ANNUAL REPORT 2016

Association des Banques et Banquiers, Luxembourg
The Luxembourg Bankers' Association
Luxemburger Bankenvereinigung

Table of contents

BY SCANNING THE QR CODE, DOWNLOAD A DIGITAL VERSION.

Member of

Printed on Condat Matt Perigord

FOREWORD BY THE CHAIRMAN

Yves Maas

The banking and financial world has experienced major changes over the past 10 years. An ongoing tide of new regulation has had and will continue to have a deep impact on banks' structure and operating models, customer relationships and employment in the sector, a trend reinforced by technological innovation. This is a global phenomenon, from which Luxembourg is not spared.

The continent's banking landscape has shifted as a result of multiple legislative changes and the launch of a single regulatory system at European level. The establishment in 2014 of the EU banking union created the Single Supervisory Mechanism, Single Resolution Mechanism and Single Rulebook for the 28 European Union member states, with a European deposit insurance scheme, EDIS, also to be established. European banks are still in the process of implementing more than 15 major pieces of legislation, requiring the deployment of substantial human and material resources.

Taking stock in the wake of the post-crisis regulatory tsunami, one may conclude that the European banking and financial system is more stable and solid today. Banks' capital resources have increased significantly: the European Central Bank now supervises the 130 systemically important banks directly, and resolution rules have been implemented to protect the taxpayer, should a crisis arise.

What is evident, is that the European banking landscape is no longer the same as it was before the crisis. The banking market has consolidated and continues to do so, while industry profits have yet to recover to pre-crisis levels. One can also point to the impact of monetary policy in compressing interest margins and significantly lowering revenues. Pressure on costs is obliging banks to review their business models and adapt to tighter budgets. In response, many institutions are simplifying their structure, creating a central European hub and bringing key skills and the management of certain businesses together within centres of expertise which serve European or global networks.

And this trend of constant change is far from over being. In the future, technological change and the emergence of new players will play a greater role in shaking up the financial world. With the entry into force of the second Payment Services Directive (PSD2), providers of innovative products and services will emerge to disrupt the banking and financial environment as it exists today, in the same way as in telecoms and energy markets in the first decade of this century. Besides facing new challenges, this evolution will provide banks with interesting and promising opportunities.

To remain a top-tier international financial centre, Luxembourg must constantly develop and embrace changing international standards, whether regulatory, technological or commercial. Members of the country's financial ecosystem need to maintain their efforts of adaptation to a regulatory and financial framework in continuous evolution if the sector is to survive and thrive in the long term. To do so, we must plan ahead and take decisions that are sometimes painful. The ABBL will continue to encourage this process and help its members tackle the challenges and seize the opportunities.

FOREWORD BY THE CEO

Serge de Cillia

Luxembourg is confirmed as leading Eurozone financial centre in the latest Global Financial Centres Index, indicating that the country and its financial services industry have come through recent crises unbowed and, today, enjoy a prominent place among Europe's foremost financial centres. This was far from inevitable. The Luxembourg government and the country's banking and financial sector have responded in a timely but considered way, in adopting a sustainable model for the long term in place as opposed to rulebooks that belong to the past. Luxembourg and its institutions have acted in concert with their European partners, while ensuring that a level playing-field for financial centres is upheld internationally.

To keep Luxembourg in the Champions' League of financial centres, the country's banks have invested hugely in restructuring their business model, the rethinking of their commercial models, the ongoing training of employees, and in the redeployment of staff affected by the disappearance of certain jobs.

Changes in international standards and the adoption of new regulation have demanded substantial investment and efforts from the country's financial institutions, and continue to do so. For example, Luxembourg banks invested €458 million in 2015 to meet new regulatory requirements, raising their costs by 20% compared with 2013. Today, 13% of all employees of the country's banking sector work exclusively in functions that ensure rules are followed, including risk management, audit, compliance and supervision. In small banks, this proportion can be as high as 20% of all staff.

Today there are 26,062 bank employees in Luxembourg, compared with 27,269 in September 2008, at the onset of the financial crisis. Since then, around 2,500 jobs have disappeared and some 1,400 have been created. By comparison with rival financial centres, Luxembourg has come out fairly well. We have seen fluctuation in employment levels, which will continue. Certain functions are simply disappearing; others, often lower-value positions, are being outsourced to specialist providers elsewhere. However, at the same time high-value functions are being transferred to Luxembourg.

In parallel with these changes within banks, the banking profession has changed, too. For employees, the many changes in regulation and markets have called for constant updating of knowledge and skills. The profession is becoming more specialised, and the impact on the profile of candidates in demand is evident, with a shift underway towards highly qualified individuals. All these changes and trends are among the factors to be considered as we negotiate a new collective employment agreement for bank staff.

The ABBL and other major players in the financial sector will continue to work together to support the banks and the rest of the financial ecosystem as they undertake this vital transformation process.

Banks

STRONG, INTERNATIONAL AND DIVERSIFIED

NUMBER OF BANKS PER COUNTRY OF ORIGIN

Source: CSSF

EUROPE

93

24	GERMANY
16	FRANCE
10	ITALY
7	UK
7	SWEDEN
5	LUXEMBOURG
4	BELGIUM
3	NETHERLANDS
3	SPAIN
2	ANDORRA
2	PORTUGAL
2	NORWAY
2	LATVIA
2	IRELAND
1	DENMARK
1	LIECHTENSTEIN
1	GREECE
1	CYPRUS

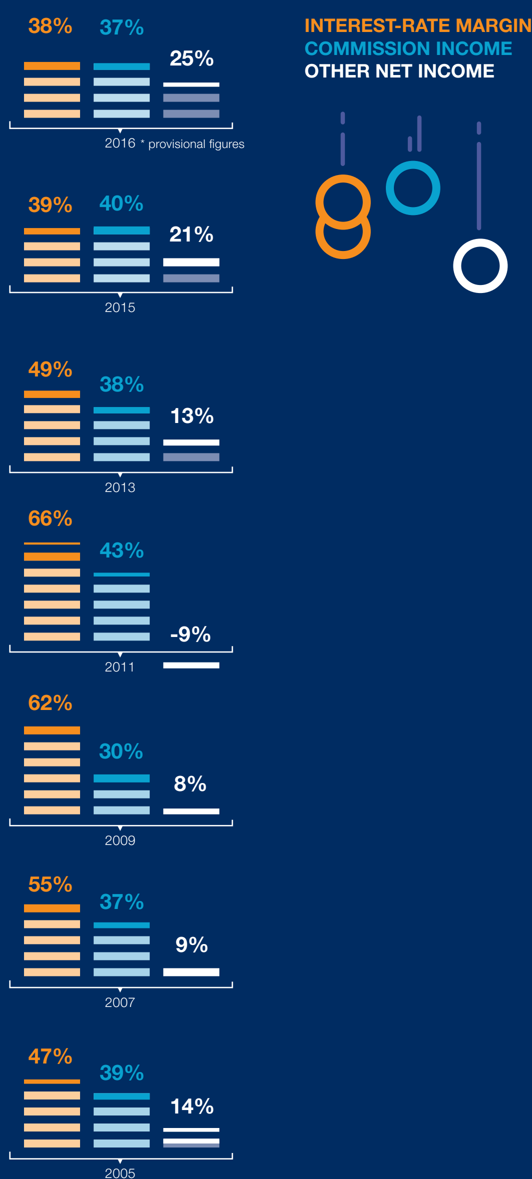
WORLD

49

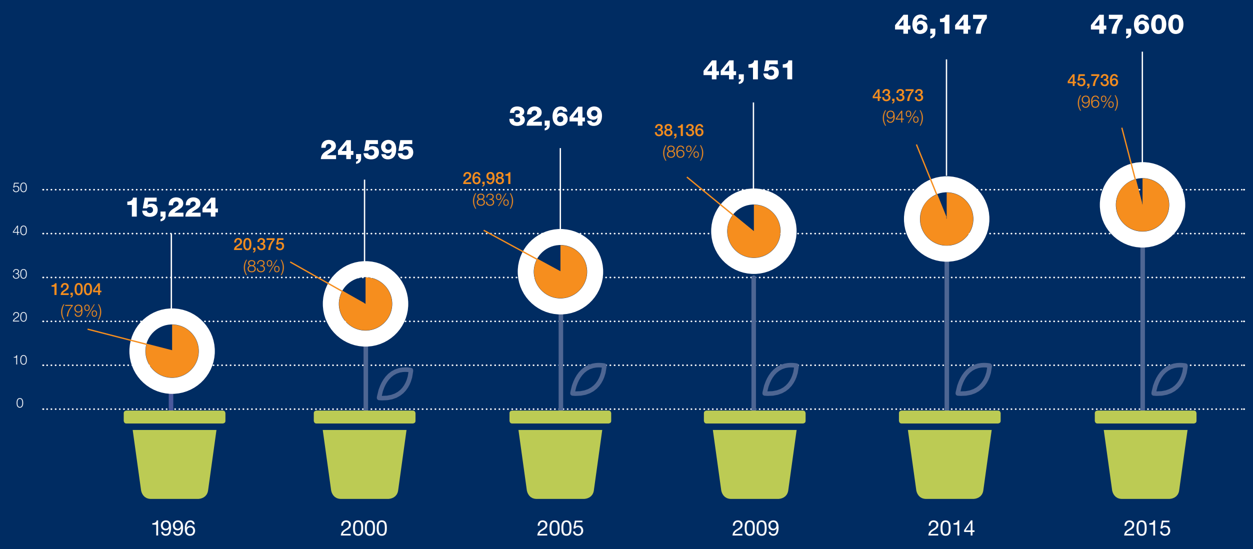
SWITZERLAND	11
CHINA	11
JAPAN	6
USA	6
BRAZIL	5
QATAR	3
CANADA	2
ISRAEL	2
RUSSIA	2
TURKEY	1

SOURCES OF BANKING INCOME

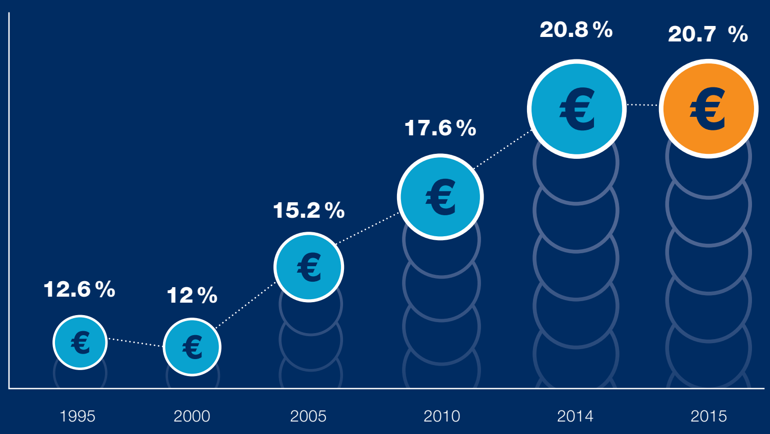
Source: CSSF



TOTAL OWN FUNDS
OF WHICH TIER 1
(in million EUR) Source: CSSF

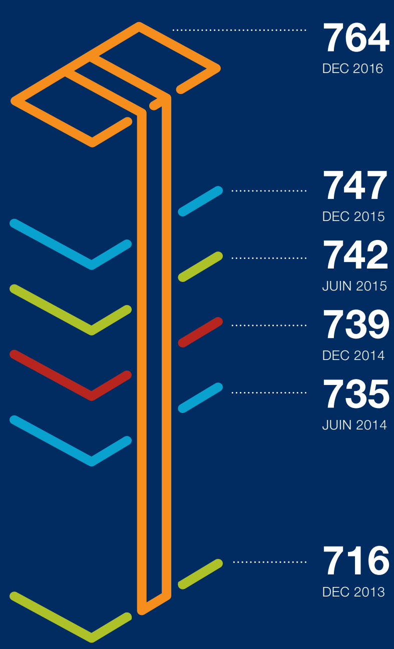


EVOLUTION OF SOLVENCY RATIO (in %)
Source: CSSF



Note: Given the methodological changes to the determination of capital and capital requirements and, to a lesser extent, the changes regarding the eligibility of capital items, the total capital ratio of 20.7% cannot be directly compared to the total capital ratio of 17.6% as at 31 December 2010. Nevertheless, it still bears witness to the high level of capitalisation of the banks in the financial centre. The impact of the Basel III Accord on Luxembourg banks also highlights the orientation of the Luxembourg banks toward high-quality capital instruments, as well as the orientation of the activities that protect them from any non-anticipated negative regulatory impact.

EVOLUTION OF BANKS' BALANCE SHEET TOTAL
(in billion EUR)
Source: BCL



Private Banking

TAILOR-MADE SOLUTIONS FOR INTERNATIONAL CLIENTS

KEY FIGURES

Source: PB survey 2016 - CSSF-PBGL

350 BILLION EUR

ASSETS UNDER MANAGEMENT

Source: PB survey 2016 - CSSF-PBGL

6,605

DIRECTLY EMPLOYED

Source: PB survey 2016 - CSSF-PBGL

1.66 BILLION EUR

REVENUES

Source: PB survey 2016 - CSSF-PBGL

1,544

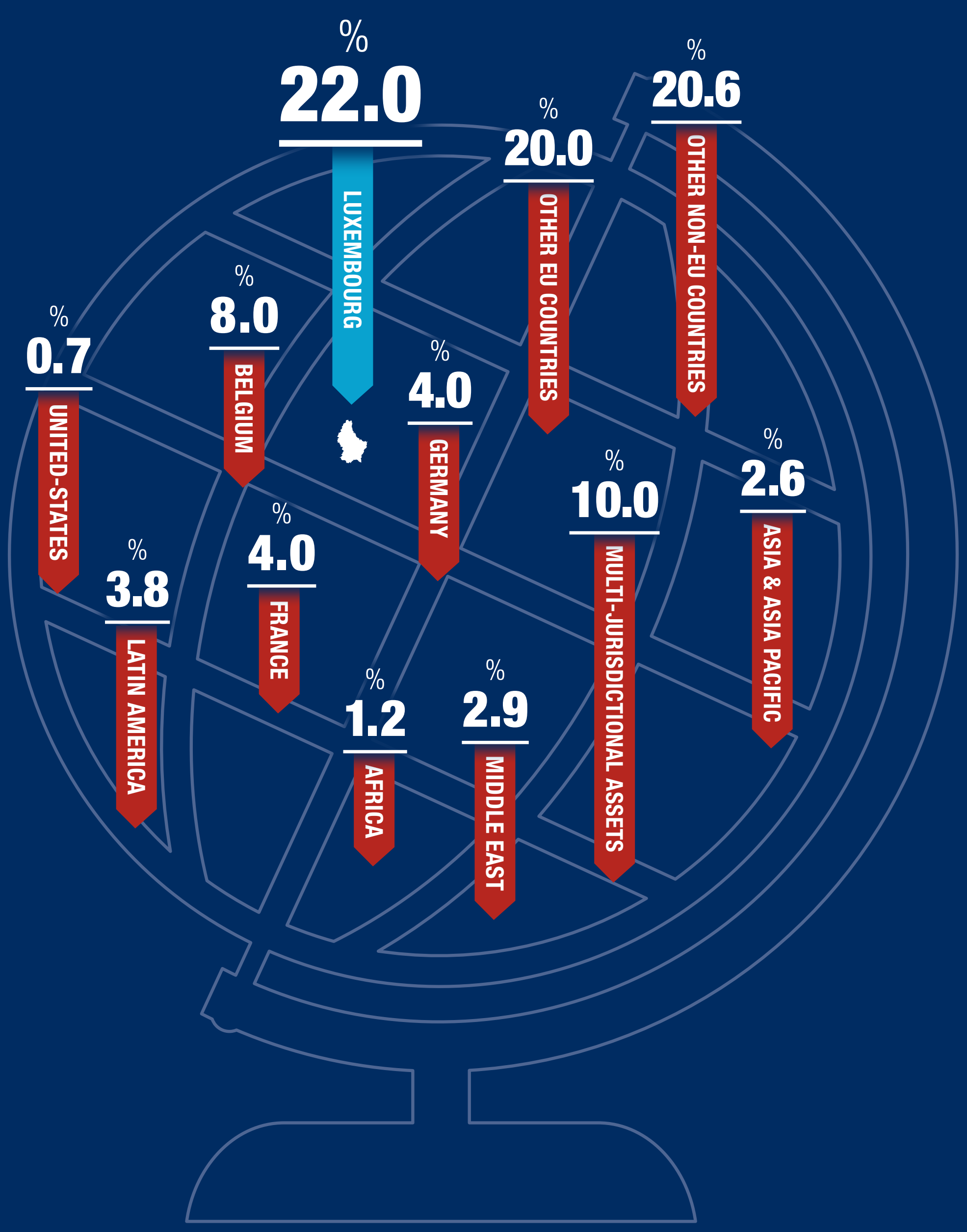
CLIENT FACING STAFF

Source: PB survey 2016 - CSSF-PBGL

GEOGRAPHIC ORIGIN OF CLIENT ASSETS (in %)

Source: PB survey 2016 - CSSF-PBGL

Figures may not add up due to rounding

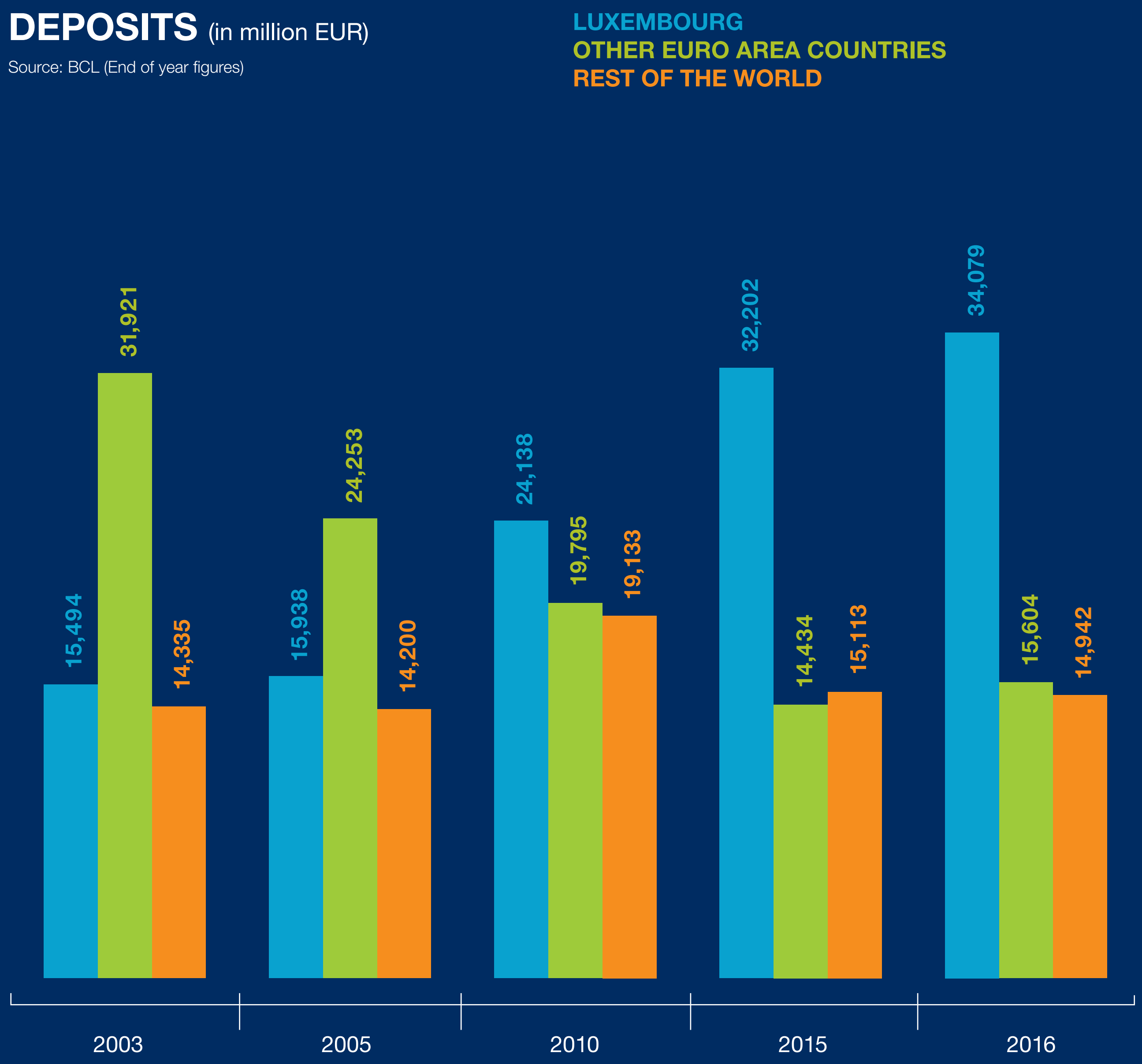


Retail Banking

WE FINANCE THE REAL ECONOMY

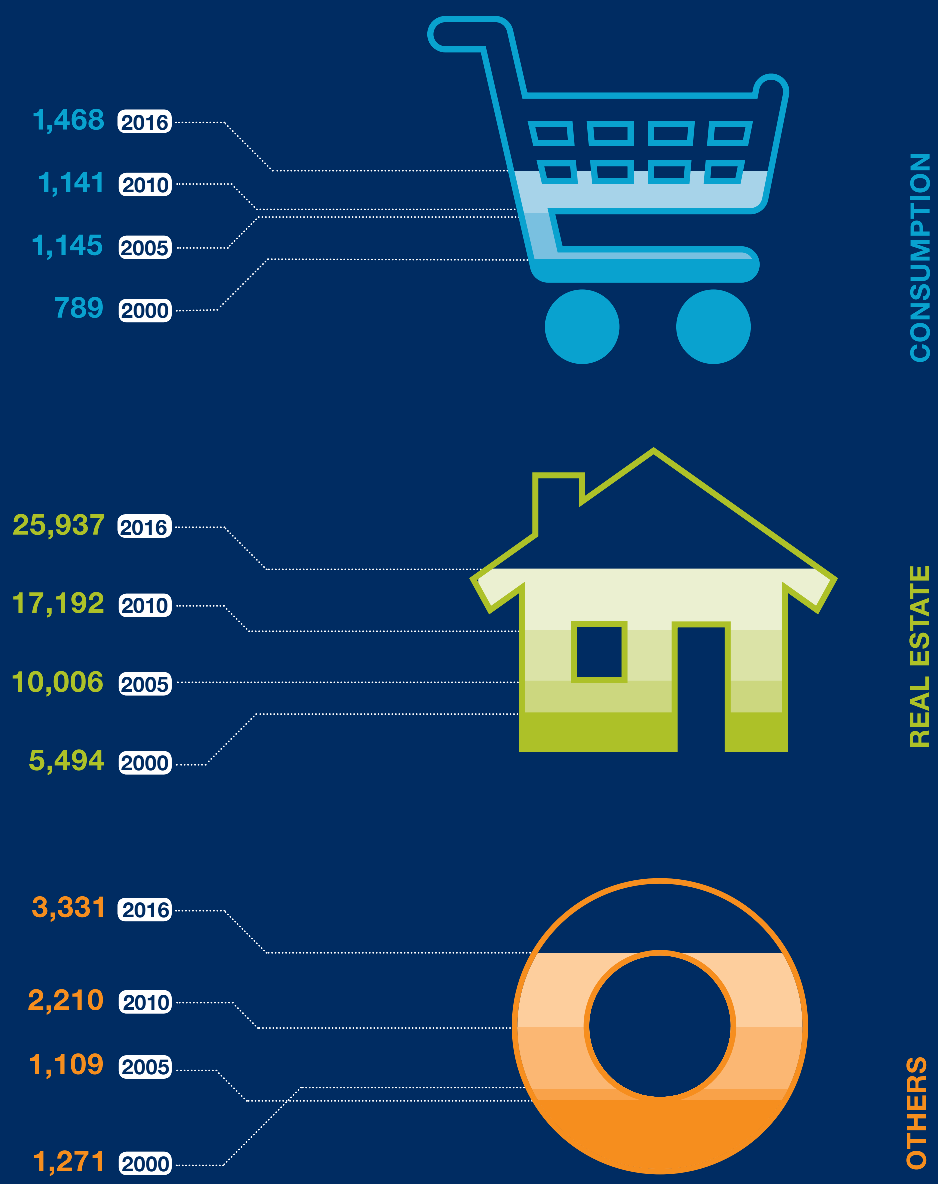
DEPOSITS (in million EUR)

Source: BCL (End of year figures)



LOANS (in million EUR)

Source: BCL (End of year figures)



Digital Banking & FinTech

MOVE FORWARD AND INNOVATE

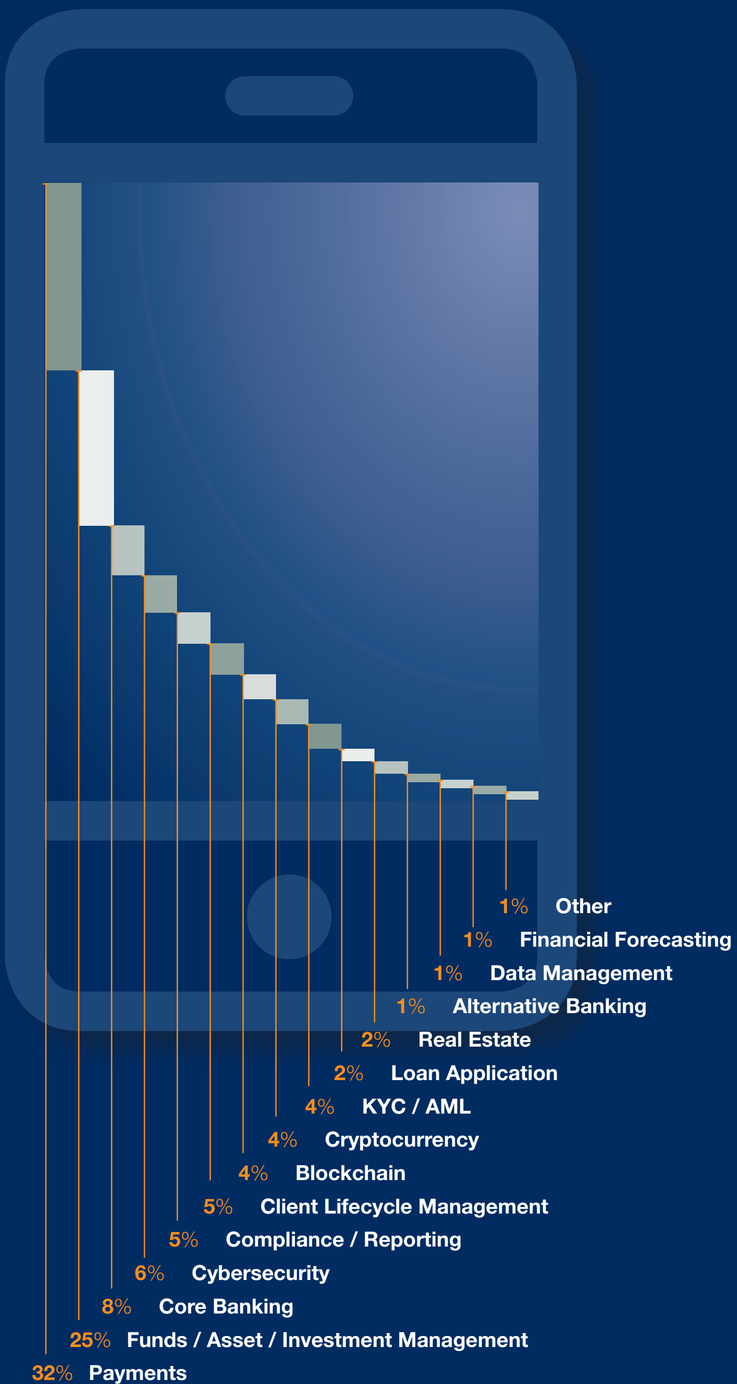
THE ABBL LUXEMBOURG FINTECH MAP

Providing an overview of the FinTech ecosystem in Luxembourg

Find out more about the FinTech ecosystem in Luxembourg on **www.fintechmap.lu**

MARKET STRUCTURE (in %)

Source: ABBL internal records
Figures may not add up due to rounding

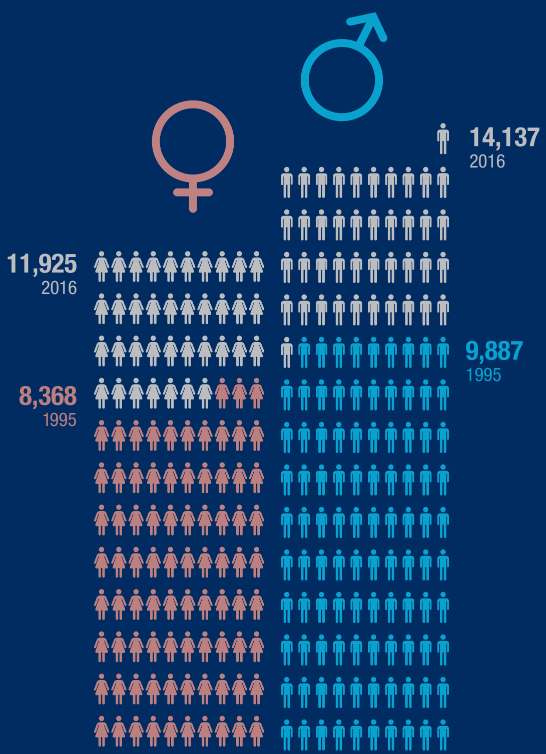


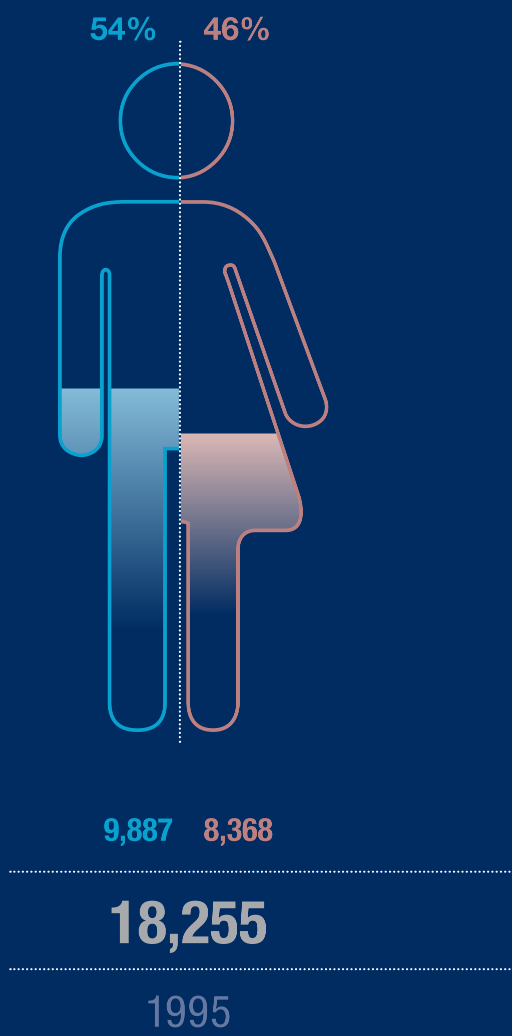
Employment

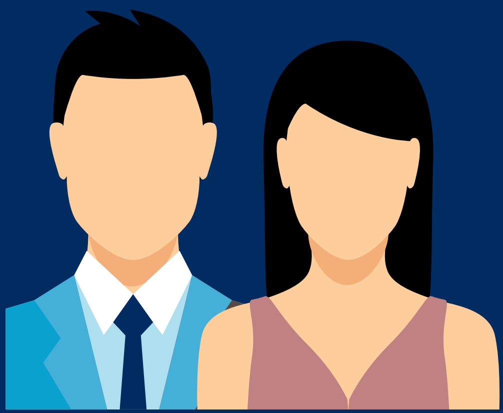
SKILLED AND MULTICULTURAL WORKFORCE

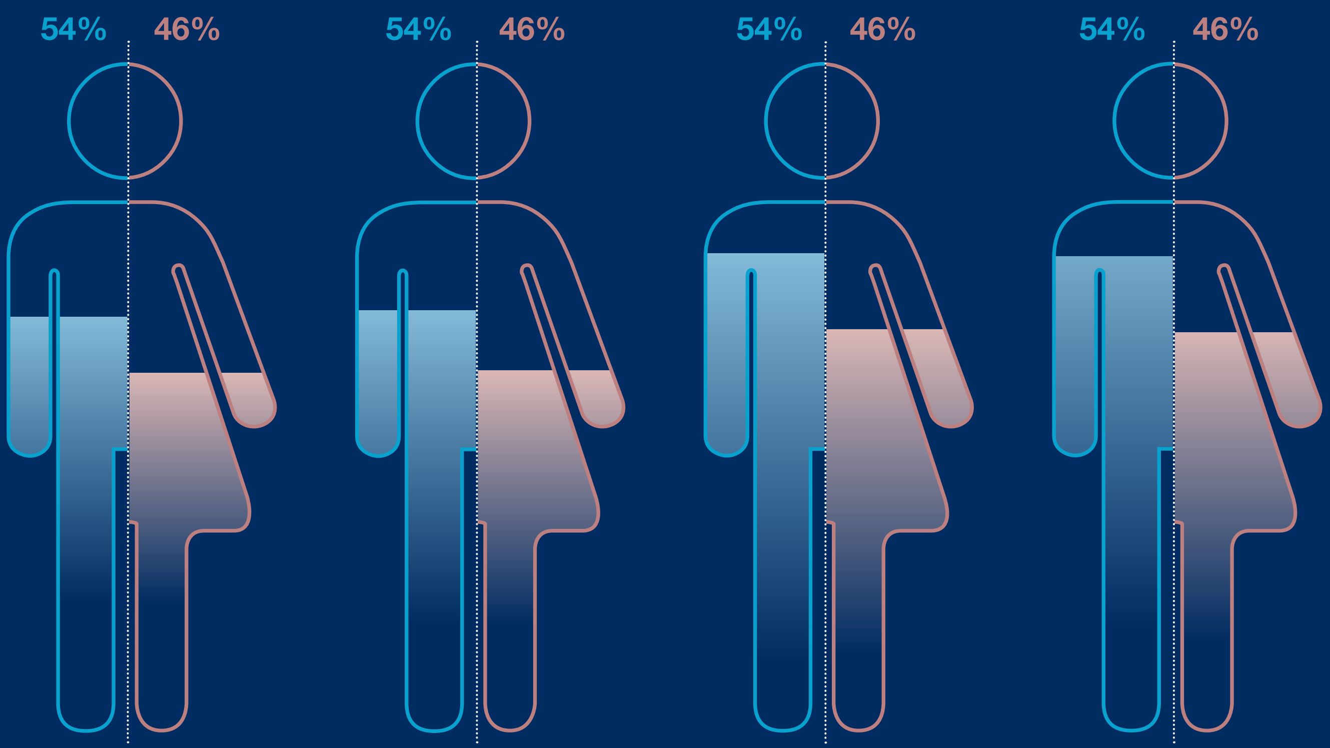
EVOLUTION OF TOTAL EMPLOYMENT

Source: BCL









12,422 10,613	12,607 10,617	14,215 12,040	14,137 11,925
23,035	23,224	26,255	26,062
2000	2005	2010	2016

SYNTHESES

2016: A year of political upheaval and technical changes in EU public affairs

From a European public affairs point of view, 2016 has been dominated by a single event: the United Kingdom's vote to leave the EU. The overall consequences for our members, as well as from an EU advocacy perspective, will continue to unfold in the months and years to come. At EU level, an immediate consequence was the resignation of the UK Commissioner in charge of financial services, Lord Hill. His portfolio was added to the responsibilities of Vice-President Valdis Dombrovskis. In the Council, the UK delegation's standing and influence in the decision-making process has also been affected, as has the impact of UK MEPs in the European Parliament. While their influence is on a downward trajectory, their general outlook on legislative issues is focused increasingly on the treatment of third countries (the case of the UK post-2019). The ABBL has started the process of adjusting its EU engagement to the unfolding new deal.

In 2016, the ABBL also celebrated, together with ALFI, the 10th anniversary of their joint EU Representative Office in Brussels via a historic first joint meeting of the two boards at the end of November.

Regarding advocacy on particular issues of importance to the ABBL and its members, the association has actively monitored the progress of the Commission's European Deposit Insurance Scheme (EDIS) proposal through the Council and the European Parliament. Regarding financial markets, the ABBL team has made a considerable effort to track PRIIPs developments as well as the prospectus, securitization, Money Market Funds (MMF) and covered bonds dossiers. In tax matters, the ABBL has continued its advocacy on the transposition of the OECD's BEPS initiative into EU law (e.g. ATAD 1 and 2) as well as on the ongoing FTT saga. The ABBL has also been actively seeking to make its views heard on the fifth Anti-Money Laundering (AML) Directive.

With the addition of measures including the Banking Package (Capital Requirements Directive/Capital Requirements Regulation/Single Resolution Mechanism Regulation/Bank Recovery and Resolution Directive review) to the menu and the unfolding of the Brexit story, 2017 promises to be an even more interesting year.

The Board of the ABBL and of ALFI for the 10th anniversary of their joint EU Representative Office in Brussels, in the presence of Mady Delvaux-Stehres (MEP), Frank Engel (MEP) and Georges Friden (His Excellency the Ambassador Permanent Representative of the Grand-Duchy of Luxembourg to the European Union)

Following the publication of the Capital Markets Union (CMU) Action Plan on 30 September 2015, the year 2016 was predominantly about putting the plan into place. This plan, which focuses on strengthening the European economy and stimulating investment to create jobs, recommends reviving the securitisation market in the Union and modernizing the Prospectus Directive. The European Commission has therefore released legislative proposals on these issues.

Aside from regulatory initiatives, the effects of adopted regulations focusing on investors had consequences for the ABBL's 2016 financial market regulation programs. Following the 2014 adoption of the PRIIPs regulation and of MiFID II in 2013, last year the ABBL was involved in providing support to its members as they implemented these measures.

Financial Market Regulation: focus on Investors

Between 2011 and 2014, we saw an increase in the volume of investor protection rules that now must be implemented. This is the case for the Markets in Financial Instruments Directive (MiFID II) and the Packaged Retail Investment and Insurance-based Products (PRIIPs) Regulation.

- MiFID II, adopted in 2013 and initially supposed to apply from 2017 onwards, will finally come into effect in 2018. This regulatory centrepiece has significant implications for banks' operational processes and client relations. Given the scope of MiFID II, the ABBL has established various working groups to analyse and draft common Luxembourg banking positions in areas such as client relationships, market implications and reporting. Following a full year focusing on MiFID implementation, the ABBL has drafted a MiFID handbook which will be finalized and released in 2017.
- Similarly, following the adoption of the PRIIPs regulation in 2014, the ABBL was committed to supporting its members as they implemented this regulation. The Regulation states that retail investors must be provided with Key Information Documents (KIDs) that set out relevant risk-reward profiles. However, the regulation and its accompanying delegated regulation (regulatory technical standards or RTS) came under scrutiny regarding the incomprehensibility of some elements (scope) and problems with implementation. Consequently, the European Parliament rejected the RTS in September 2016 and the regulation's application was subsequently delayed until 2018. Where possible, the ABBL has focused on clarifying points within the existing draft and will continue to provide its insight throughout 2017 to ensure a smooth implementation in 2018.

Financial Market Regulation: focus on Investment

Paving the way for better regulation. In view of the optimal operation of financial markets, following the CMU project, a European Commission survey was conducted in late 2015 and in early 2016 to review the EU regulatory framework for financial services, seeking evidence and feedback on:

- Rules affecting the ability of the economy to finance itself and deliver growth;
- Unnecessary regulatory burdens;
- Interaction, inconsistencies and gaps;
- Rules giving rise to unintended consequences.

This was a key opportunity for the ABBL to provide an extensive overview of regulatory issues affecting the Luxembourg banking industry, notably urging the Commission to consider proportionality, trade-off and flexibility when initiating financial regulations.

Basel IV

A matter of concern in 2016 for the European banking community has been the overall impact of the final capital standards to be set by the Basel Committee on Banking Supervision (BCBS), the so-called Basel IV package. The purpose of the revisions is to reduce the variability of risk-weighted assets (RWAs) across the banking industry to make banks' capital frameworks more comparable and less complex. The changes include:

- Revisions to the credit risk framework involving:

  (i) a revised standardized approach for credit risk,

  (ii) adjustments to the internal rating-based (IRB) approach by reducing the variation of IRB models and restricting their use, and by introducing risk-weighted floors based on a standardized approach.

- A new approach to operational risk.
- A review of the market risk framework.
- A review of the credit valuation adjustment (CVA) capital charge framework.

The European banking industry has warned on several occasions that the consequences of Basel IV include significantly increasing the overall level of regulatory capital:

- Permanent output floors will disconnect the link between risk and capital requirements and will excessively affect IRB institutions with low-risk portfolios.
- The Revised Standardised Approach for credit risk ignores the diversity of global real estate markets in terms of risk profile, which makes a one-size-fits-all approach inappropriate.

An impact study conducted by the European Banking Federation has demonstrated that Basel IV would excessively penalize European banks compared with other jurisdictions. In this area, the ABBL has actively contributed to the response of the European banking industry to the political and regulatory authorities, and will continue to do so in the future.

EDIS

In November 2015, the European Commission tabled a proposal for a European Deposit Insurance Scheme (EDIS). The proposal aims to build a common insurance scheme in three phases, starting with a reinsurance phase and a co-insurance phase. The objective is to establish a complete European insurance scheme. Throughout 2016, it has been a priority for the ABBL to convey its position on this important issue, insisting on the importance of cost neutrality and operational efficiency for EDIS.

New banking package

The European Commission released on 23 November 2016 a new legislative package amending both the current banking prudential and resolution frameworks. The revision includes the implementation of various international standards into European law, i.e.:

- Several regulatory measures adopted by the Basel Committee since 2010.
- The new standard on Total Loss Absorbing Capacity (TLAC) drawn up by the Financial Stability Board in November 2015.

In parallel, a legislative proposal to harmonise the creditor hierarchy of senior debt across the EU has also been released. The Commission proposal amends the following legislation:

- The Capital Requirements Regulation (CRR) and Directive (CRD4), which were adopted in 2013, set out prudential requirements for institutions and rules on governance and supervision of institutions.
- The Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR), which were adopted in 2014, set out the rules on recovery and resolution.

Against this background, the ABBL has identified as key priorities the implementation of the TLAC standard and adaptation of the Minimum Requirements on Eligible Liabilities (MREL), the derogation for small trading book businesses, proportionality rules for applying simplified methods on counterparty credit risk and market risk, and technical amendments to the large exposures regime and to the leverage ratio.

Throughout 2016, the ABBL's Legal and Compliance team has monitored a wide range of European and national debates, including four of particular interest:

1) In line with the AML IV Directive (2015/849/EU) adopted on 20 May 2015, the law distinguishes three types of tax fraud: simple tax fraud, aggravated tax fraud and tax swindle (*escroquerie*). A tax fraud is considered as aggravated if the tax evaded per tax period is beyond a certain threshold. Simple tax fraud is to be punished with an administrative sanction, while aggravated tax fraud and tax swindle can also be punished by imprisonment. Therefore, aggravated tax fraud and tax swindle are considered as criminal offences by the Penal Code (revised Article 506) and are new predicate offences to money laundering.

The CSSF and the FIU issued a circular on 20 February 2017 offering financial sector professionals advice on how to handle these new predicate offences. The circular included practical indicators that could prompt further investigation in order to either remove doubt or to trigger a suspicious transaction report to the FIU.

2) At the end of 2016, the Luxembourg Financial Intelligence Unit issued two guidelines. One outlines the process for reporting suspicious transactions in the context of the implementation of GoAML, and the other details the blocking of suspicious transactions.

The guideline on blocking suspicious transactions sets out:

- the nature of transactions subject to blocking of execution;
- the rights and obligations of professionals in case of blocked transactions;
- the effects of blocking; and
- the blocking procedure, notably how the FIU communicates its blocking instruction to the professional, and when the effect of such an instruction expires.

The guidelines came into force on 1 January 2017.

3) On 5 July 2016, the European Commission adopted a proposal to reinforce EU rules on anti-money laundering and to increase transparency regarding beneficial owners. The Commission proposes various changes:

- To prevent misuse of virtual currencies for money laundering and terrorist financing purposes, the Commission proposes to bring virtual currency exchange platforms and custodian wallet providers under the scope of the Anti-Money Laundering Directive.
- The Commission also proposes to minimise the use of anonymous payments through pre-paid cards, by lowering thresholds for identification from €250 to €150 and widening customer verification requirements.
- The Commission proposes to harmonise the list of checks applicable to countries with deficiencies in their anti-money laundering processes and terrorist financing regimes. Banks will have to carry out additional due diligence measures on financial flows from these countries.
- Member states should make public certain information from the beneficial ownership registers on companies and business-related trusts. Information on all other trusts will be included in the national registers and available to parties who can show legitimate interest.
- The proposal foresees the possibility of identifying and verifying customers' identity through electronic identification means. The reference to Regulation (EU) 910/2014 (e-IDAS) appears a step in the right direction.
- Member states should set up either a central banking registry or a central data retrieval system allowing the identification of holders of bank or payment accounts in a timely manner.

4) The law of 23 December 2016 relating to market abuse (the New Market Abuse Law) ensures the effective implementation of the new European market abuse regime derived from Regulation EU 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse (Market Abuse Regulation), Directive 2014/57/EU of the European

Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse, and Commission implementing directive 2015/2392/EU of 17 December 2015 regarding reporting to competent authorities of actual or potential infringements of the regulation. The New Market Abuse Law fully implements the European provisions without going beyond their requirements. It repeals the previous law of 9 May 2006.

There are three key changes arising from the Market Abuse Law:

- First, it extends the scope of the legislation with respect to financial instruments and trading venues covered. Besides financial instruments admitted to trading on a regulated market, the new law covers (i) financial instruments traded on multilateral trading facilities (MTFs) or other types of organised trading facilities (OTFs), which will be introduced in January 2018 by Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MiFID II) and (ii) those whose price or value depends, or has an effect on, the value of such financial instruments (such as credit default swaps). It will also apply to emission allowances or related auction products from 3 January 2018.
- Secondly, it widens the definition of criminal offences (such as market manipulation) and provides for increased administrative and criminal sanctions, thereby harmonising the criminal sanctions applicable to various types of market abuse.
- Thirdly, it grants wider powers to the CSSF as a competent authority to investigate market abuse and extends CSSF's supervision to all issuers of financial instruments with regard to market abuse.

Domestic developments

The reform of the Luxembourg tax system announced by the current coalition government was adopted by the Chamber of Deputies in December 2016. Many of the measures apply from 1 January 2017 or from the 2017 fiscal year.

As of the 2017 fiscal year onwards, Luxembourg's corporate income tax rate will decrease from 21% to 19%. This rate will further decrease to 18% from the 2018 fiscal year onwards. For companies established within the city of Luxembourg, the aggregate corporate tax rate, including municipal business tax and the related solidarity surcharge, will be 27.08% for the 2017 fiscal year and 26.01% from the 2018 fiscal year.

To strengthen entrepreneurship and encourage young innovative businesses, corporate income tax will be levied at a reduced rate of 15% for taxable profits not exceeding €25,000 (compared with 20% previously for profits not exceeding €15,000).

Other relevant measures adopted in the framework of the reform include:

- a 50% increase, from €3,210 to €4,815, of the minimum net worth tax for Luxembourg companies with financial assets representing more than 90% of their total balance sheet and exceeding €350,000;
- the doubling, from 10% to 20%, of the final domestic withholding tax levied on qualifying interest payments to Luxembourg resident individuals (RELIBI);
- the limitation of the use of tax losses carried forward incurred after 31 December 2016 against subsequent annual profits for a period of 17 years. Losses incurred before 31 December 2016 are not affected by this restriction;
- the possibility of a tax-neutral reversal of deposit guarantee provisions constituted by Luxembourg banks under the previous deposit guarantee scheme (AGDL) in annual tranches from 2016 to 2026;
- the extension of the scope of taxpayers eligible for roll-over relief on foreign exchange gains;
- increased investment tax credits for investments in qualified, tangible assets;
- a joint liability regime for managers of companies that have not met their VAT obligations, coupled with increased penalties;
- several amendments to the criminal tax law to extend the definition of tax fraud and increase applicable penalties, coupled with provisions making aggravated tax fraud (*fraude fiscale aggravée*) and tax swindle (*escroquerie fiscale*) predicate offences for money laundering.

Whether this package constitutes an adequate response to the profound changes currently underway in the international tax system remains to be seen. This question and, where applicable, the scope of additional measures to be considered by the government, will be closely monitored going forward.

Several noteworthy developments regarding VAT took place during 2016. On 30 September 2016, the Luxembourg tax authorities published Circular N° 781 confirming that directors' fees are in principle subject to VAT. Directors supplying services for which they are liable to charge VAT are therefore required to apply for a VAT registration with effect from 1 January 2017 if not yet registered. Secondly, the VAT exemption currently applicable to services provided by an "independent group of persons" to its members has been challenged by the European Commission in front of the European Court of Justice. The conclusions delivered by the Court's advocate-general on 6 October 2016 follow the Commission's position. If the Court follows these conclusions in its forthcoming judgment, far-reaching consequences could arise for members regarding the current use of the VAT exemption regarding intra-group services. A memorandum anticipating a negative outcome of the litigation and setting out possible alternatives was submitted by the ABBL to Finance Minister Pierre Gramegna on 12 October 2016.

Corporate taxation - international developments

On 20 June 2016, the Council adopted Directive (EU) 2016/1164, informally referred to as the Anti-Tax Avoidance Directive (ATAD). The directive contains five legally binding anti-abuse measures, which member states should apply as of 1 January 2019 against common forms of aggressive tax planning. This directive was followed by the presentation, on 25 October 2016, of a Commission proposal to complement the existing rules on hybrid mismatches with third countries. This package adopts into EU law several aspects of the OECD's BEPS Action Plan (CFC rules, interest limitation) and contains additional anti-abuse measures that are specific to the EU (switchover rule, exit taxation and general anti-abuse rule). At domestic level, the exceptions available to financial undertakings regarding interest limitation rules as well as the very broad wording of the general anti-abuse rule foreseen in the directive are relevant points for attention in the perspective of their transposition into Luxembourg law.

The OECD adopted on 24 November 2016 a multilateral convention aimed at swiftly implementing the tax treaty-related measures contained in the BEPS Action Plan. This convention, which was negotiated by more than 100 jurisdictions (including Luxembourg), will, once signed, facilitate the relatively rapid inclusion in existing bilateral tax treaties of measures to curb treaty shopping, artificial avoidance of permanent establishment (PE) status and hybrid mismatches, as well as improvements to the dispute resolution mechanisms. Depending on the ratification process, the potential impact on more than 2,000 existing bilateral treaties worldwide will be substantial. Optional provisions of the convention will only apply between countries with matching choices. Which options will be retained by Luxembourg remains to be confirmed.

Last but not least, the European Commission proposed, in October 2016, to re-launch the idea of a common consolidated corporate tax base (CCCTB). Originally put forward in 2011, the proposal aims to create a single set of rules to calculate companies' taxable profits in the EU, thus eliminating mismatches between national tax systems. While the original proposal was optional for all companies and groups, the new proposal would be mandatory for large groups. The consolidation of taxable profits and their allocation between member states, using an apportionment formula, may be envisaged in a second stage. Whether an agreement can be reached among member states regarding the principle of further tax harmonization within the EU remains to be seen.

These developments and their likely impact on member institutions have been closely monitored by our Fiscal Affairs Committee and dedicated technical working groups.

Tax transparency

Luxembourg is an early adopter of the OECD Common Reporting Standard, which means that the first exchanges of information will take place in 2017 on the basis of financial account information relating to 2016. This implies an accelerated implementation timeframe for financial institutions in Luxembourg. The ABBL has been actively dealing with questions raised by members ahead of the first reporting due on 30 June 2017. Technical meetings took place on a regular basis throughout the year to prepare technical FAQs on the CRS.

On 6 December 2016, the Council adopted Directive (EU) 2016/2258 granting access for tax authorities to information held by authorities responsible for the prevention of money laundering. This directive will enable tax authorities to access that information in monitoring the proper application of rules on the automatic exchange of information. It is based on the assumption that tax authorities need greater access to information on beneficial ownership of intermediate entities and other relevant customer due diligence information. The new rules will apply from 1 January 2018 and were initially set out by the European Commission in the wake of the Panama Papers revelations.

The ABBL is a member of the European Commission's Expert Group on the Automatic Exchange of Financial Account Information and was actively involved during the year in the drawing up various submissions regarding the above-mentioned matters to competent authorities locally and internationally.

EU Financial Transaction Tax

At the end of 2015 Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia, Spain (FTT10) issued a statement setting out areas where agreement had been reached as well as areas that were still open. The FTT10 indicated that a decision on the open issues should have been made by the end of June 2016.

At a meeting of the Working Party on Tax Questions of 25 October 2016, the FTT10 indicated that further negotiations on FTT would continue on the basis of the agreed broad lines relating to various key building blocks (e.g. scope of taxable transactions in shares and derivatives, territoriality, transaction chain, market-maker exemption, etc.). This basic agreement still has to be transformed into a legal text, in which a number of issues would have to be refined further.

In its current form, the proposed FTT would apply to transactions involving financial instruments where at least one party is a financial institution, and at least one party is established in a participating member state, or the financial instrument in which the parties are dealing is issued in a participating member state.

On 6 December 2016, the ECOFIN meeting was informed that the FTT10 is working on various open questions and trying to reach a compromise on the core elements. Whether these efforts will eventually lead to a breakthrough remains, however, difficult to predict at this stage.

U.S. tax matters

As regards US tax matters, besides ongoing technical questions related to FATCA reporting, relevant developments included the release of a revised version of the QI Agreement by the US Internal Revenue Service (previous agreements expired on 31 December 2016), as well as the treatment of dividend equivalent payments under Section 871(m) of the US Internal Revenue Code. These developments required a certain refocus on US tax matters during the year and were monitored in close co-operation with the European Banking Federation.

The Private Banking Group, Luxembourg: helping our members face the challenges of today and tomorrow

In 2016, the Private Banking Group (PBGL) supported its members in a number of initiatives.

The year started with a conference aptly entitled ‘Private Bankers: are you ready for the next disruption?’ Some 150 guests, representing the entire Luxembourg financial ecosystem, discussed the disruption brought to private banks by the digital (r)evolution.

Three key topics were debated by different panels:

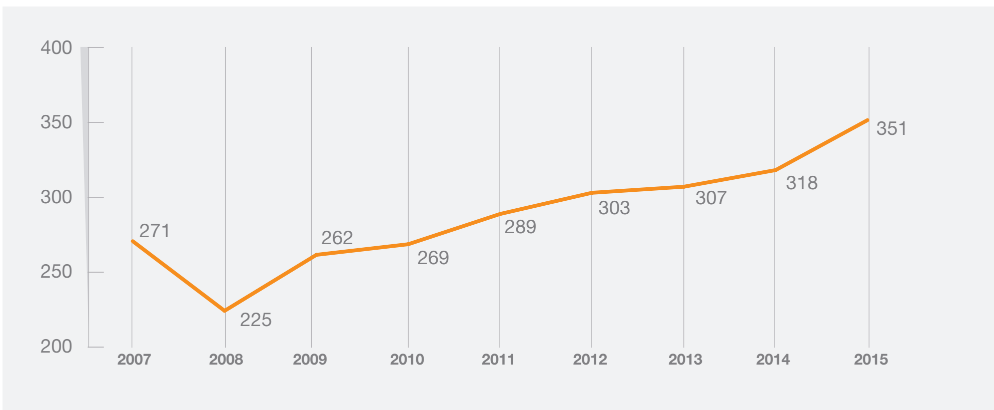
- The panel on **KYC Utilities** discussed how digital tools can help improve and enhance client due diligence, on-boarding and relationship processes.
- The second panel addressed the recent phenomenon of so-called **robo-advice** and discussed whether algorithm-based advice was ready to lure private banking clients away.
- Finally, the concept of **blockchain** was clarified as a technology that could help banks save money by making their operations faster, more efficient and more transparent.

For most private bankers, digitalization is top of the agenda: being aware of the challenges ahead enables private banks in Luxembourg to position themselves appropriately for the future.

During the PBGL annual members’ meeting in June, Luxembourg’s private banking business was once more assessed with the PBGL annual survey figures.

As anticipated, the survey confirmed the generally positive trend for the industry. The sector continued to thrive throughout the period as shown by the growth of AUM (to €351bn as of the end of 2015).

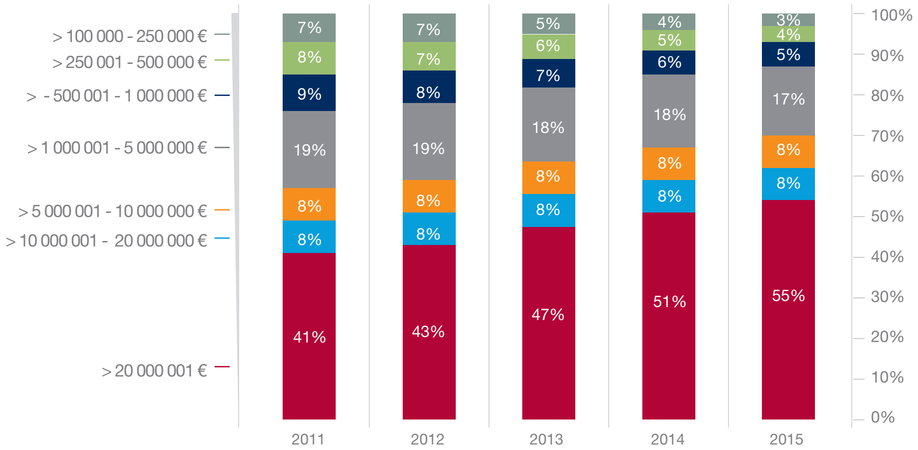
Evolution of AUM (billion euro)



Source: CSSF / ABBL Private Banking Survey 2016 - figures as of end of 2015

A shift in assets from the affluent segment to ultra-wealthy clients has been underway for several years. People with wealth exceeding €20 million accounted for more than half of all assets managed by Luxembourg wealth managers in 2015, a 14 percentage point increase from 2011.

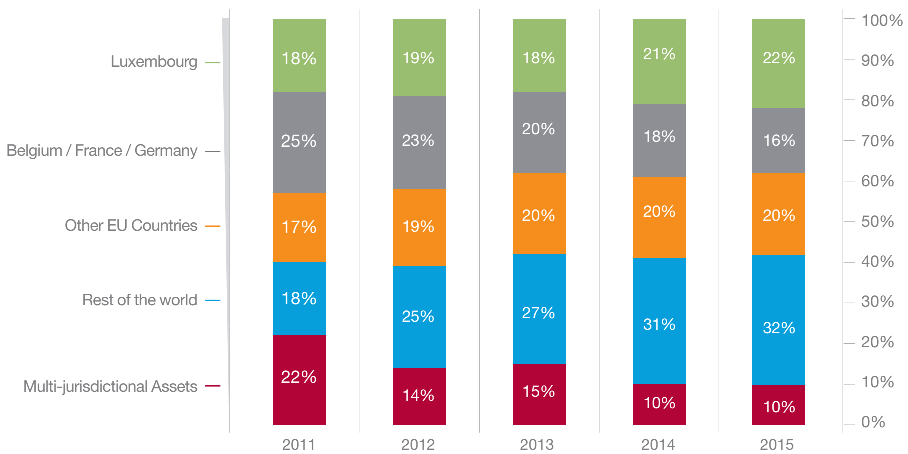
Evolution of wealth bands



Source: CSSF / ABBL Private Banking Survey 2016 - figures as of end of 2015

While clients from Luxembourg, Germany, France and Belgium have always represented a major share of business, the industry is expanding its geographical scope within Europe and beyond. These trends have many causes: wealth managers, for their part, recognize the benefits of Luxembourg as an onshore EU banking hub, combining a high degree of stability with international diversification.

Geographic origin of clients' assets



Source: CSSF / ABBL Private Banking Survey 2016 - figures as of end of 2015

Despite considerable challenges in the recent past, the private banking business in Luxembourg has demonstrated its ability to adapt to change during turbulent times. This is in part due to the sector's broad cross-border and asset structuring expertise, its multi-faceted local ecosystem with the support and advice of expert auditors, consultants and lawyers, and a pool of experienced, multilingual staff available locally.

The final part of the year was dedicated to two other major elements of conducting private banking business in Luxembourg:

- Promotion: the PBGL experts co-operated with LFF in publishing a new wealth management brochure highlighting Luxembourg's expertise, multifaceted toolbox and modern legal and regulatory framework, and examining the changing needs of clients.
- Education: the PBGL set up a dedicated working group to introduce mandatory client-facing staff certification.

Throughout the year, PBGL experts supported the promotional efforts of LFF in its international activities (panels, round tables and conferences), along with visits to cities including Milan, Paris, Geneva, Zurich, São Paolo and Mexico City.

The ABBL's Retail Banking Cluster

As in previous years, the ABBL's Retail Banking Cluster (RBCL) performed its Retail Banking Survey to measure the sector's evolution. The Survey covering 2014-2015 highlighted the stability both of Assets under Management – reaching €34 bn as of the end of 2015 (+ 2%) - as well as of the number of retail clients.

The RBCL monitored and commented notably on the following legal issues:

1. Law of 23 December 2016 implementing Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property

The law applies to credit agreements granted to private clients to purchase residential immovable property secured by a mortgage or by another comparable security and also to credit agreements whose purpose is to acquire, or retain, property rights relating to land or in an existing or planned building.

Some of the key provisions of the legal framework relate to:

- **Pre-contractual information disclosure and adequate explanation**

The consumer should receive detailed information about the loan and its characteristics detailed in the European Standardised Information Sheet (ESIS) before being bound by any credit agreement. The ESIS should disclose the standardised annual percentage rate of charge (APRC).

The consumer should also receive an adequate explanation of the proposed credit agreement and any ancillary services.

- **Creditworthiness assessment**

The creditor should analyse the consumer's ability to meet the credit agreement's obligations based on information on the consumer's financial and economic situation. The procedures and information on which the assessment is based should be established, documented and retained.

- **Reflection period**

The law provides for a 14-day reflection period before the conclusion of the credit agreement to allow the consumer to compare offers, assess their implications and make an informed decision as to whether to accept an offer. The consumer may accept the offer at any time during the reflection period.

- **Knowledge & competence requirements**

The law provides for minimum knowledge and competence requirements for staff involved in the setting up, the offering and granting of credit agreements.

- **Early repayment**

The consumer has a right to early repayment in full or in part of a mortgage credit. In return, the creditor is entitled to fair and objectively justified compensation for any financial loss directly linked to the early repayment, within the limits laid down by the law.

- **Credit intermediaries**

The law also introduces a passporting regime for mortgage credit intermediaries to operate in any EU country.

While the law came into force on 1 January 2017, it has a retrospective effect, with the new provisions applying to credit agreements signed after 21 March 2016.

2. Draft bill N°7103 on Payment Accounts

The draft bill provides for access to payment accounts with basic features available to every consumer legally resident in the EU, the ability to switch bank accounts from one bank to another, and the provision to consumers of information on fees related to payment accounts.

Special agreement loans

During the course of the past year, the Government has repeatedly relied on the banks good will to support special agreement loans, which created extra administrative burden and costs.

Hence, at the initiative of various ministries, some member banks of the RBCL were involved in drawing up the terms and conditions applicable to several types of loan agreements, such as zero-interest loans or state interest subsidy loans, namely:

■ **Agreement on a climate loan with zero-interest**

This agreement is part of the legal framework of the government's climate package, 'Klimabank an nohalteg Wunnen'. Its purpose is to offer zero-interest loans to individuals on moderate incomes to encourage energy-efficient housing renovation.

■ **Agreement on a zero-interest loan in case of natural disaster**

The aim of the agreement is to offer zero-interest loans to individuals to renovate homes damaged by the floods of July 2016.

■ **Agreement on an interest subsidy loan for dairy and pork farmers**

Option for the beneficiary to defer mortgage payments

The Ministry of Family Affairs, Integration and the Greater Region and the ABBL have signed a declaration of intent for a plan to suspend the mortgage reimbursement payments throughout the duration of parental leave. The statement of intent is a measure of support for a plan to be implemented voluntarily by banks.

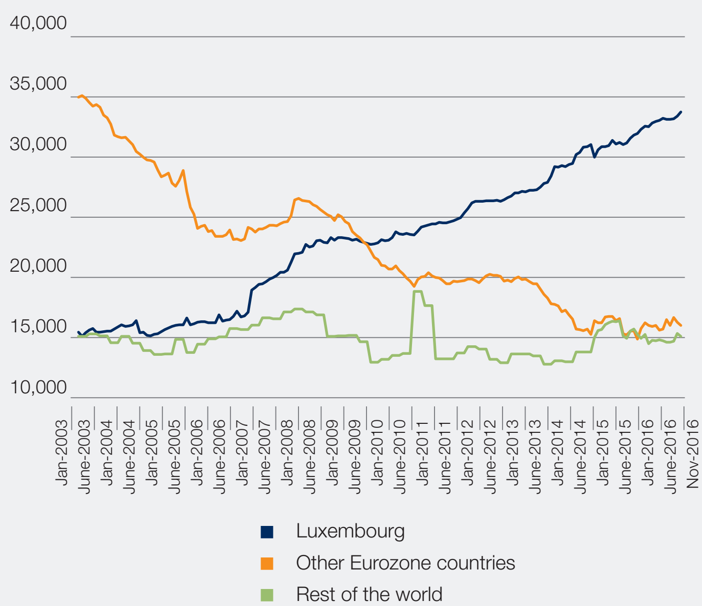
Evolution of deposits

As already observed in recent years, deposits from Luxembourg in credit institutions are evolving on a positive trend.

With respect to deposits from the rest of the world, we note a stable trend.

After reaching a lower level at the end of 2015, deposits from Other Eurozone Countries rose by 8.10% in 2016.

(in million EUR)

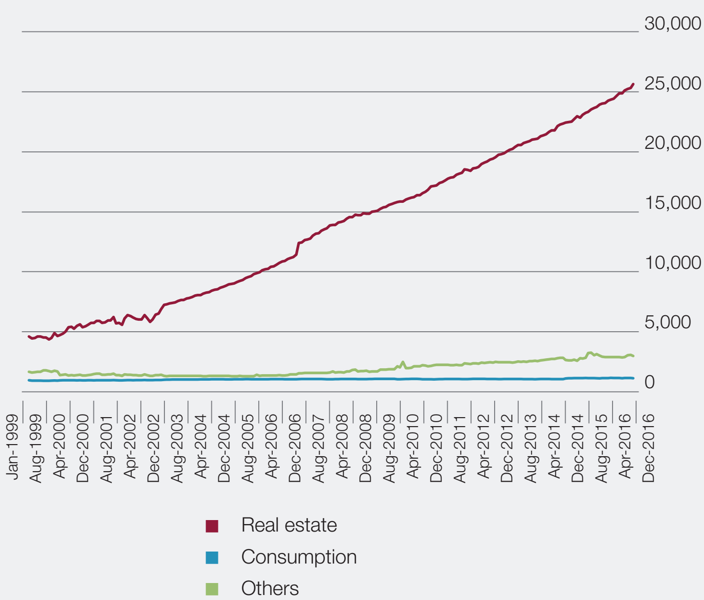


Source: BCL

Evolution of loans

High demand for real estate in Luxembourg is also reflected in the evolution of loans granted by credit institutions: real estate loans show a record rise of 7.18% in 2016.

(in million EUR)



Source: BCL

The 2016 agenda of the Commercial Banking Cluster (CBCL) focused primarily on two topics being the current regulatory environment and an in-depth analysis of the sector (size, product and service offering) for future promotional activity.

Concerning the regulatory environment, the following topics were, amongst others, addressed:

- **Outsourcing of certain activities**: Amendment of Art. 41 of the 1993 Banking Law to provide legal security for various currently accepted practices and to ease requirements affecting financial institutions' ability to in- or outsource certain activities (especially important for commercial banking to facilitate intra-group sharing of KYC information);

- **BEPS**: One of the most debated issues at CBCL Executive Board level was the OECD's Base Erosion and Profit Shifting (BEPS) project, which represents a fundamental change to the corporate tax landscape – in particular, the extent of the changes and their broader influence and impact on tax, treasury, finance and HR; on the group operating model, cost of financing and supply chain; and on the increase in publically available information on the activities of multinational groups. Related challenges for financial groups based in Luxembourg are:
  - Luxembourg as a booking center within financial groups (in a BEPS-compliant manner).
  - Including Luxembourg in financial groups' value chain (creating local value/ business origination/ liquidity management).
  - The right structure for a legal entity (branch vs. subsidiary).
  - Being able to evaluate the potential business impact of regulations.

- **Covered bond issuing banks**: The entire year saw intense lobbying activity at local (with CSSF, Ministry of Finance, local banks) and European level (EBA, ECBC, European Commission) with the ultimate aim of defending and promoting the specific characteristics of Luxembourg's covered bond business. The latest available updates are:
  - The EBA has published a report containing recommendations on harmonization of covered bond frameworks in the EU (December 2016).
  - A survey entitled 'Evidence on the likely impacts of a potential dedicated EU legislative framework for covered bonds' by ICF and Richard Kemmish Consulting Limited is being conducted to provide a detailed analysis of the costs and benefits of the potential new EU legislative framework.

Concerning the in-depth analysis of the sector, the CBCL saw the **creation of a dedicated working group on statistics**: The importance of the commercial banking business to Luxembourg is undeniable, but its scope today remains relatively unknown. As a result, the CBCL ExBoard decided to establish a CBCL Statistics & Business Intelligence Working Group, with the following mandate:

- Obtain reliable sector-relevant figures on the Luxembourg commercial banking business, with the help of (yet to be identified) data providers and Luxembourg regulatory bodies. Once established, these figures will need to be updated regularly.
- Use these figures for lobbying, promotion and positioning purposes.
- Develop CB Luxembourg business intelligence, research and indicators, monitor CB developments at EU and worldwide level to provide cluster members with details.

Digital Banking and FinTech Innovation

The Digital Banking and FinTech Innovation Cluster (DBFI) of the ABBL started its activities in January 2016. The Cluster currently comprises 45 ABBL members interested in exchanging knowledge as well as ideas on new disruptive technologies and on how digitalisation and the rise of FinTech may impact the banking sector and the financial services offered to increasingly demanding customers.

Goals

In the course of 2016, the Cluster focused on three major goals:

1. To disseminate knowledge about digital banking and FinTech innovation among members at all levels of their organisations.
2. To influence, explain and co-operate with the regulators in Luxembourg on subjects important to the member community and to participate in lobbying efforts at the European Union level.
3. To be an impactful participant in Luxembourg's digital banking and FinTech ecosystem.

In pursuit of these goals, the DBFI Cluster took the following actions:

Education and Training

A Training Courses Development working group was established to co-operate with the House of Training (HoT) on the creation of courses on digital banking and FinTech innovation for entry-level employees, middle managers and executives. The training courses were developed for the banking sector covering such topics as digital transformation, distributed ledger technology (blockchain), data analytics and social engineering (cyber-security).

These courses are currently open for enrolment at the House of Training (https://www.houseoftraining.lu/).

Special training sessions on bitcoin and blockchain were organised for C-level representatives of the DBFI Cluster and the SEPA payment services community.

ABBL FinTech Directory

In order to better understand the emerging FinTech ecosystem, the ABBL organises face-to-face meetings with FinTech start-ups and other relevant players. The Cluster has developed a FinTech Profile that is used to collect essential information about FinTech firms and their solutions. Each FinTech company contacted by the ABBL is thus invited to fill out a template and indicate any possible type of partnership sought. Profiles of FinTech firms, as well as information about forthcoming FinTech events in Luxembourg and abroad, are shared regularly with all DBFI members.

Based on the information collected, the Cluster created a Digital Banking and FinTech Directory that classifies FinTech firms located in Luxembourg as well as foreign FinTech start-ups interested in collaborating with financial institutions in Luxembourg. The directory is available to DBFI members and is regularly updated to ensure members are aware of recent developments within the FinTech ecosystem and to facilitate and foster potential collaboration.

Distributed Ledger Technology (DLT) and Big Data / Data Analytics (BD/DA)

In 2016, the Cluster created two other working groups on Distributed Ledger Technology and Big Data / Data Analytics in order to scrutinise these areas of particular relevance to the ABBL community and to facilitate interaction with the CSSF and the CNPD respectively.

The DBFI Cluster contributed to the preparation of the joint ABBL response to the ESMA discussion paper on Distributed Ledger Technology applied to securities markets.

Attracting foreign FinTech start-ups to Luxembourg

To contribute to the attractiveness of the Luxembourg FinTech ecosystem, the Cluster compiled contact details of ABBL members' experts responsible for working with foreign start-ups wishing to open a bank account in Luxembourg. That list was shared with Luxinnovation, the Chamber of Commerce, Luxembourg for Finance (LFF), the Luxembourg House of Financial Technology (LHoFT), consulting firms and law firms operating in Luxembourg.

Research and development

The DBFI Cluster regularly liaises with the SnT (Interdisciplinary Centre for Security, Reliability and Trust) and LSF (Luxembourg School of Finance) of the University of Luxembourg. In 2016, the partners discussed promising R&D projects of a general and non-competitive nature offering high added value to Luxembourg's banking community as a whole. The DBFI Executive Board selected one research project aimed at exploring the application of the distributed ledger technology (DLT) to the banking sector for Know Your Customer (KYC) purposes. The project is scheduled to start in the second quarter of 2017.

Matchmaking events - ABBL members meet FinTech start-ups

The DBFI Cluster organised four FinTech matchmaking events to facilitate co-operation between ABBL members and selected domestic and foreign FinTech firms. Each event was devoted to a specific topic: KYC / AML and Digital Onboarding, Payments in the Realm of New Technologies, Banking on Blockchain, and Robo-Advisors / Digital Investments. The ABBL invited representatives of the CSSF and the CNPD to these events to let them share their views on specific FinTech issues. The feedback received from ABBL members and invited FinTech firms was very positive. A considerable part of ABBL members reported on newly-established contacts and follow-up meetings.

The DBFI Cluster is currently reviewing its action plan for 2017 and adapting it to rapid changes in financial innovation, digital banking and FinTech in Luxembourg and worldwide.

International activities

The ABBL represents its members in several specialised working bodies of the European Banking Federation (EBF):

- Banking and regulation
- Data (data analytics and privacy)
- Cybersecurity
- Cloud
- Distributed ledger technology
- Alternative lending/investing
- Access/e-identification
- On-line platform and infrastructure
- Payments and aggregation
- Digital skills

SEPA – Single Euro Payments Area

After its successful launch on 28 January 2008, the SEPA project is well on track with SEPA Credit Transfers and SEPA Direct Debit schemes widely adopted. More than 70 Payment Service Providers (PSPs) in Luxembourg offer this service to clients, as a direct or indirect participant in a clearing and settlement mechanism.

The ABBL is actively supporting the promotion and development of the various schemes by taking part in several EPC working groups.

During 2016, ABBL members were asked to participate in multiple consultations concerning the new SEPA Instant Payment (SCT Inst) scheme. This new rulebook, commissioned by the European Retail Payment Board (ERPB) of the ECB, was published by the EPC at the end of 2016 and will come into force on 21 November 2017. The key characteristics of the new scheme are:

- SCT Inst is an optional scheme.
- The services based on the SCT Inst scheme are available 24 hours a day, 365 days a year.
- The underlying funds of an SCT Inst transaction must be available on the account of the beneficiary within a maximum execution time of 10 seconds.
- The SCT Inst Rulebook establishes a default maximum limit of €15.000 per SCT Inst instruction.

NASO activities

The role of the ABBL as a NASO (National Adherence Support Organisation) under the SEPA rulebooks is to give advice and coordinate adherence to the various EPC schemes, SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) of the remaining institutions – that is, to provide support to enable banks and financial service providers to correctly complete the SDD, SCT and shortly SCT-Inst adherence forms.

At the end of 2016, 68 financial institutions had adhered to the SCT, 29 to the SDD Core and 17 to the SDD B2B schemes.

In its role as NASO, the ABBL has established and is operating a service to generate and manage SEPA Creditor Identifiers, which are mandatory for creditors to enable them to collect payments via SEPA Direct Debits. In 2016, more than 183 Creditor IDs were generated, out of a total of 2.029 since 2011.

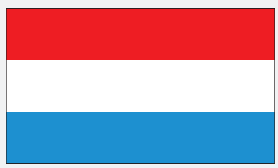
EPC – European Payments Council

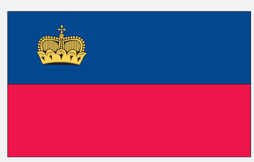
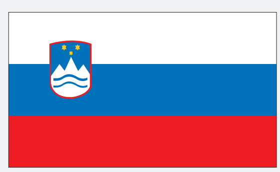
The purpose of the European Payments Council, representing PSPs from 33 European countries, is to support and promote the European payments integration and the development of SEPA.

The EPC is an international not-for-profit association, which makes all its deliverables, and notably the SEPA Scheme rulebooks and accompanying documents, available for free to interested parties.

The Luxembourg payment service provider community is directly represented within the EPC members' assembly and has a seat on the board of directors, either directly or indirectly, through a coalition of several countries in accordance with the EPC bylaws.

In December 2016, the coalition comprising Luxembourg, Switzerland, Liechtenstein and Slovenia was confirmed at the EPC Annual Members' meeting. Luxembourg will lead the coalition and hold a seat on the EPC Board of Directors for another two years.



EU regulatory framework

On 23 December 2015, the revised and long-debated Directive for Payment Services (PSD2) - Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, was adopted, repealing Directive 2007/64/EC (Text with EEA relevance).

During 2016, the Payments Committee of the ABBL established a working group composed of payments, security and legal experts to support the transposition process. The directive must be transposed into national law by 13 January 2018, at the latest.

The PSD2 aims to strengthen competition in the payment market by:

- Extension of scope beyond Europe: PSD2 expands the original PSD to ‘one leg out’ transactions where at least one side is located within the EU – previously it only applied to transactions involving both parties within the EU. It also applies to all currencies.

- Extension of the ‘payment institution’ definition: PSD2 extends the definition of ‘payment institution’ to AISPs (Account Information Service Providers) and PISPs (Payment Initiation Service Providers), and both must now adopt PSD2.

- XS2A, meaning third-party access to accounts: PSD2 encourages new players to enter the payment market by mandating banks to open up bank accounts to external parties such as AISPs and PISPs.

- Prohibition of surcharges for use of payment instruments, which falls under Regulation 2015/751 and Regulation 2012/260.

- Security of online payments and account access: PSD2 enforces new security requirements for electronic payments and account access. This requires strong customer authentication and secures open access to customer accounts (XSA2).

The ABBL, in close co-operation with the EBF, provided valuable input to the discussion papers and Regulatory Technical Standards (RTS) issued by the European Banking Authority (EBA). PSPs, AISPs and PISPs must comply with the RTS by October 2018.

Security of payment systems and instruments

The ABBL working group dealing with the security of payment systems and instruments (SPSI), together with EBF’s Cybersecurity WG and the EPC Payments Security Support Group, continued to monitor various threats and attacks aimed at the banking sector.

During 2016, many traditional phishing attempts were observed in Luxembourg and other European countries. A wave of attacks specifically targeting corporate banking solutions (DRIDEX malware and its evolution CRIDEX) was seen again in 2016 in Luxembourg and Europe.

Another important threat, seen in Luxembourg and in all other European countries, was the so-called CEO fraud (or BEC scam - Business Email Compromise). Different types of companies were victims of such fraud, but mostly corporates were attacked.

In 2016, ransomware made the headlines (see diagram below). **Ransomware is computer malware that installs itself covertly on a victim's device (computer, smartphone, wearable device, etc.).** It executes a cryptovirology attack that adversely affects the device, and demands a ransom payment to decrypt it or to refrain from publishing it. Ransomware targets individuals as well as corporates.

While traditional malware such as banking Trojans, spyware, and keyloggers require the cybercriminal to oversee multiple steps before they receive revenue, ransomware is a seamless, automated process and kits known as ‘ransomware as a service’ (RaaS) are easily available.

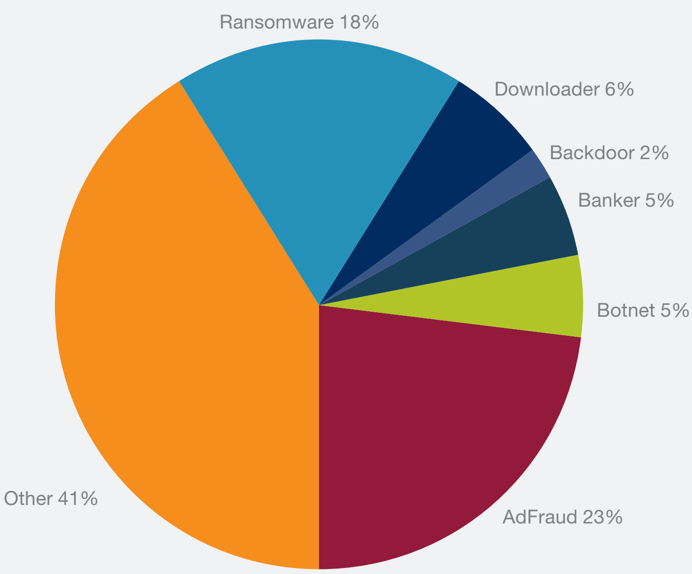
In Europe, ATMs have also become the focus for many types of attacks, with malware authors targeting both ATM users and the machines themselves.

As online financial transactions continue to increase, criminals will continue to target these transactions for financial gain.

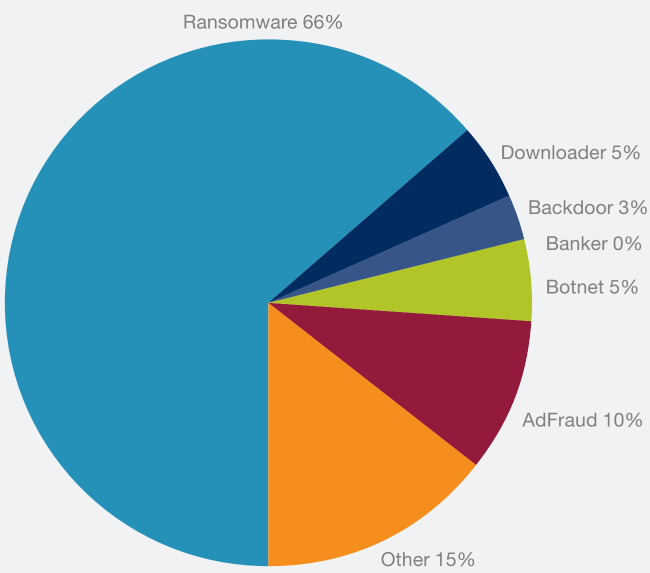
The future of digital payments in Luxembourg

Against a background of forthcoming new legislation (PSD2), implementation of new schemes (SCT Inst) as well as FinTech challenges, the ABBL decided at the end of 2016 to launch a study on the future of digital payments in Luxembourg. The outcome of that interactive study process will be a blueprint on how payment services could evolve and adapt to the new market realities and will be delivered to the Luxembourg payment service providers' community during the second quarter of 2017.

Exploit/Spam payload summary Jan 2016



Exploit/Spam payload summary Nov 2016



Ransomware distribution between January 2016 and November 2016 increased by 267 percent. This is an unprecedented domination of the threat landscape – like nothing we have seen before.

Malwarebytes State of Malware Report 2017

The ABBL, as an employers' organisation, is representing the interests of its members in the field of social affairs, including collective bargaining agreements, labour law, social security, health and safety in the workplace, occupational training, equal opportunities and social dialogue.

Collective bargaining agreement for bank employees 2014-16: Termination

In line with established procedures, the ABBL terminated the existing Collective Bargaining Agreement (CBA) on 30 November 2016, clearing the way for the negotiation of a new CBA.

The main provisions of the current CBA stem from the previous century, and over the years more layers have been added, making the agreement too complex. Consequently the current agreement does not provide appropriate responses to the many challenges the banking sector faces today, nor to attracting new talent.

To meet these challenges successfully, to remain competitive and to prepare for more changes in the future, the employment framework must be adapted accordingly.

A first plenary meeting with the three trade unions Aleba, LCGB and OGBL took place on 7 December 2016. The ABBL submitted its ideas and proposals to the unions and the plenary session agreed to set up joint working groups, each assigned to discuss a specific chapter of the CBA: classification and remuneration; organization of working time, employability and training, and well-being. The goal of the ABBL and its members is a complete overhaul of the CBA. Their aim is to discuss all provisions with the unions, in an open-minded and constructive spirit, in order to achieve a common agreement in the mutual interest of both banks and their employees.

Law of 3 November 2016 on reform of parental leave

The law on reform of parental leave was approved on 11 October 2016 and came into force on 1 December 2016.

The main features of the reform are:

- Providing more flexibility in the duration of parental leave: four or six months' full-time leave, or eight or 12 months' part-time leave;
- Option to split parental leave by reducing working time, with the employer's approval (one day per week or four individual months over a period of 20 months);
- A broader circle of beneficiaries;
- Option for parents to take their parental leave at the same time;
- Ability for parents to apply for parental leave up to the child's 6th birthday, or 12th birthday for an adopted child;
- Creation of a replacement allowance based on the employee's income and proportional to their working time.

A detailed newsletter has been sent to directors of human resources by the ABBL in October 2016.

Grand-ducal regulations of 27 December 2016 amending the luncheon vouchers regime

Two grand-ducal regulations were published on 27 December 2016 relating to amendments to the regime applicable to luncheon vouchers. These regulations provide that the maximum face value of the luncheon voucher will increase to €10.80 and that the employee contribution remains unchanged.

This means in practice that:

- The contribution paid by the employee in order to avoid taxation of the luncheon voucher remains at €2.80. No change occurs to this part and therefore no alteration of an integral part of the employment contract need apply.
- Employers may, but are not obliged to, increase their contribution to the voucher to a face value of up to €10.80, allowing more flexibility for the allocation of fringe benefits.

Law of 23 July 2016 modifying the law of 29 March 2013 on criminal record certificates, the Code of Criminal Procedure and the Criminal Code

The law of 23 July 2016 modifying the law of 29 March 2013 on criminal record certificates, the Code of Criminal Procedure and the Criminal Code came into force on 1 February 2017.

This law stipulates the conditions under which the employer is permitted to request section 3 of a future employee's criminal record certificate, which contains certain decisions relating to penalties for criminal and minor offences.

The employer's request must be included in writing in the job offer, and be justified by the requirements of the position. The document cannot be kept for more than one month after the employment contract is signed and must be destroyed without delay if the person is not hired.

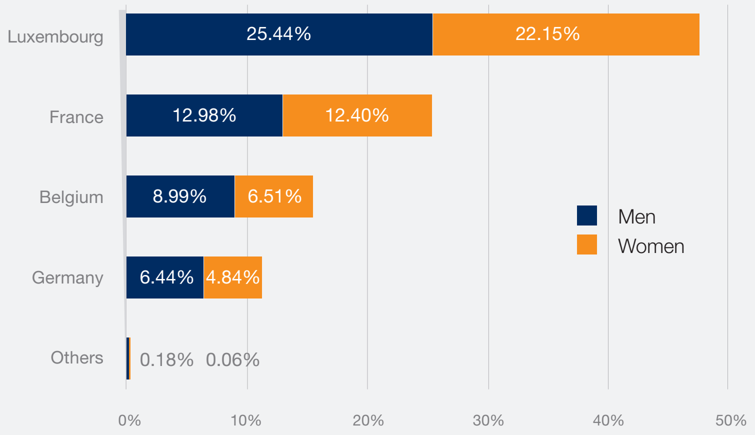
The employer will also be permitted to request an extract of the criminal record if a specific legal measure provides for this or if the employee is transferred to a different position requiring another criminal record check for the specific requirements of the position. The criminal record certificate cannot be kept for more than two months after it is issued.

Social study of the banking sector for 2015

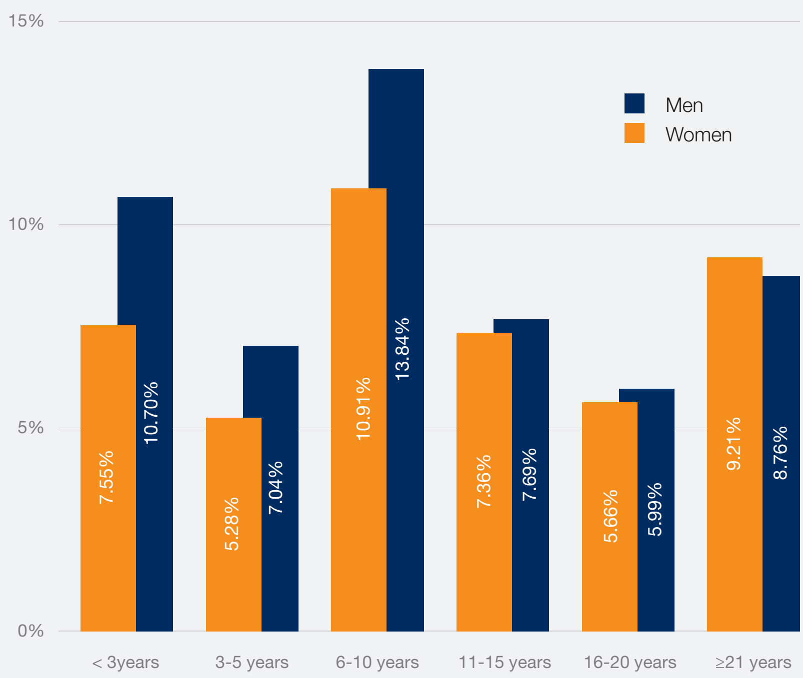
In the annual social study of the banking sector 71.7% of banks took part, representing 87.3% of the staff of the sector. The study is therefore highly representative and provides the ABBL with a detailed insight into progress on social issues within the banking sector.

The following charts give additional information regarding the distribution of employees in the banking sector.

Distribution of all the employees per country of residence – 2015

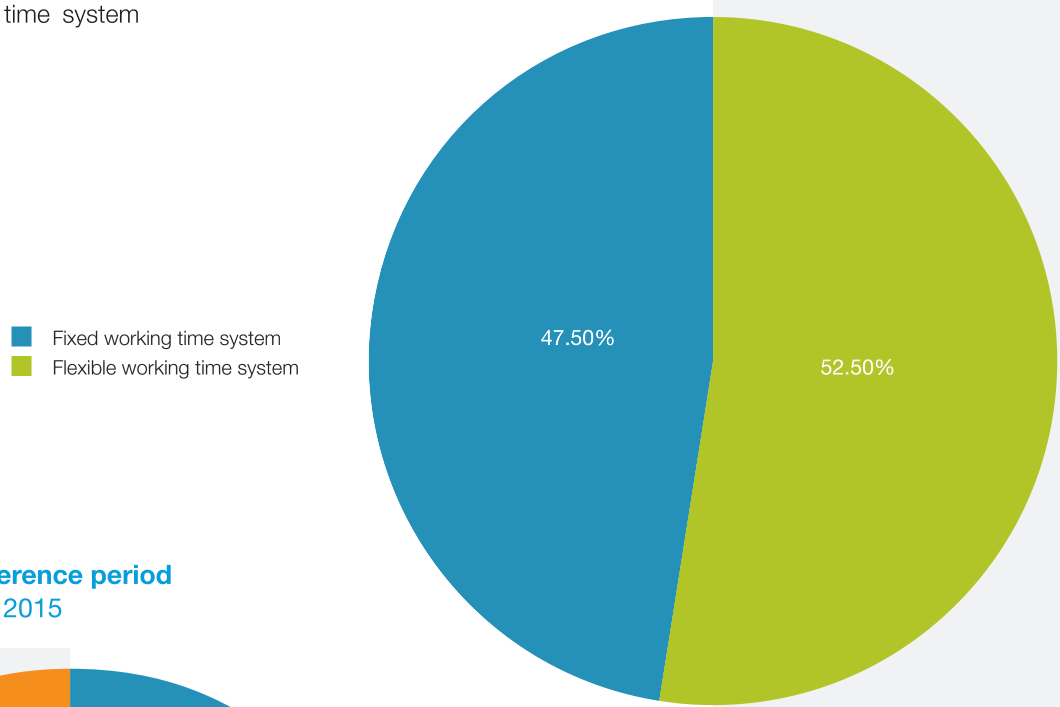


Average years of service in the banking sector – 2015

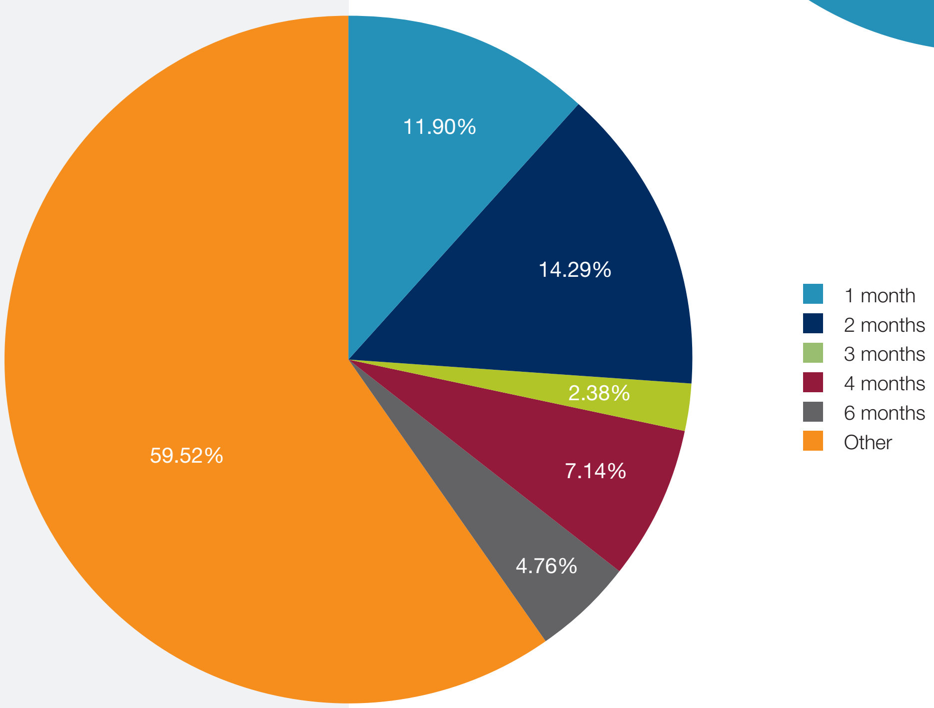


Two further charts show that within the banking sector, a majority of banks apply a flexible working time system within a reference period.

Working time system
(by number of banks) - 2015



Distribution of the reference period
(by number of banks) - 2015



The House of Training

HOUSE OF TRAINING
YOUR GATEWAY TO SUCCESS

Officially established in October 2015 as a provider of ongoing vocational training, the House of Training has brought together under one roof the training institutes of the Chamber of Commerce (LSC) and the ABBL (IFBL). The first full year of its existence was extremely active in terms of the total enrolment, expansion of the range of programmes offered, and the growing number of partnerships and co-operative agreements established or developed in 2016.

The volume of training man-days – almost 40,300 – managed by the House of Training underlines that 2016 was an extremely productive year, especially in the second semester. On average, it welcomed more than 200 participants every weekday during the year.

Among the wide range of courses offered, almost a third of the modules are part of the four training areas dedicated to the financial sector: Insurance, Banking & Finance, Investment Funds, Digital Banking & FinTech Innovation. The House of Training has multiplied its efforts to provide the financial sector with focused and relevant training modules that address its constantly evolving needs. The offering ranges from training courses providing an introduction to the industry to highly specialised programmes at different levels for specialised business lines critical to the appeal and reputation of the financial centre, as well as modules relating directly or indirectly to the regulatory environment.

The Fondation ABBL pour l’éducation financière

Fondation ABBL
pour l’éducation financière

The ABBL is active in professional training since 1947. In 1990, the ABBL has created an Institute for training in banking, the *Institut de Formation Bancaire, Luxembourg* (IBFL), incorporated in the House of Training (HoT) since 2015.

In 1992, the ABBL launched the European Banking Academy (EBAL), the precursor of the Luxembourg School of Finance (LSF), today part of the Faculty of Law, Economics and Finance of the University of Luxembourg. In 2015, in the context of the European Money Week, the ABBL has initiated the ‘Woch vun de Suen’.

In order to underline its continuous ambition to support financial education and to lay the basis to achieve goals in the related fields, the ABBL has established in September 2016 a foundation for financial education, the *Fondation ABBL pour l'éducation financière*.

The goals of the *Fondation ABBL pour l'éducation financière* are fourfold:

- support and promote financial education in Luxembourg and abroad;
- boost vocational training in the fields of professional finance;
- sustain academic education via the University of Luxembourg; and
- foster research via the financing of doctorates, post-doctorates and professor chairs.

The *Fondation ABBL pour l'éducation financière* is ready to support more projects in the years to come and hopes to reach more pupils, students, adults as well as professionals through other initiatives related to financial education. It also intends to collaborate with actors accompanying philanthropic projects and would like to submit some projects through the *Fondation de Luxembourg* to raise awareness about some initiatives.

‘D'Woch vun de Suen’ - National Money Week in Luxembourg

The second edition of ‘D'Woch vun de Suen’ was held from March 14 to 18, 2016. European Money Week, initiated by the European Banking Federation, aimed to raise awareness among primary school children (cycle 4.1) about responsible consumption and money management. It incorporates a wide variety of activities and classroom workshops.

The ABBL, the *Service d'Information et de Conseil en Matière de Surendettement* (SICS) of Inter-Actions, ABBL members (BCEE, BGL BNP Paribas, BIL, ING and Raiffeisen), and the Luxembourg Central Bank have joined forces to raise awareness among pupils through an educational workbook, ‘Impuls’, developed by the SICS.

Other basic concepts, such as the role played by banks and the concept of interest rates, were discussed using children’s knowledge and experience in their daily lives.

In addition to these classroom activities, which were brought to life by volunteers (employees of ABBL members and teachers), the BCEE and the Luxembourg Central Bank opened their doors to school groups. Guided tours and workshops help students gain perspective and become familiar with a range of money-related topics.

The ABBL is convinced that information and tools to help understand the importance of money management at an early age improves the financial literacy level of tomorrow's citizens. The project’s goal is to empower children to make better financial decisions and protect themselves against financial difficulties.

The participation rate in this second series of events is more than encouraging: 862 pupils from 62 classes took part in D'Woch vun de Suen 2016.

The event enjoys the patronage of Her Royal Highness the Grand Duchess Maria Teresa and the support of the Ministry of National Education, the Ministry of Family, Integration and the Greater Region, and the Ministry of Finance.


© BCEE


© BCEE

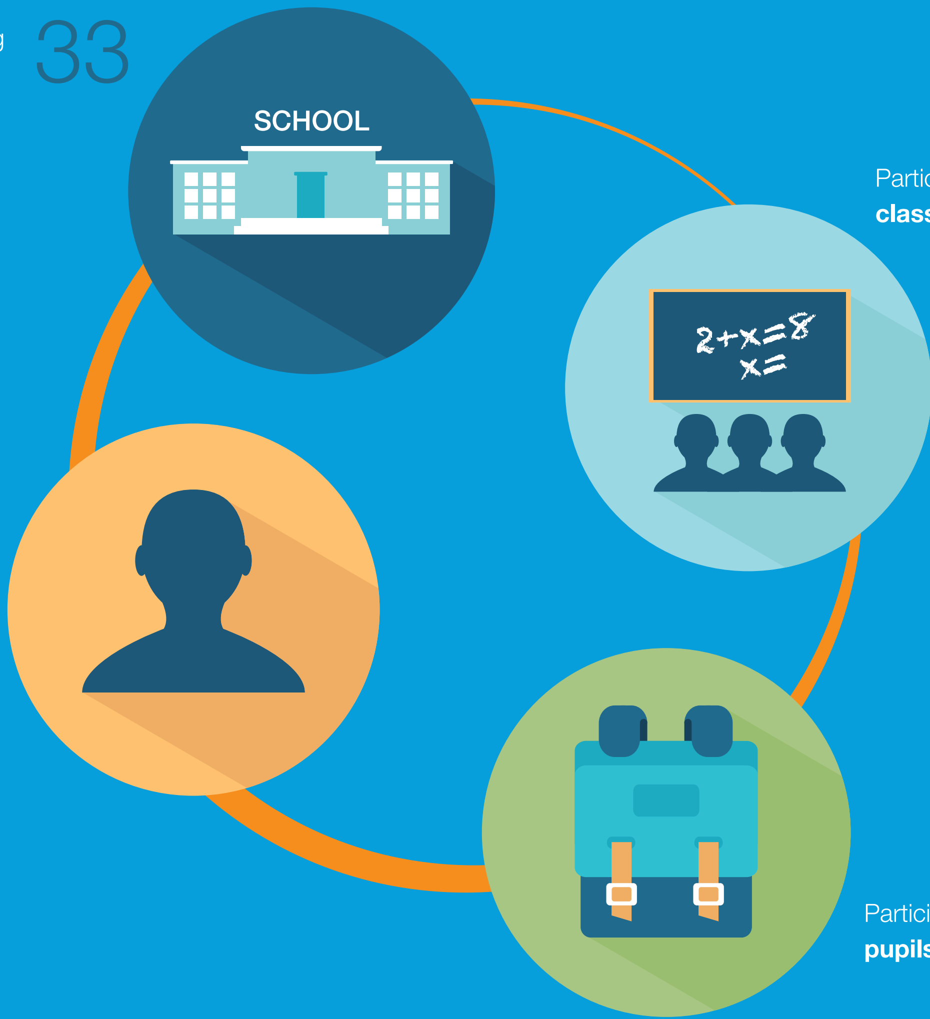
D’Woch vun de Suen 2016 in figures

Participating **schools** 33

Participating **classes** 62

Participating **coaches** 40

Participating **pupils** 862



During 2016, the ABBL initiated various actions, both internally and externally, including the creation of a new ABBL working group aimed at exchanging information relating to CSR. The ABBL has also monitored the legal framework applicable to CSR and updated its members on recent developments.

Internal actions

In governance, social and environmental matters, our association is adopting responsible policies, mobilising employees who are involved in launching new projects initiated by the following internal working groups:

- WG CSR
- WG Fun (staff events)
- WG Health and well-being
- WG House of Finance intranet
- WG Organisation
- WG Surveys
- Quality circle

Through these working groups, or particular initiatives from the management, the ABBL is promoting measures that focus on the health and well-being of employees, such as regular health check-ups. The ABBL's drive toward an 'eco-responsible' environment continued throughout 2016, with individual actions focusing on better management of IT resources, paper-reduction policy, energy standards compliance and the 'Superdreckskëscht' label.

Our association has also launched an action aimed at supporting charitable and not-for-profit initiatives such as *Solidarité Jeunes*, and we remain actively involved with the *Relais pour la Vie* foundation.

External actions

The ABBL aims to promote a modern and innovative regulatory environment, helping create optimal conditions for the development of banking, financial centre institutions and their employees.

Accordingly, in September 2016 the ABBL created a CSR Working Group bringing together its members and partners to exchange ideas and good practices in the field of corporate social responsibility and to generate concrete initiatives.

The ABBL running team for the Relais pour la vie

Highlights of the CSR legal framework in Luxembourg

The law of 5 July 2016, revising the amended Law of 5 August 1993 regarding the **rational use of energy**, sets out the conditions under which an energy audit is now mandatory for certain enterprises.

The new law aims to realise potential energy savings by putting in place energy or environment management systems. It also seeks to promote efficiency with regard to heating and air conditioning. Certain enterprises were required to submit an independent cost-effective energy audit conducted by qualified or authorised experts within five months of the law's enactment. Audits were due no later than 10 December 2016 and should subsequently be submitted at least once every four years from the date of the initial audit.

The law of 23 July 2016 on **disclosure of non-financial and diversity information by certain large undertakings and groups**, transposing Directive 2014/95/EU, aims to improve the relevance, consistency and comparability of information published throughout the European Union. The management reports of some companies will have to include information about their policies, associated risks and results in social, environmental and employee matters, human rights and anti-corruption measures, as well as diversity in the composition of their management and supervisory boards. Investors and other stakeholders will therefore have access to more comprehensive information about the enterprises' performance.

ABBL's 2016 action plan:

EMPLOYEES' HEALTH AND WELL-BEING

- Health check-up for employees aged 40 or older, with cardiac stress tests for employees over 50
- Ergonomic work position check-up by a specialist
- Flu vaccination offered annually to all employees
- Lectures on: Stress Management; European Cancer Prevention Code; Blood Donation

CSR - GOVERNANCE

- Establishment of internal working groups
- Raising awareness among other entities in the House of Finance about obtaining CSR label

CSR - SOCIAL

- *Relais pour la vie*
- Revision of pension plans
- Set-up of HoF intranet

CSR ENVIRONMENT

- Paper reduction solution for printers and printer replacement
- Use of recycled paper only

Luxembourg Agenda of Financial Sector Dossier

- **Draft law N° 7103** on Payment Accounts implementing Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features; and revising the amended law of 15 December 2000 regarding postal financial services.

Submitted 16 December 2016

The draft law requires payment service providers to provide consumers with standardised fee information on the most representative services linked to a payment account before entering into a contract. This provides for the establishment of a comparison website for fees. The draft law sets out the procedure to be followed in the event that clients wish to switch an account from one bank to another and defines the conditions of access and operation of payment accounts with basic features.

- **Draft law N° 7083** relating to the application of regulation (EU) N° 655/2014 of the European Parliament and of the Council of 15 May 2014 establishing a European Account Preservation Order procedure to facilitate cross-border debt recovery in civil and commercial matters, amending the New Code of Civil Procedure and the amended law of 23 December 1998 creating a financial sector supervisory commission.

Submitted 27 October 2016

Opinion of the Diekirch District Court, 17 November 2016

Opinion of the Superior Court of Justice, 23 November 2013

Opinion of the Esch-sur-Alzette District Court, 28 November 2016

Opinion of the District Court of and in Luxembourg, 7 December 2016

Opinion of the Council of State, 13 December 2016

The bill has been drafted to implement Regulation (EU) N° 655/2014, which establishes a new European Account Preservation Order Procedure (EAPO). The EAPO enables creditors to preserve amounts owed in a debtor's bank account located in the EU, preventing debtors from removing or dissipating their assets during the time it takes to obtain and enforce a judgment on the merits of the creditor's case. The regulation provides for a uniform regime and common rules relating to jurisdiction, conditions and procedure for issuing an order, how it should be enforced by national courts and authorities, the remedies available to the debtor and other defendant protection measures. The EAPO procedure allows for a single order made in the courts of one member state to 'freeze any bank account of a debtor in any other member state. The EAPO is available to creditors in cross-border cases, as an alternative to procedures available under national law.

- **Draft Law N° 7049** amending the law of 2 August 2002 on the protection of persons with regard to the processing of personal data

Submitted 31 August 2016

Opinion of the Chamber of Trades, 27 September 2016

Opinion of the Chamber of Civil Servants and Public Employees, 11 October 2016

Opinion of the National Commission for Data Protection, 14 October 2016

Opinion of the Chamber of Commerce, 4 November 2016

Opinion of the Chamber of Employees, 16 November 2016

The main goal of the proposal is to simplify the formalities of prior authorisation regarding processing activities for supervision purposes and transfers of personal data to third countries.

- **Draft Law N° 7024** implementing Regulation (UE) 2015/751 of the European Parliament and the Council of 29 April 2015 on interchange fees for card-based payment transactions and modifying:

  1. the law of 5 April 1993 on the financial sector;
  2. the law of 23 December 1998 establishing a financial sector supervisory authority;
  3. the law of 5 August 2005 on financial collateral arrangements;
  4. the law of 11 January 2008 relating to transparency requirements for issuers of securities;
  5. the law of 17 December 2010 relating to undertakings for collective investment;
  6. the law of 12 July 2013 on alternative investment fund managers; and
  7. the law of 18 December 2015 on resolution, recovery and liquidation measures affecting credit institutions and certain investment firms.

  Submitted 29 July 2016

  Opinion of the Chamber of Commerce, 23 November 2016

  Opinion of the Council of State, 13 December 2016

  Opinion of the Chamber of Employees, 22 December 2016

  The purpose of this draft law is to modify various laws applicable to the financial sector. It appoints the CSSF as the competent authority for the purposes of application of the MIF Regulation and gives the CSSF investigation and sanctioning powers in this area. The draft also caps the interchange fee for debit card-based national payment transactions at 0.12% of the transaction value.

  The draft law also introduces several adjustments and clarifications of financial sector legislation. In particular, it modifies the Luxembourg statutory professional confidentiality obligation applicable to banks and other financial sector professional entities to enable the outsourcing of certain activities by such professionals.

- **Draft Law N° 6936** amending:

  - the law of 15 June 2004 on SICARs
  - the law of 13 February 2007 on SIFs
  - the law of 17 December 2010 on UCIs
  - the law of 12 July 2013 on AIFMs

  Submitted on 18 January 2016

  Opinion of the Chamber of Commerce, 25 April 2016

  Opinion of the Council of State, 21 June 2016

  The principal aim of the draft law is to revise the scope of the SIF Law to enhance investor protection, in view of the increasing number of SIFs investing in alternative assets such as art, wine, diamonds or animals. The draft law also authorises closed-ended UCIs under Part II of the UCI Law to issue units or shares at a price other than based on their net asset value. Finally, the draft law updates the SICAR law to align its provisions with the SIF law and updates some definitions contained in the AIFM law.

- **Draft Law N° 6595** on patrimonial foundations and amending:

  - the amended Law of 4 December 1967 on income tax;
  - the amended Law of 16 October 1934 on wealth tax;
  - the amended Law of 1 December 1936 on commercial tax;

- the amended Law of 31 May 1999 governing the domiciliation of companies.

Submitted on 22 July 2013

Opinion of the Council of State, 29 April 2014

Amendments adopted by the Finance and Budget Committee, 5 June 2014

Additional opinion of the Council of State, 7 October 2014

Finance and Budget Committee report, 3 November 2014

The draft law introduces into Luxembourg law an orphan structure called the 'patrimonial foundation', which will supplement the corporate or contractual schemes (including fiduciary contracts, insurance contracts, etc.) commonly used for structuring and planning patrimonial and succession issues. To take into account the requirements of the FATF and the Global Forum on Transparency and Exchange of Information for Tax Purposes, the draft law includes precise obligations regarding identification of the beneficial owners of patrimonial foundations, the availability and storage of information relating to this identification and to the accounting documents, and co-operation with the relevant authorities.

- **Draft Law N° 6539** on business preservation and modernisation of bankruptcy law

Submitted on 1 February 2013

Opinion of the Luxembourg District Court, 14 March 2013

Opinion of the Luxembourg State Prosecutor, 18 March 2013

Opinion of the Diekirch State Prosecutor - Dispatch from the Diekirch State Prosecutor to the General State Prosecutor, 18 March 2013

Opinion of the Chamber of Employees, 23 April 2013

Opinion of the Diekirch District Court, 30 May 2013

Opinion of the Public Prosecutor, 28 June 2013

Dispatch of the State Prosecutor to the Minister of Justice, 8 July 2013

Opinion of the Council of the Order of the Bar of Luxembourg, 8 August 2013

Opinion of the Association of Chartered Accountants, 3 October 2013

Opinion of the Chamber of Trades, 10 October 2013

Opinion of the Chamber of Commerce, 2 December 2013

Opinion of the Chamber of Civil Servants and Public Employees, 13 October 2014

Opinion of the National Commission for Data Protection, 20 November 2015

Opinion of the Council of State, 1 December 2015

The purpose of draft law N° 6539 is to introduce various measures designed to preserve businesses and modernise bankruptcy law. The draft law, which mainly draws on Belgian law, comprises preventive and remedial, as well as punitive and social components. The preventive component aims to avoid the inevitability of bankruptcy for businesses in difficulty. The remedial component seeks to enable traders in good faith to have a second chance and help create a more propitious environment for a new start. The punitive component is designed to ensure that players in bad faith are not permitted to shirk their responsibilities and subsequently relapse.

Dossier	Next Steps
Financial Market Regulation	
UCITS V	State-of-Play: Published in the Official Journal ▪ Published in the Official Journal L 257 of 28 August 2014. ▪ **Level 2**: ESMA sent its final advice on 28 November 2014. On 18 September 2015, ESMA sent its implementing technical standards on penalties and measures under UCITS V to the European Commission for endorsement. ▪ On 31 March ESMA published its guidelines on remuneration for UCITS and AIFM. On 15 July 2016, ESMA has published a call for Evidence on Asset Segregation and Custody Services under UCITS. The consultation closed on 23 September 2016. ▪ On 19 July 2016, ESMA has published an updated Q&A document. On 12 October 2016, ESMA has published a Q&A on application of the UCITS Directive. On 14 October 2016, ESMA has published: - Guidelines on sound remuneration policies under the UCITS Directive - Guidelines on remuneration practices under UCITS ▪ On 21 November 2016, ESMA published an updated Q&A on the application of UCITS. ▪ On 30 January 2017, ESMA published an opinion on UCITS share classes. ▪ **Commission:** The delegated acts on depositories have been published on 24 March.
European Long-Term Investment Funds Regulation (ELTIF)	State-of-Play: Published in the Official Journal ▪ Published in the Official Journal L 123 on 19 May 2015. ▪ **Level 2**: The ESMA consultation on draft Regulatory Technical Standards ran until 14 October 2015. ▪ ESMA published its Final Report and draft RT S on 8 June 2016, and following discussion with the European Commission ESMA is postponing the delivery of its ELTIF RTS on the cost disclosure information which must be included in the ELTIF 's prospectus, in order to take into account the work being undertaken on cost disclosures for PRIIPs.
Regulation on simple, transparent and standardised securitisation (CMU)	State-of-Play: Legislative phase. Trilogue negotiations started in January 2017 ▪ **Commission**: Proposal was published on 30 September 2015. ▪ **Council**: Agreement reached on 3 December 2015. ▪ **European Parliament**: On 24 May 2016, a first exchange of views took place in ECON. On 6 June 2016, the ECON Committee published its draft report on STS. On 13 June 2016, an ECON hearing took place with EC, ESMA, EBA and stakeholders. The draft report has been presented on 21 June. ▪ On 8 December 2016, the EP adopted its draft report. ▪ **Trilogue**: Three trilogues have taken place so far.

Dossier	Next Steps
Financial Market Regulation	
Resolution and recovery for non-banks (CMU)	**State-of-Play: Work on-going at EU and international level** ▪ **Commission**: A proposal on the recovery and resolution of CCPs was published on 28 November 2016. ▪ **European Parliament**: The European Parliament adopted an Own Initiative Report on Recovery and Resolution for Non-Banks on 10 December 2013.
Regulation on Central Counterparties (CCP) Recovery and Resolution	**State-of-Play: Legislative Phase** ▪ **Commission**: Proposal was published on 28 November 2016.
Creating an EU covered bond framework (CMU)	**State-of-Play: Consultation** ▪ **Commission**: The publication of a dedicated Green Paper has been announced. A consultation was launched from 30 September 2015 until 6 January 2016. The Commission organised a Conference on Covered Bonds on 1 February 2016. ▪ **EBA**: Report on an EU-harmonised market for covered bonds on 20 December 2016.
Cross-border distribution of investment funds	**State-of-Play: Pre-legislative phase** ▪ **Commission:** On 2 June 2016, the Commission has launched a consultation on the main barriers to the cross-border distribution of investment funds (UCITS and AIF) in order to increase the proportion of funds marketed and sold across the EU. The public consultation initially ran until 2 October 2016, but the deadline was extended to 9 October 2016.

Dossier	Next Steps
Financial Market Regulation	
MiFID and MiFIR	**State-of-Play: Published in the Official Journal** • Published in the Official Journal L 173 of 12 June 2014. On 30 June 2016, the amended Directive, postponing the date of application and transposition by one year, has been published in the Official Journal L 175/8. • **Level 2**: ESMA submitted its final technical standards to the European Commission on 28 September 2015. • ESMA published draft ITS under MiFID II on 11 December 2015. • On 25 April 2016 the Commission adopted a delegated regulation supplementing MiFID. • The Commission has written to ESMA on 14 March in order to ask amendments to the RTS. On 2 and 4 May, the ESMA proposed RTS. On 25 April and 18 May, the Commission issued delegated regulations. The Commission published RTS on 18 and 24 May 2016. On 26 May 2016, ESMA issued RT S. On 30 May 2016, ESMA issued its opinion on RTS 20. • On 1 July 2016, ESMA has submitted two amendments to the Commission in relation to the draft RTS on reporting obligations under Article 26 of MiFIR. • On 25 July 2016, ESMA published a Q&A relating to the provision of CFDS and other speculative products to retail investors under MiFID. • On 3 October 2016, ESMA has published: - A Q&A on MiFID II and MiFIR Transparency topics - A Q&A on the implementation of the double volume CAP under MiFID II • On 10 October 2016, ESMA has published Guidelines on transaction reporting, order record keeping and clock synchronisation under MiFID II. • On 4 November 2016, ESMA has published: - A Q&A on MiFID II /MiFIR Transparency Topics - A Q&A on the application of MiFID II /MiFIR clarifying when ESMA will publish the first set of data needed to implement the Systematic Internaliser • On 10 November 2016, ESMA launched a Consultation Paper on: - Draft RT S on package orders for which there is a liquid market - Transparency rules for package orders under MiFID II • On 18 November 2016, ESMA published a Q&A on MiFID transparency and market structure topics. • On 16 December 2016, ESMA updated MiIFID II Q&A on investor protection. • On 19 December 2016, ESMA published Q&A's on MiFID II/MiFIR: - Commodity derivatives topics; - transparency topics; market structures topics. • On 20 December 2016, ESMA published a Q&A on MiFID II/MiFIR Data reporting. • On 11 January 2017, ESMA published a follow-up report to its peer review on best execution, published in 2015. • On 12 January 2017, ESMA published an opinion calling for consistent application of MiFIR product intervention powers. • On 16 January 2017, ESMA published a briefing on transaction reporting requirements under MiFID II. • On 31 January 2017, ESMA updated its Q&A on MiFID II/MiFIR market structures and transparency topics. • On 2 February 2017, ESMA published a Q&A on MIFIR data reporting and MiFID II implementation. • On 9 February 2017, ESMA updated its MIFID Draft implementing technical standards on position reporting. • On 14 February 2017, ESMA wrote a letter to the Commission on MIFID II systematic internalisers operating broker-crossing networks. • On 28 February 2017, ESMA published its final draft regulatory technical standards regarding the treatment of package orders under the amended MiFID II/MiFIR. • **Commission**: On 23 August 2016, the Commission has published two delegated regulations (on art 26(9) and art 17(7).

Dossier	Next Steps
Financial Market Regulation	
Central Securities Depositories Regulation	**State-of-Play: Published in the Official Journal** • Published in the Official Journal L 257 of 28 August 2014. • Published in the Official Journal the CSDR Level 2 Package: Official Journal L 65 of 10 March 2017. • **Level 2**: The EBA consultation on draft Regulatory Technical Standards on prudential requirements for CSDs ended on 27 April 2015. ESMA submitted its RTS to the European Commission on 28 September 2015. ESMA published RTS on 1 February 2016. • On 1 July 2016, ESMA published the responses received to the Consultation Paper on Guidelines on participant default rules and procedures under CSDR. • On 24 February 2017, ESMA published the Competent Authorities responsible for the CSDs. • On 13 March 2017, ESMA published its first set of Q&As on the CSDR.
Transparency of Securities Financing Transactions	**State-of-Play: Published in the Official Journal** • Published in the Official Journal on 23 December 2015. • **Level 2**: The ESMA consultation on draft Regulatory Technical Standards on registration requirements for Trade Repositories on SFT ended on 22 April 2016. • On 30 September 2016, ESMA published: - A consultation paper on RTS and ITS under SFT - A consultation paper on future reporting rules for SFT • ESMA shall send its draft rules for approval to the European Commission.
Alternative Investment Fund Managers Directive (AIFMD)	**State-of-Play: Entered into force** • Published in the Official Journal L 174 of 8 June 2011. • **Level 2**: Application of the directive and the delegated acts: 22 July 2013. ESMA's opinion and advice on AIFMD passport and third country AIFMs were published on 30 July 2015 and scrutinised by the European Parliament on 13 October 2015. • On 15 July 2016, ESMA published a Call for Evidence on Asset Segregation and Custody Services under AIFMD. The consultation closed on 23 September 2016. • On 19 July 2016, ESMA published an updated Q&A document. The same day it published its advice on extending the passport to 12 third countries. • On 6 October 2016, ESMA published an updated Q&A on AIFMD. • On 14 October 2016, ESMA published Guidelines on sound remuneration policies under the AIFMD. • On 16 November 2016, ESMA published an updated Q&A on the application of AIFMD. *The Commission is to start its review process of the AIFMD by 22 July 2017.*
Money Market Funds Regulation	**State-of-Play: Legislative phase** • **Commission**: Proposal adopted on 4 September 2013. • **European Parliament**: The European Parliament adopted its report in plenary session on 29 April 2015. • On 8 December 2016, the EP ECON Committee adopted the final trilogue text. • **Council**: On 15 June 2016, Coreper agreed a negotiating stance on a draft regulation on money market funds. The Council confirmed Coreper's agreement at a meeting on 17 June 2016, and asked the presidency to start talks with the European Parliament. • On 14 November 2016, the presidency reached provisional agreement with representatives of the European Parliament on a draft regulation on money market funds. • On 7 December 2016, the Council confirmed a deal with the EP.

Dossier	Next Steps
Financial Market Regulation	
Packaged Retail Insurance-based Investment Products (PRIIPs)	**State-of-Play: Published in the Official Journal** • Published in the Official Journal L 352 of 9 December 2014. Quick fix published in the Official Journal L 354/35 of 23 December 2016. • **European Parliament**: The EP ECON committee voted in favour of a motion for a resolution rejecting the RTS, on 1 September 2016. The EP voted in Plenary the rejection of the draft RTS on PRIIPs, on 14 September 2016. The European Parliament ECON is expected to vote the non-objection recommendation of the Commission's new RTS on 27 April 2017. • **Council**: 26 out 28 member states requested a delay of the application of the level 1 text. As a consequence the European Commission proposed a 12 months delay. The new application date would be 1 January 2018. After the Commission came forward with a new set of RT S, the Council is to confirm its non-objection at the 3-4 April 2017 Agricultural Council meeting. • **Commission**: On 11 November 2016, the Commission sent a letter with its proposed amendments to the draft RTS to the ESAs. • **Level 2**: A second ESAs' Technical Discussion Paper (on risk, performance scenarios and cost disclosure for KIDs) was open to comments until 17 August 2015. A third discussion paper published on 12 November 2015 with deadline for comments on 29 January 2016. EIOPA 's technical advice on product intervention powers was published on 3 July 2015. The ESAs held a Public Hearing on KID for PRIIPs in Frankfurt on 9 December 2015. The closing date for stakeholder input was 29 January 2016. EIOPA sent its technical standards to the Commission on 31 March 2016. A workshop organised by the Commission took place on 11 July 2016. • On 30 June 2016 the Commission adopted a delegated act supplementing the PRIIPs regulation. The delegated act introduces RT S specifying the content and underlying methodology of the KID. It has been sent to the European Parliament and the Council for the approval/veto procedure. • On 23 December 2016, EIOPA rejected the ESA Joint Committee opinion. • On 10 February 2017, ESAs launched a consultation on PRIIPs products with environmental or social objectives (EOS PRIIPs). • **Level 3**: In April 2016 ESAs started work on possible guidance regarding the interpretation of level 2.
Indices used as Benchmarks	**State-of-Play: Published in the Official Journal on 29 June 2016 L 171/1** • **Level 2**: On 11 February 2016 the Commission sent a mandate to ESMA for technical advice on possible delegated acts concerning the future Regulation of the Parliament and of the Council on indices used as benchmarks in financial instruments and financial contracts. On 27 May 2016, ESMA has published a Consultation Paper on draft implementing measures regarding the Benchmarks Regulation. The Consultation ran until 30 June 2016 and the results have been published on 7 July 2016. • On 12 August 2016, the Commission adopted an Implementing Regulation establishing a list of 'critical' benchmarks. • On 29 September 2016, ESMA opened a consultation period on the Draft Technical standards under the Benchmarks Regulation, the consultation runs until 2 December 2016. • On 7 November 2016, ESMA published the designated national competent authorities under Article 40 of the benchmarks regulation. • On 10 November 2016, ESMA has published its final advice on future rules for financial benchmarks. • On 16 December 2016, ESMA published the responses to its Consultation Paper the Draft Technical Standards under the Benchmarks Regulation.
Capital Markets Union (CMU) Action Plan	**State-of-Play: Action Plan/Legislative phase** • **Commission**: The Green Paper consultation ended on 13 May 2015 and a conclusive Conference was held on 8 June 2015. An Action Plan was published on 30 September 2015. A First Status Report was published on 25 April 2016. • On 14 September 2016 the Communication "Capital Markets Union – Accelerating Reform", was released. • On 20 January 2017 the Commission launched a public consultation on the Capital Markets Union Mid-Term Review. • **European Parliament**: An exchange of views with Commissioner Hill was held on 24 February 2015 and 13 October 2015. Plenary debates took place on the 6 July and 7 October 2015. • **Council**: The ECOFIN Council adopted conclusions on the CMU on 19 June 2015. Action Plan has been discussed at ECOFIN on 6 October 2015. ECOFIN adopted its conclusions on 10 November 2015.

Dossier	Next Steps
Financial Market Regulation	
Review of the Prospectus Directive (CMU)	State-of-Play: Legislative phase ▪ **Commission**: Proposal published on 30 November 2015. ▪ **European Parliament**: On 13 July 2016, the ECON committee voted on the draft report. On 15 September 2016, the EP adopted its negotiating position in Plenary. On 25 January 2017, the ECON committee voted on the text agreed during inter institutional negotiations. ▪ **Council**: The Council confirmed Coreper's agreement at a meeting on 17 June 2016. ▪ **Trilogue**: On 7 December 2016, an agreement was reached in trilogue. ▪ **ESMA**: On 15 July 2016, ESMA has updated its Q&A document on prospectus related issues. ▪ On 20 December 2016, ESMA updated its Q&A on prospectus directive.

Banking Supervision	
Reform of banking structure	State-of-Play: Legislative phase ▪ **Commission:** Proposal published on 29 January 2014. ▪ **European Parliament**: A first amended draft report, put to a vote on 26 May 2015, was rejected. Negotiations have come to a stand still since Autumn 2016. ▪ **Council**: The ECOFIN Council adopted its General Approach on 19 June 2015.
Amendments to the Capital Requirements Regulation and Directive	State-of-Play: Legislative phase ▪ **Commission**: Proposal was published on 23 November 2016. ▪ **European Parliament**: First exchange of views in ECON committee on 28 February 2017. ▪ **Council**: legislative work on-going in the respective working party.
Amendments to the BRRD and the SRM regulation	State of play: Legislative phase ▪ **Commission**: Proposal was published on 23 November 2016. ▪ **European Parliament**: First exchange of views in ECON committee on 28 February 2017. ▪ **Council**: Legislative work on-going in the respective working party.

Dossier	Next Steps
Tax	
Common consolidated corporate tax base (CCCTB)	**State-of-Play: Legislative Phase** ▪ The 2011 proposal was withdrawn; a new proposal was published on 25 October 2016. ▪ **European Parliament**: Proposal has been assigned to ECON (Rapporteur: Alain Lamassoure, EPP) ▪ Vote scheduled in committee for adoption of draft report (1st reading) for 20 November 2017.
Savings Tax Directive	**State-of-Play: Repealed**
Amendment to the Directive on administrative cooperation in tax matters – Mandatory exchange of information on tax rulings	**State-of-Play: Adopted**
Financial Transaction Tax (enhanced cooperation)	**State-of-Play: Negotiations in enhanced cooperation procedure in the Council** ▪ **Commission:** The new legislative proposal was published on 14 February 2013. In early December 2013 the Commission published a non-paper to answer the Council's legal opinion (see below). ▪ **European Parliament**: Gave its consent to enhanced cooperation on 12 December 2012. The opinion on the legislative proposal was voted in the Plenary on 2 July 2013. ▪ **Council**: Examination of the proposal is still going-on at the working group level and among the 11 participating member states. At the Ecofin Council in December 2015, Estonia left the group of 11 and the rest agreed to set a deadline for June 2016 to finalise their work. On 16 June 2016, a document with compromise principles has been presented and two taskforces have been created. The Ministers at the level of the participating member states meet regularly but no breakthrough achieved yet. ▪ **ECJ**: On 18 April 2013 the UK Government lodged a formal legal claim at the European Court of Justice against the introduction of the EU FTT under the Enhanced Cooperation Procedure. This claim is based on the grounds that the existing proposal will impact countries not taking part to the initiative. The Court rejected the claim on 30 April 2014.
EU anti-BEPS: Council directive on rules against corporate tax avoidance (ATAD)	**State-of-Play: Published in the Official Journal of the EU on 19 July 2016 L 193/1** ▪ **Commission**: Proposal published on 27 January 2016. ▪ **European Parliament**: The report has been adopted in ECON on 24 May 2016. On 8 June 2016, the European Parliament adopted its opinion in first reading. ▪ **Council**: On 21 June 2016, the Council agreed on a draft directive addressing tax avoidance practices. On 12 July 2016, the Council adopted the directive.
ATAD II (hybrid mismatches with third countries)	**State of play: Negotiations in the Council** ▪ **Commission**: Publishes proposal for a directive on 25 October 2016. ▪ **Council**: The Council agreed its position on 21 February 2017. The Council will adopt the directive once the European Parliament has given its opinion. ▪ **European Parliament**: Started its work in committee on 28 February 2017, with the consideration of the draft report. ▪ Vote scheduled in plenary for adoption of draft report (1st reading) for 26 April 2017.
EU anti-BEPS: Council directive to change the AEoI directive	**State-of-Play: Published in the Official Journal** ▪ **Commission**: Published in the Official Journal L 146/8 of 3 June 2016. ▪ **European Parliament**: Opinion adopted in committee on 26 April 2016. Plenary vote took place on 12 May 2016. ▪ **Council**: On 8 March 2016, the Council agreed its stance on a draft directive on the exchange of tax-related information on the activities of multinational companies. On 25 May 2016, the Council adopted rules on the reporting by multinational companies of tax-related information and exchange of that information between member states.

Dossier	Next Steps
Payment Systems & ICT	
Green Paper on Retail Financial Services	**State-of-Play: Consultation/preparatory phase** ▪ **Commission:** On 2 September 2015, a Roadmap for the Green Paper was published. The publication of the Green Paper and the consultation took place on 10 December 2015. On 14 July 2016, the Commission has published a summary of the 428 responses to the consultation. A public hearing organised by the European Commission was held on 2 March. The Commission is expected to publish an action plan in Q1 2017. ▪ **European Parliament**: The EP will prepare an own initiative report. First exchange of views on 22 March. Publication of the draft report by ECON committee on 25 may 2016. Presentation of draft report on 13 June, deadline for AMS on 28 June, consideration of AMs on 31 August. The report on the Green Paper was approved in ECON on 11 October 2016. On 22 November 2016, the text was adopted by the Parliament in Plenary.
Payment Service Directive	**State-of-Play: Published in the Official Journal L 337/35 on 25 November 2015** ▪ **EBA**: On 12 August 2016, the EBA published a Consultation Paper on draft technical standards on strong customer authentication and common and secure communication under the revised Payment Services Directive. ▪ On 16 February 2017, EBA launched a public consultation on its draft Guidelines on the complaints procedures to be taken into consideration by competent authorities to ensure and monitor effective compliance by payment service providers. ▪ On 23 February 2017, EBA published its final draft RTS on strong customer authentication and common and secure communication.
Multilateral Interchange Fees	**State-of-Play: Published in the Official Journal L 123 on 19 May 2015**
Virtual Currencies	**State-of-Play: Non legislative** ▪ **European Parliament**: On 26 May 2016, the EP adopted a resolution on virtual currencies. ▪ **ESMA**: On 2 June 2016, ESMA has issued a Discussion Paper for public consultation on distributed ledger technology. The consultation ended on 2 September 2016.

Legal	
Anti-money laundering Directive	**State-of-Play: Trilogue negotiations started on 21 March 2016** ▪ **Commission**: On 5 July 2016, the Commission has adopted a proposal to amend the Fourth Anti-Money Laundering Directive. ▪ **Council**: Debate in ECOFIN on 12 July 2016. Working group making rapid progress with the Presidency aiming at an agreement in December. On 20 December 2016, the Council agreed on its negotiation stance. ▪ **European Parliament**: Vote in ECON and Committee decision to open interinstitutional negotiations (trilogues) on 28 February 2017. ▪ **Level 2**: Public consultations on risk-based supervision guidelines and risk-factors guidelines were launched by the ESAs on 21 October 2015. The consultations ran until 22 January 2016. ▪ In an Opinion issued on 11 August, the EBA welcomed the Commission's proposal to bring virtual currency exchange platforms and custodian wallet providers within the scope of the 4th Anti-Money Laundering Directive. ▪ On 20 February 2017, ESAs published a joint opinion on the risk of money laundering and terrorist financing affecting the Union's financial sector.
General Data Protection Regulation	**State-of-Play: Published in the Official Journal L 119/1 on 4 May 2016**

Dossier	Next Steps
Client Protection & Consumer Rights	
Investor Compensation Scheme Directive	**State-of-Play: Proposal withdrawn** ▪ **Commission:** Due to a political stalemate since 2011 and in a spirit of “Better Regulation”, the Commission withdrew its proposal on 7 March 2015.
Deposit Guarantee Schemes Directive	**State-of-Play: Published in the Official Journal** ▪ Published in the Official Journal L 173 of 12 June 2014.
European Deposit Insurance Scheme (EDIS)	**State-of-Play: Legislative phase** ▪ **Commission:** Proposal for a regulation published on 24 December 2015. ▪ **Council**: The Dutch Presidency started work in January 2016. ▪ **European Parliament**: Named its rapporteur and work started in early 2016. ▪ **Timeline**: - 23 May 2016: ECON hearing - 16 June 2016: The ECON committee has published its working document - 21 October 2016: The rapporteur finalized her draft report - 16 December 2016: Deadline for amendments - 25 January 2017: Consideration of amendments ▪ **European Central Bank**: On 12 July 2016, the opinion of the ECB on EDIS was published in the Official Journal of the EU C 252/1.
Payment accounts Directive: Directive on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features	**State-of-Play: Published in the Official Journal** ▪ Published in the Official Journal L 257 of 28 August 2014. ▪ **Level 2**: The consultation on the most representative services ended on 9 February 2015.

General	
Call for evidence: EU regulatory framework for financial services	▪ The Commission launched a consultation on 30 September 2015 that ended on 31 January 2016. ▪ A public hearing at the Commission took place on 17 May 2016. ▪ On 7 June 2016, the Commission published the summary of the call for evidence. A staff working document on next steps is expected for November. ▪ On 22 November 2016 the Commission published a communication on the follow-up on the call for evidence.

Last update: 28 March 2017

ABBL
A.s.b.l.
12, rue Erasme | L-1468 Luxembourg
P.O. Box 13 | L-2010 Luxembourg
Tel.: (+352) 46 36 60-1
Fax: (+352) 46 09 21
Email: mail@abbl.lu

For more information, visit our website at:
www.abbl.lu
and follow the ABBL on: