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The SAFE Regulatory Radar in June

Updated rules for investment fund managers, next step in the Solvency II review, and a new trade policy tool



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At the end of each month, the SAFE Regulatory Radar highlights a selection of important news and developments on financial regulation at the national and EU level

Capital Markets Union: Review of the investment fund managers directive

On 17 June 2022, the Council published its position on a review of the Alternative Investment Funds Managers Directive (AIFMD) and Undertakings for Collective Investment in Transferable Securities (UCITS) Directive. This review is part of the capital markets union (CMU) package, the details of which have been outlined in [the SAFE Regulatory Radar in December 2021](#). The revised framework applies to managers of hedge funds, private equity funds, private debt funds, real estate funds, and other alternative investment funds in the EU. Proposed changes aim to deepen further market integration for alternative investment funds and increase the ability of fund managers to deal with liquidity pressure in case of distress.

For an appropriate regulatory treatment of liquidity risk management, the Council proposes to improve the availability of liquidity management tools and to introduce new requirements for managers for the activation of these instruments. The Council further supports the idea of developing specific rules for loan-originating funds that would mitigate risks to financial stability and strengthen investor protection. In the area of delegating certain functions by fund managers to third parties, the Council specifies some rules and introduces new reporting requirements to improve monitoring and supervisory cooperation. Similarly, the latest version of a legislative act contains new reporting obligations and transparency rules for [UCITS](#) to enhance risk monitoring. Other amendments cover the treatment of cross-border services by depositaries.

In terms of the next steps, the Council will arrange trilogue negotiations with the European Parliament and the European Commission to agree on a final version of the legislative act.

Solvency II: Updated rules for insurance companies

On 17 June 2022, the Council agreed on its [position](#) on the Commission's proposal to amend the [Solvency II directive](#). This review aims to make the insurance market more resilient and to enhance a proportional and efficient legislative framework. The details of the initial proposal dealing with long-term guarantee measures, cross-border supervision issues, and creating macroprudential tools have been outlined in [the SAFE Regulatory Radar in October 2021](#).

The Council's position deals with the prudential framework for capital requirements. The Council supports the amendments proposed by the Commission and introduces adjustments considering the peculiarities of national insurance industries. Exemptions would apply for small and non-complex companies to avoid unproportioned administrative burdens. In addition, the European Insurance and Occupational Pensions Authority (EIOPA) will assess risks related to biodiversity loss by insurers and provide a report on its results. Furthermore, it will issue guidelines for national competent authorities on how to deal with macroprudential risks.

To agree on a final version of the text, the Council, the European Parliament, and the Commission will meet for trilogue negotiations.

Global Procurement Markets: New tool to support EU companies

On 17 June 2022, the Council adopted a [regulation](#) establishing an International Procurement Instrument (IPI), a new tool to support EU companies.

Global government procurement represents a huge market in terms of value that currently accounts for 15 to 20 percent of global GDP. However, there is a lack of equal access to procurement markets in non-EU countries. As a result, EU companies are often subject to discriminatory restrictive practices outside the EU. The proposal for a regulation introducing the [IPI](#) was published on 29 January 2016. Ever since, the Council and the European Parliament had been failing to reach a compromise on it until March 2022, where they reached an agreement at the fifth round of trialogue negotiations.

The regulation aims for equal access to international public procurement markets and to create a fair and level playing field for European firms in third countries' public procurement markets.

In detail, the [IPI](#) grants the Commission investigative powers in cases of alleged discrimination of EU companies in procurement markets. If an EU company faces discriminatory treatment, the Commission may either exclude the third-country companies that performed a discriminatory practice entirely from procurement procedures or decide on a penalty. The rules apply to economic operators, goods, and services from third countries which do not have a special agreement with the EU. The companies from least-developed countries are exempted from the scope of this regulation.

The regulation enters into force on the 60th day following its publication in the Official Journal.

Current public consultations:

- **European Banking Authority (EBA):** public [consultation](#) on its draft guidelines, addressed to member state resolution authorities for the publication of their approach to implementing the bail-in tool. The deadline is Wednesday, 7 September 2022.
- **EBA:** public [consultation](#) on draft regulatory technical standards (RTS) on the identification of a group of connected clients (GCC). The deadline is Thursday, 8 September 2022.

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