas. This discussion paper is a first step in the ESAs' joint work on the broad issues to be considered in developing the RTS. The RTS will contain detailed rules on the contents and presentation of the KIDs, including performance scenarios and cost disclosures. The RTS will also address measures on the revision, review and republication of the KID, and on the timing of delivery of the KID to the retail investor.

Comments are due by 17 February 2015. The Joint Committee is expected to submit the RTS to the EU Commission at the beginning of 2016 and the new KIDs will start to be used at the end of 2016. A more technical discussion paper will be tabled in the Spring of 2015, followed, after the summer, by a consultation on the final rules.

CRD 4: Advocate General delivers opinion on UK challenge to remuneration provisions

The Court of Justice of the European Union (CJEU) has published a summary of the opinion of Advocate General Niilo Jääskinen on the UK Government's challenge to provisions under the Capital Requirements Directive (CRD 4) and Regulation (CRR) that relate to imposing a set ratio between fixed remuneration (salary) and variable remuneration (bonuses) for bankers whose professional activities impact on the risk profile of their financial institution. CRD 4 specifies that bonuses should be no more than 100% of salary, with a possible increase to 200% with shareholders', owners' or members' approval.

The UK Government had asked the Court to consider the European Banking Authority (EBA) mandate to draft Regulatory Technical Standards (RTS) on identifying those who would fall within the scope of the cap and provisions under the CRR that specify that financial institutions will be obliged to publicly disclose the ratio and the number of employees whose remuneration is above a certain threshold. The UK had also challenged provisions for the disclosure of remuneration of an institution's management body or senior managers upon request by a Member State or national competent authority (NCA). The UK Government's case requests that the ECJ annul these provisions on the basis that they contravene EU law.

The opinion of the Advocate General is that the UK Government's pleas should be rejected and that the Court dismiss the action brought. Following the publication of the Advocate General's opinion, the Chancellor of the Exchequer, George Osborne, wrote to the Chair of the Financial Stability Board (FSB), Mark Carney, indicating that the UK Government will no longer pursue its legal challenge in light of the minimal prospects for success. However, the Chancellor highlighted that the issue of fixed remuneration requires serious international examination, warning that an increase in fixed compensation in the banking industry would make it more difficult to ensure pay is under control, at risk to performance and can be clawed back. The Chancellor stated that, in his view, remuneration standards should apply globally and reaffirmed his support for the FSB's ongoing work to monitor and report on the implementation of the Principles for Sound Compensation and to assess the impact of those standards. The Chancellor will also ask the UK's Fair and Effective Markets Review (FEMR), a joint exercise between HMT, the Bank of England (BoE) and Financial Conduct Authority (FCA), to consider remuneration standards and sound risk-taking by financial institutions as part of its work on responsibilities, governance and incentives.

CRD 4: Delegated Regulation on methodology for identification of G-SIIs published in Official Journal

Commission Delegated Regulation (EU) No 1222/2014 supplementing CRD 4 with regard to RTS on the methodology for the identification of global systemically important institutions (G-SIIs) and for the definition of subcategories of G-SIIs has been published in the Official Journal.

Under CRD 4, national competent authorities (NCAs) may impose higher own funds requirements on G-SIIs. Those institutions allocated as G-SIIs will be assigned an additional Common Equity Tier 1 capital requirement, the G-SII buffer. Certain basic principles of a methodology for G-SII identification are contained in CRD 4 and these principles are supplemented by Delegated Regulation 1222/2014, which specifies the methodology to be used by an NCA when identifying, on a consolidated basis, a relevant entity as a G-SII, the methodology for the definition of subcategories of G-SIIs and the allocation of G-SIIs to those subcategories based on their systemic significance, including timelines and data to be used for identification.

The Delegated Regulation will apply from 1 January 2015. The G-SII buffer will apply and be phased in from 1 January 2016. In order for those firms identified as G-SIIs to raise the required capital, the EU Commission states that G-SIIs should be identified in early 2015 at the latest.

Shadow banking: EU Council agrees general approach on proposed regulation on transparency of securities financing transactions

The Permanent Representatives Committee (COREPER) has agreed, on behalf of the EU Council, its negotiating stance on the proposed regulation on transparency of securities financing transactions. The agreement enables negotiations to start as soon as the negotiating team of the EU Parliament is entrusted with a mandate. The aim is to adopt the regulation at first reading.

Shadow banking: EU Council Presidency publishes compromise text for transparency of securities financing transactions regulation

The EU Council Presidency has published the latest compromise text for the proposed regulation on reporting and transparency of securities financing transactions. Following agreement in the working party the text will be presented to COREPER for confirmation of the Council's general approach.

Money Market Funds: EU Parliament publishes draft report

The EU Parliament has published a draft report on the proposal for a regulation on money market funds (MMFs). The report finds that the proposal strengthens the regulatory framework for MMFs but notes significant scope for improvement regarding the tackling of liquidity and maturity transformation and in making MMFs more stable without endangering their short term financing role for the real economy.

The report also proposes the creation of a new category of constant net asset value (CNAV) MMF that would invest a majority of its assets in EU government debt.

The Parliament's ECON Committee is scheduled to consider the report in December 2014 and January 2015, and the Parliament is due to consider the regulation at its plenary session on 25 March 2015.

REMIT: ACER consults on provisional list of organised market places

The Agency for the Cooperation of Energy Regulators (ACER) has published a consultation paper on the provisional list of organised market places under the Regulation on wholesale Energy Market Integrity and Transparency (REMIT – Regulation (EU) No 1227/2011). The list has been drawn up under the draft Implementing Acts voted on by the REMIT Comitology Committee on 3 October 2014. The draft list is included in an annex to the consultation paper.

Comments on the consultation are due by 11 December 2014.

G20 Leaders Summit publishes agreed priorities and outcomes

The G20 Leaders have published a communiqué setting out the group's priorities and outcomes following the G20 Leaders Summit in Brisbane on 15-16 November 2014.

In relation to the global economy, the G20 Leaders set out views in relation to:

- proposals from the Financial Stability Board (FSB) to require global systemically important banks (G-SIBs) to hold additional loss absorbing capacity, which the Leaders welcome;

- progress on a shadow banking framework for which the Leaders have endorsed a roadmap for further work;
- the need for regulators to implement agreed G20 derivatives reforms swiftly;
- proposals to increase the fairness of international tax systems and ensure countries' revenue bases are secure; and
- measures relating to combating corruption, endorsing the 2015-16 Anti-Corruption Action Plan and agreement on the G20 High-Level Principles on Beneficial Ownership Transparency. Alongside beneficial ownership, the Action Plan also highlights measures to ensure legal frameworks effectively criminalise bribery, address corruption in high-risk sectors, ensure that public and private sectors effectively combat corruption and international cooperation when investigating offences as other major priorities.

The communiqué also lays down a commitment to deliver better living standards and quality jobs as the group's highest priority and sets a target to increase the G20's gross domestic product (GDP) by at least an additional 2% by 2018. Measures on jobs, in particular in relation to infrastructure investment, and strengthening global institutions are also set out alongside a list of documents agreed at the Summit.

The G20 Leaders will next meet in Antalya on 15-16 November 2015 under Turkey's presidency.

Mark Carney delivers lecture on future of financial reform

Mark Carney, Governor of the Bank of England (BoE) and Chair of the Financial Stability Board (FSB), has delivered the 2014 Monetary Authority of Singapore Lecture. The Governor stated that the G20 Leaders Summit in Brisbane marked the settlement of the post-crisis system of prudential regulation and discussed the future of financial reform, in particular the case for a continued international reform agenda in order to build a financial system that can deliver sustainable growth for all economies.

The speech set out progress made since the financial crisis to build a safer, simpler and fairer financial system before setting out three 'pillars' to support further reform: diversity, trust and openness. Governor Carney discussed ongoing and future work in these areas, including:

- considerations relating to diversity in the financial sector through combined bank and market-based finance, highlighting the ongoing work by the BoE and European Central Bank (ECB) in relation to promoting sustainable securitisation, an FSB initiative to report on the scale of shadow banking activity and identifying global systemic non-bank non-insurer financial institutions. Of particular importance, Governor Carney argued, is resilient diversity requiring risk management through enhanced transparency and understanding of secondary market liquidity;
- rebuilding trust in finance through relationships between institutions, counterparties and investors, regulators in different jurisdictions and public trust in the financial system as a whole. Mr. Carney argued that of particular importance to this aim are regulatory frameworks to allocate responsibilities to individual executives and board members and compensation schemes, including the desirability of international standards and co-ordination to ensure fair and effective global markets and ensuring trust in the safety and soundness of firms; and
- considerations for ensuring the financial system remains open and global through trust between supervisory and regulatory authorities in different jurisdictions. Governor Carney pointed, in particular, to the work of the FSB in supporting peer reviews and implementation monitoring activities, ensuring clear and simple reporting and supporting initiatives to collect and share data. He argued for efficiency in regulatory approaches under which regulators defer to one another in the application of cross-border market regulations, pointing to progress in relation to regulation of OTC derivatives.

Governor Carney also summarised what he views as the benefits of making these reforms in terms of long-term prosperity, competition, benefits to customers and clients and serving the real economy.

IOSCO consults on post-trade transparency in CDS market

The International Organization of Securities Commissions has published a consultation report on post-trade transparency in the credit default swaps (CDS) market, which seeks to analyse the potential impact of mandatory post-trade transparency in the CDS market.

IOSCO has reached a preliminary conclusion that the introduction of mandatory post-trade transparency in certain CDS markets did not have a substantial effect on market risk exposure or market activity for those CDS products. It preliminarily believes that greater post-trade transparency in the CDS market would be valuable to market participants and other market observers, and encourages each of its members to take steps to enhance post-trade transparency in the CDS market in its jurisdiction.

Comments are due by 15 February 2015.

Treasury Committee assesses progress on implementing Parliamentary Commission on Banking Standards' recommendations

The Treasury Committee has published a report (HC 768) assessing the progress made by the Government and the regulators on implementing recommendations from the Parliamentary Commission on Banking Standards (PCBS).

Some recommendations have been enacted through the Financial Services (Banking Reform) Act 2013 but details of the implementation of some statutory provisions are still emerging. The report discusses:

- initial responses and inadequacies identified from these;
- non-statutory and non-legislative implementation of PCBS recommendations;
- ring-fencing and proprietary trading;
- strengthening individual accountability; and
- the PCBS's recommendations which will fall to the regulators to implement under their existing powers.

HMT consults on extending senior managers and certification regime to UK branches of foreign banks

HM Treasury (HMT) has published a consultation paper on proposals to extend the Senior Managers and Certification Regime under the Financial Services (Bank Reform) Act 2013 to UK branches of foreign banks by means of a Statutory Instrument (SI), the draft Financial Services and Markets Act 2000 (Relevant Authorised Persons) Order 2015, which has been published alongside the consultation paper.

The regime for UK incorporated banks, building societies and credit unions, as well as certain Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) regulated UK-based investment firms, was implemented following recommendations from the Parliamentary Commission on Banking Standards. Under the Financial Services (Banking Reform) Act 2013 Act, HMT may extend the reforms to cover UK branches of foreign credit institutions and PRA-designated investment firms.

Comments on the consultation are due by 30 January 2015.

Financial Services and Markets Act 2000 (Market Abuse) Regulations 2014 published

HM Treasury (HMT) has made the Financial Services and Markets Act 2000 (Market Abuse) Regulations 2014 (SI 2014/3081) and laid them before Parliament. The Regulations amend sections of Part VIII of the Financial Services and Markets Act 2000 (FSMA), which sets out the UK civil regime prohibiting market abuse, in order to extend the existing regime until the Market Abuse Regulation (EU No 596/2014 – MAR) starts to apply in July 2016.

Certain sections within Part VIII of FSMA were inserted on 1 July 2005 in order for the UK to implement the EU Market Abuse Directive (2003/6/EC – MAD). At that time the UK Government decided to retain the scope of its pre-existing regime for market manipulation prohibitions, which is broader than the regime under MAD. To ensure continuing review of these broader provisions, the Government made them subject to a sunset clause whereby they would expire after a period of three years unless they were amended to keep them in force. The Government has previously extended provisions in Part VIII using SI 2008/1439, 2009/3128 and 2011/2928. SI 2014/3081 will extend the date of expiry of s.118(8), s.118A(2) and (3) and the definition of 'regular user' in s.130A until 3 July 2016, the date on which the MAR will replace MAD, as MAR includes a prohibition similar in scope to s.118(8) FSMA.

SI 2014/3081 enters into force on 15 December 2014.

FSCP publishes discussion paper on costs for retail investors and reforming investment management

The Financial Services Consumer Panel (FSCP) has published a discussion paper on the costs and charges borne by retail investors when they invest directly in retail funds or through pensions, stocks and shares ISAs or insurance wrappers.

The FSCP has conducted research to better understand how the investment management industry works in practice, the nature of fund charges and costs, the shortcomings of the current regulatory system, including disclosure, and possible solutions.

Based on this research, the Panel suggests that:

- investment managers could be required to quote a single and comprehensive annual charge, including estimates of forward costs like transaction charges. All other costs, currently deducted by the investment manager directly from the fund, would be borne by the investment management firm; and

- investment managers could have a strengthened legal obligation to put the interests of their customers first, the fiduciary duty. The Panel believes that the current regulatory requirement to 'treat customers fairly' does not tackle conflicts of interest in the investment industry.

The Panel plans to hold a roundtable with stakeholders in early 2015 to discuss the findings of its research and suggested solutions.

Decree setting out characteristics of securitisation vehicles subject to AIFMD regime published

Decree no. 2014-1366, dated 14 November 2014, setting out the characteristics of securitisation vehicles subject to the AIFMD regime has been published in the Journal Officiel.

Pursuant to article L. 214-167-I of the French Code monétaire et financier (the Financial Code), as a general rule, securitisation vehicles, even though characterised as alternative investment funds (AIFs), are exempted from the regime applicable to AIFs, which is laid down in articles L. 214-24-1 et seq. of the Financial Code, implementing into French law the Alternative Investment Fund Managers Directive. However, in order to prevent recourse to securitisation structures to circumvent the AIFMD regime, article L. 214-167-II provides that, by way of derogation, securitisation vehicles having certain characteristics to be specified by decree are subject to the AIFMD regime. This is the purpose of decree no. 2014-1366 (informally referred to as the 'anti-circumvention' decree).

In accordance with the provisions of the decree, a securitisation vehicle is subject to the AIFMD regime if it is exposed, by more than 50% of its assets (to be calculated in accordance with the methodology provided in the decree), to risks either through (i) financial instruments or (ii) any other asset that does not represent an exposure to an insurance or credit risk, to the extent that such instruments or assets are managed by the management company on a 'discretionary basis'. Pursuant to the decree, management would be deemed not to be carried out on a 'discretionary basis' if the management company takes any decision to, amongst other things, buy or sell a financial instrument or to enter into, manage or terminate a financial contract:

- in accordance with the limiting conditions specified in the relevant securitisation vehicle's articles of incorporation/regulations, and for the purposes of complying with the underlying assets' eligibility criteria set out therein; or
- due to new circumstances and provided the decision is not exclusively aimed at, with respect to (i) financial instruments or the assets referred to above, generating gains over the initial purchase price and (ii) financial contracts, obtaining the payment of the outstanding amount to the benefit of the securitisation vehicle.

Notwithstanding the above, certain securitisation vehicles, which are listed in the decree, are subject to the securitisation vehicles' common regime, even though having the characteristics described above (e.g. French fonds de prêt à l'économie).

The decree applies to (i) new securitisation vehicles as from its entry into force and (ii) existing securitisation vehicles as soon as the latter's articles of incorporation/regulations are revised in order to substantially amend their investment strategy.

Deposit guarantee schemes: German Federal Government proposes draft law to implement new directive

The German Federal Government (Bundesregierung) has proposed a draft law to implement the revised Directive 2014/49/EU on deposit guarantee schemes (DGSs). The draft law is intended to increase the protection afforded by DGSs. Amongst other things, the proposal includes the following:

- the reduction of the repayment deadline from 20 to 7 working days as of 1 June 2016;
- increased protection of deposits resulting from certain transactions (e.g. selling of private residential real estate) or serving certain social or other purposes (e.g. payout of life insurance) of up to EUR 500,000; and
- the obligation of DGSs to make repayments without a prior request by depositors and an obligation of DGSs to ensure that the amount of their available funds reaches 0.8% of covered deposits by 3 July 2024.

Regulation on investment limits applicable to Italian pension schemes published in Official Gazette

Ministerial Decree no. 166/2014, issued by the Ministry of Economy and Finance, has been published in the Official Gazette (Gazzetta Ufficiale). Decree 166 sets out the new legal framework governing investment limits and conflicts of interest of Italian pension schemes (fondi pensione) and repeals Ministerial Decree no. 703/199.

Decree 166 provides for a transitional period of 18 months – during which Decree 703 continues to apply – starting from the date Decree 166 comes into force (i.e., 28 November 2014).

Italian Treasury publishes draft regulation on investment limits applicable to social security schemes

The Treasury Department of the Ministry of Economy and Finance has launched a consultation on a draft regulation intended to set out the legal framework governing investment limits, conflicts of interest and depository of social security schemes (enti previdenziali). The draft regulation implements Article 14, paragraph 3, of Law Decree no. 98/2011, converted into law by Law no. 111/2011. This framework will apply to social security schemes established in accordance with Legislative Decree no. 509/1994 and Legislative Decree no. 103/1996.

Comments are due by 5 December 2014.

CRD 4: Bank of Italy implements remuneration measures

The Bank of Italy has published a new regulation intended to fully implement the CRD 4 remuneration provisions. The new regulation is now part of the Supervisory Instructions for Banks (Bank of Italy Circular no. 285/2013) and repeals the regulation on remuneration policies previously in force, which was adopted on 30 March 2011.

The new regulation will come into force progressively. Credit institutions (including Italian branches of non-EEA credit institutions) are requested to adapt their internal remuneration policies and employment contracts (as the case may be) within the first part of 2015 (except for certain specific provisions).

FINMA recognises SFAMA code of conduct as a minimum standard

The Swiss Financial Market Supervisory Authority (FINMA) has recognised the code of conduct issued by the Swiss Funds & Asset Management Association (SFAMA) as a minimum standard. The code provides for increased due diligence and disclosure requirements of the Swiss funds industry following the revision of the Collective Investment Schemes Act.

Amongst other things, the code introduces new provisions requiring disclosure of all charges and fees incurred by investors. The code also consolidates both of the previous codes of conduct for the Swiss fund industry and asset managers of collective investment schemes issued in 2009.

The code will come into force on 1 January 2015, but a transitional period of one year will be allowed for implementation across the industry.

FINMA issues implementation plan for new Basel minimum standards

The FINMA has announced that it will implement the Basel standards on capital requirements and risk diversification at banks as adjusted by the Basel Committee on Banking Supervision.

The four changes to the Basel minimum standards are:

- implementing revised capital requirements for banks' equity investments in funds held in the banking book;
- adopting a new standardised approach for measuring counterparty credit risk exposures;
- changing capital requirements for bank exposures to central counterparties; and
- introducing detailed international standards on risk diversification.

In line with international timelines, the new standards on risk diversification should come into force on 1 January 2019. All other changes are currently scheduled to come into force on 1 January 2017.

BRRD: Dutch Ministry of Finance consults on implementation

The Dutch Ministry of Finance has published a consultation document on the implementation in the Netherlands of Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD). The explanatory memorandum to the consultation document provides guidance on the relationship between the (implementation of the) BRRD and Regulation (EU) 806/2014 of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (SRM Regulation).

The consultation document, which is in the form of draft legislation, provides for intervention instruments and measures for the Dutch Central Bank (DNB) in respect of an ailing bank or investment firm, if necessary, to subject it to resolution measures in order to preserve the continuity of critical financial and economic functions of the firm, and at the same time mitigate the effects of an ailing firm on the general economy and financial system.

The consultation period ends on 19 December 2014.

RQFII programme expanded to Australia

The People's Bank of China (PBOC) and the Reserve Bank of Australia have entered into a memorandum of understanding on RMB clearing arrangements. Under the MoU, the PBOC has appointed the Bank of China Sydney Branch as the RMB clearing bank in Sydney. China has granted an initial quota of RMB 50 billion to Australian financial institutions under the RMB qualified foreign institutional investors (RQFII) scheme.

FSS announces model for relationship-based lending to SMEs by banks

The Korean Financial Supervisory Service (FSS) has announced that a new bank lending model based on long-term relationships with small-and medium-sized enterprises (SMEs) will be implemented from 24 November 2014. The new lending model is intended to change the way bank loans are extended to SMEs, rather than focusing on collateral or guarantee requirements. The FSS formed a joint taskforce with the banking industry in January 2014 and developed a detailed action plan to introduce relationship-based lending to SMEs.

The new relationship-based lending model involves extending long-term loans, making equity investments and offering consulting services based on the general assessment of qualitative information including the reliability of transactions, industry reputation, debt-servicing capacity, ethical mindset of the senior management and stability of labour relations, etc.

The FSS expects banks to find SMEs with a promising outlook based on a comprehensive assessment of business information and sign a memorandum of understanding (MOU) with SMEs on long-term lending with maturity of more than three years, whereas SMEs are required to provide management-related information including business plans and operating results so that banks can have an accurate grasp of the business condition of the companies.

Banks are also expected to make a long-term investment in bonds with equity conversion options such as convertible bonds (CB) and bond warrants (BW), and convertible redeemable preferred stocks that can be converted into common stocks if necessary, enabling shareholder participation in corporate decision-making.

Thai SEC to issue infrastructure trust regulations

The Thai Securities and Exchange Commission (SEC) has announced that it will issue infrastructure trust regulations. These were recently approved by the Capital Market Supervisory Board.

An infrastructure trust, with a similar structure to a real estate investment trust (REIT), can invest in infrastructure projects providing benefit or services to the public. It can invest in onshore and offshore infrastructure projects either by (i) making a direct investment in assets (owned or leased) or rights in a revenue sharing agreement, or (ii) by making an indirect investment in the shares of a company operating an infrastructure project. The minimum size of an infrastructure trust is Baht 10,000 million. If investing in two or more projects, the size of each project must be at least Baht 3,000 million.

If the units of an infrastructure trust are offered to the public, at least 70% of its investment must be in projects having commercial revenues and the units must be listed on the Stock Exchange of Thailand (SET). If an infrastructure trust has less than 70% of its investment in projects having commercial revenues, it will only be allowed to offer units to investors with a minimum subscription of Baht 10 million each and it cannot be listed on the SET until at least 70% of its projects have commercial revenues.

Infrastructure trusts are more flexible than infrastructure funds in that the trusts may invest in assets offshore; however, the dividends do not benefit from an income tax exemption as in the case of infrastructure funds.

The new regulations are scheduled to become effective in early 2015.

FINRA requests comment on proposal to establish pay-to-play rule

The US Financial Industry Regulatory Authority (FINRA) has issued Regulatory Notice 14-50, which requests comment on proposed FINRA Rule 2390.

The proposed rule would apply to most FINRA members engaged in distribution or solicitation activities for compensation with government entities on behalf of investment advisers. Rule 2390 would, among other things, prohibit FINRA members from soliciting government entities on behalf of advisers within the two years after a political contribution has been made to an official of the government entity by the FINRA member or one of its covered associates. 'Covered associates' for the purposes of the rule would include officers and employees of the FINRA member broker-dealer who have a direct economic stake in the development of a business relationship with the governmental entity for the benefit of the adviser. 'Official of a government entity' is broadly defined to capture an incumbent or candidate for elective office of a government entity where the office is directly or indirectly responsible for, or can influence the outcome of, the hiring of an investment adviser.

During this two year 'time out', the FINRA member would be prohibited from accepting compensation for distribution and solicitation activities related to the applicable government entity, and to disgorgement of amounts received in contravention of the time out. The proposed rule would further prohibit FINRA members and their covered associates from circumventing its prohibitions by coordinating or soliciting third parties to make political contributions to officials that members or covered persons could not make themselves (i.e., bundling).

FINRA's proposal is substantially similar to, but not identical to, restrictions imposed on investment advisers by the US Securities and Exchange Commission with respect to political contributions under its Rule 206(4)-5 of the Investment Advisers Act of 1940.

CFTC extends no-action relief for US activities of non-US dealers

The Commodity Futures Trading Commission (CFTC) has issued a no-action letter extending relief (provided in previous no-action letters) from the transaction-level requirements for swaps for non-US swap dealers using US personnel or agents. This relief expires on 30 September 2015.

RECENT CLIFFORD CHANCE BRIEFINGS

Launch of IIFM Master Collateralised Murabahah Agreement

16 November marked a further milestone in the development for the Islamic Finance industry with the publication by the International Islamic Finance Market (IIFM) of the Master Collateralised Murabahah Agreement (the MCM Agreement).

The IIFM, the Shari'a Advisory Panel of IIFM and Clifford Chance have been working alongside a global working group of market participants to develop a widely acceptable industry-standard agreement to serve the market in meeting the need for a collateralised mechanism through which to generate liquidity.

The MCM Agreement provides a mechanism for access to liquidity on a collateralised basis (based on the Shari'a principle of Arrahn) utilising Sukuk and other Shari'a compliant securities as collateral. This is an important new tool for Islamic Financial institutions as they seek to address the increased global regulatory focus on liquidity and collateral. Alongside the MCM Agreement, IIFM has published an Operational Guidance Memorandum to facilitate adoption of the Agreement by Islamic Financial Institutions. IIFM is also making the Agreement available to non IIFM members.

This briefing further explains the principal features of the MCM Agreement.

http://www.cliffordchance.com/briefings/2014/11/launch_of_iifm_mastercollateralisedmurabaha.html

Russian 'deoffshorisation law' – bring the boys back home!

On 18 November 2014 the State Duma (the lower chamber of the Russian Parliament) approved a set of amendments to the Russian Tax Code for the purpose of implementing what has commonly been described as Russia's 'deoffshorisation law'. In order for the Deoffshorisation Law to take effect from 1 January 2015, as is currently intended, it will have to be approved by the Federation Council (the upper chamber of the Russian Parliament), signed into law by the President and officially published on or before 1 December 2014. It is widely expected that this will occur, notwithstanding the fact that it is still a work in progress and the fact that further amendments will likely be required during the course of 2015 in order to clarify the meaning and scope of various provisions.

This briefing discusses the Deoffshorisation Law.

http://www.cliffordchance.com/briefings/2014/11/russian_deoffshorisationlawbringtheboy.html

Shanghai-Hong Kong Stock Connect – China opens the way for global investors in Chinese equity

The 17 November 2014 marks a significant milestone in the internationalisation of the Renminbi and the liberalisation of the Chinese financial markets. The launch of the Shanghai-Hong Kong Stock Connect programme is the culmination of over 7 months of preparatory work by regulators, exchanges, broker-dealers and investors after the joint announcement made on 10 April 2014 by the China Securities Regulatory Commission and the Hong Kong Securities and Futures Commission.

The establishment of mutual market access between the Shanghai Stock Exchange and the Stock Exchange of

Hong Kong represents the first time that two stock exchanges have linked up in this manner. The Stock Connect programme provides a number of unique opportunities and challenges for market participants, and Clifford Chance has been fortunate to have the opportunity to work with the Asia Securities Industry & Financial Markets Association and many market participants on this project.

This briefing sets out some of our key observations and insights from our work on the Stock Connect.

http://www.cliffordchance.com/briefings/2014/11/shanghai-hong_kongstockconnectchinaopensth.html

Angola – Developments in tax reform and foreign exchange regulations

The Angolan government is in the process of reforming the Angolan tax system. This process commenced in 2011. An important objective of the tax reform is to increase the country's non-oil related tax revenues. The Angolan government has also introduced changes to the foreign exchange regulations that have a focus on the oil and gas industry and the import of goods.

This briefing provides an overview of the impact of these changes.

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