

Newsletter

February 2018 Edition



IBFed Board

Meeting in Tokyo 23-24 October 2017



Outlook on the Japanese economy, Banking and FinTech Industry

On the 23rd and 24rd October 2017 the 52nd Board meeting was hosted in Tokyo by the Japanese Bankers Association (see picture above). It was the first in person Board meeting for Anna Bligh, new CEO of the Australian Bankers' Association. Rob Nichols and Wayne Abernathy participated by call due to the many flight cancellations as Typhoon Lan was hitting Japan as we started the gathering!

The meeting began with welcome remarks from Shin Takagi (Vice Chairman and Senior Executive Director JBA) (see pictures below, left end). Keynote speakers from the Bank of Tokyo-Mitsubishi UFJ and the FinTech Association of Japan gave an outlook on the Japanese economy and the Banking & FinTech Industry. We also had the chance to meet with Japanese regulators as well as an outstanding panel of Japanese bankers. And last but not least we enjoyed an exquisite traditional Japanese dinner at Meiji Kinenkan with welcome addresses from Cas Coovadia (Chairman IBFed), Matsuo Tsuji (Secretary General JBA) and Masaaki Misawa (Chief Representative of International Affairs JBA). (see pictures below, second from left to right end).



Meeting of the Prudential Supervision WG in Frankfurt on 4-5 October 2017

The PSWG members met for their annual in-person meeting on October 4 and 5, 2017 in Frankfurt at the offices of the European Banking Federation (EBF), and were hosted by the Association of German Banks. We had some informative presentations and discussions with guest speakers:

- The European Central Bank (ECB) presented on the state of current supervisory cooperation with regards to the ECB Single Supervisory Mechanism (SSM);
- The German Federal Agency for Financial Market Stabilisation discussed the progress on resolvability of cross-border banks;
- The Deutsche Bundesbank presented on the regulatory treatment of sovereign exposures and potential policy options;
- The European Systemic Risk Board discussed current vulnerabilities and issues for cross-border cooperation for banking in Europe; and
- UBS AG did a presentation on fragmentation and ring-fencing (e.g. US Intermediate Holding Company (IHCs) and EU Intermediate Parent Undertakings (IPUs)).



In addition, there was a good exchange of views between PSWG members themselves on topics that included the status of the Brexit negotiations and its impacts, the Indian and European Union (EU) perspectives on dealing with non-performing loans, and potential US regulatory reforms. Overall, as the Basel III rules are now finalized, the PSWG will continue to engage as the banking industry moves to implement and adapt to the regulatory reforms and to address emerging issues

IBFed at the Basel Committee Workshops on FinTech in NY and Singapore

In New-York (17 October 2017) the IBFed was represented by Steve Kenneally (American Bankers Association) and Andrew Ross (Canadian Bankers Association) and in Singapore (7 February 2018) by Steve Kenneally, Pip Freebairn (Australian Bankers' Association) and Hedwige Nuyens.

The aim of the Basel Committee was to better understand what FinTechs mean for banks and for supervisors, what the impact of FinTech development is on bank business models, and how banks are responding to the opportunities and challenges associated with FinTech. In the dialogue with the Basel Committee members it appeared that most banking regulators are currently unable to regulate FinTechs because they are limited to oversight of financial institutions only, even if FinTechs are providing bank-like services. The IBFed shared the views of its members, as commented upon in [its letter of the 31st of October 2017](#). The overall message given by the Banking industry was that banks embrace change and that they see FinTech as an opportunity to remain profitable and continue to serve their customers.

On the [19th of February 2018](#) the Basel Committee published its final version of Sound Practices: implication of Fintech developments for banks and bank supervisors. This latest report confirmed that the Basel Committee does not intend to make FinTech regulation a priority at this time

New website and Move to new premises for the IBFed

The new website of the IBFed was developed with the most valued support of UK Finance and launched end of 2017. The new look and feel was very much appreciated by everyone. www.ibfed.org

The IBFed Secretariat also moved to the new premises of UK Finance, in a completely redeveloped and refurbished building very close to the Bank of England. The new address of the IBFed is 5th Floor, One Angel Court, 30 Throgmorton Street, EC2R 7HJ London, United Kingdom.

Two service level agreements were signed with UK Finance detailing the services provided to the IBFed



IBFed WG Chairs, Deputy Chairs and Secretariats

Arthur Reitsma left the Dutch Banking Association. He did a great job as Chair of the Consumer Affairs WG and will be missed dearly. We are currently looking for a replacement.

Upcoming meetings

IBFed Board by call	22 February 2018
Tax WG in person meeting and gathering with the OECD	12-13 March 2018 (Paris)
Financial Crime WG in person meeting	9-10 April 2018 (London)
Financial Markets WG in person meeting	15 May 2018 (London)
IBFed in person Board meeting	24-25 May 2018 (London)
Value Transfer Networks WG in person meeting	29 May 2018 (Washington)
Consumer Affairs WG in person meeting	4-5 June 2018 (Washington)

Letters to IOSCO on Secondary Corporate Markets and to the BCBS and IOSCO on Securitisations, 16 October 2017

In a [first letter dated 16 October 2017](#), we provide comments to the IOSCO consultation report entitled, *Regulatory Reporting and Public Transparency in the Secondary Corporate Bond Markets* (Report). The Report states that IOSCO undertook this report as part of its mandate to examine the global corporate bond markets, specifically focusing on issues related to regulatory reporting, transparency, and the collection and comparison of data across national jurisdictions.

In a [second letter dated 28 September 2017](#) addressed to IOSCO and the BCBS, we caution that the development of the short-term STC criteria should not cut across existing structures and practices in such a way that substantive changes to current programs would be required. Flexible criteria are preferred rather than to create a one-size-fits all template.

Letter to the Basel Committee on FinTech, 31 October 2017

In [a letter to the Basel Committee](#), the IBFed appreciates the opportunity to provide comments on the Consultative Document. At this time, we support each jurisdiction's own bank supervisory agencies in their efforts to address the challenges and opportunities related to emerging fintech technologies while continuing to encourage comparably equivalent national regulatory approaches. Bank supervisors have the authority to supervise banks. Developing an international FinTech regulatory framework may have its merits in certain circumstances, as is demonstrated by FATF for example, but could be premature regarding the fast-changing digital environment and because most bank supervisors don't have the authority to provide this oversight within their own jurisdiction let alone across borders.

Letter to the OECD on the Digitized Economy, 27 November 2017

In our letter of [27 November 2017](#), we underpin that like the OECD we are committed to a global tax system that avoids both double non-taxation and double or multiple taxation. We acknowledge the comments made by the OECD that banking activities are not the target of potential taxes aimed at the provision of digital products and services across borders. We note that consideration is being given to equalisation and withholding taxes. We advocate that banks should not be required to act as withholding agents in relation to any withholding taxes.

Tax Policy for Banks and Intra-Group funding by Global Banks, 30 Jan 2018

The Tax WG drafted a document on [Tax Policy Design for Banks](#) that can be used by IBFED members for in country discussions, as appropriate. The document reflects the view on appropriate tax policy design for global banks, commenting upon the OECD Tax Policy Principles applicable for banks. We argue that tax policy should not discriminate between taxpayers, or industry groups (e.g. bank levies or surcharges and that banks should not automatically be seen a collection mechanisms).

They also drafted a [Paper on pricing related party debt for banks](#) discussing the issue of intra-group lending, which can be significant for global banks. They must adhere to arm's length principles when conducting such intra-group lending. We argue that there needs to be flexibility to determine the arm's length price. The Revenue Authorities should accept a few different alternative approaches, including using external issuances or pricing from an internal mechanism (such as a yield curve).

Both documents will be shared with the OECD during our upcoming meetings in March 2018.