



Northern Ireland
Assembly

Research and Library Service Briefing Paper

Paper 195/10

21 June 2010

NIAR 663-10

Dr. Jodie Carson

EU Commission Work Programme 2010: Finance and Personnel

1 Background

The Committee for the Office of the First and deputy First Minister's *Report on its Inquiry into Consideration of European Issues* (January 2010) made a series of recommendations, including that as per Action 8:

The Committee (COFMdFM) will highlight to all statutory committees the importance of their role when dealing with European issues ...Research and Library Services will screen the annual European Legislative and Work Programme and produce a prioritized menu of scrutiny topics relevant to each statutory committee.

This paper outlines those initiatives which were identified as being of potential significance for the Committee for Finance and Personnel.

Stage 1 – Identification of initiatives relevant to Committee for Finance and Personnel

- The table below highlights European initiatives (as per the European Commission Work Programme 2010) which are deemed to be of significance for Northern Ireland and relevant to the remit of the Committee for Finance and Personnel;
- In each case I have outlined why the initiative is perceived to be relevant for NI;
- It is worth noting that the first four initiatives relate to financial services – a reserved matter – however, they are highly significant in the context of economic recovery in Northern Ireland. The restoration of bank lending levels is likely to be the key determinant of the pace and extent of economic recovery in Northern Ireland and, as such, any legislation which will affect bank lending is considered to be worthy of close attention;

Initiatives Scheduled for Adoption in 2010

Initiative Number/Title	Type of initiative	Description of scope of objectives	Perceived Relevance to Northern Ireland
3. Legislative initiative on short selling / Credit Default Swaps (3 rd quarter)	Legislative	The initiative will aim to prevent detrimental trading practices in derivatives and other financial instruments. The initiative complements the comprehensive approach to financial derivatives for credit default swaps.	<i>As the underlying cause of the international 'credit crunch', it is vital to economic health that Credit Default Swaps are adequately regulated. This will enhance the stability of the banking sector, thus reducing the likelihood of similar banking crises in future.</i>
4. Revision of the Directive on Deposit Guarantee Schemes (2 nd quarter)	Legislative	Aim is to enhance consumer (depositor) protection by harmonizing guarantee levels on bank deposits to € 100,000 and to ensure greater effectiveness of the Deposit Guarantee Schemes Directive.	<i>This revision would enhance depositors' protection in the future, thus improving consumer confidence.</i>
6. Communication on effective and efficient crisis management framework (4 th quarter)	Non-legislative	The Communication will set out the Commission's proposals in order to equip authorities with the tools necessary to effectively resolve cross-border bank crises, thereby reducing costs to the taxpayer. New tools should improve legal certainty /reduce the risk of legal challenge.	<i>The cross-border nature of this initiative could render it of particular significance for Northern Ireland. May be specifically relevant to the National Asset Management Agency (NAMA)</i>
7. Revision of the Capital Requirements Directive (CRD IV) (4 th quarter)	Legislative	The Revision will a number of issues, including systemically important financial institutions and counterparty credit risks. The aim is to update the legislative framework and to promote financial stability in the EU.	<i>This is essential in enhancing the stability of the banking sector. However, regulatory change will affect banks' propensity to lend and thus the availability of credit for local consumers/businesses. For example, excessively stringent capital requirements could adversely affect bank lending levels in NI, thus impeding economic recovery.</i>
32. Budget Review (3 rd quarter)	Non-legislative	In light of the priorities identified in Europe 2020 Strategy, this comprehensive review of the EU budget for the period 2007-2013 will assess how the EU's financial resources most effectively reflect and serve the key policy objectives of the Union, thus paving the way for the discussions leading to the next Multiannual Financial Framework.	<i>It is important the Northern Ireland's interests are accounted for in the EU Budget Review, for example, regarding the future of Structural Funds.</i>

Stage 2 – Prioritisation of initiatives

The initiatives have been prioritised on the basis of whether they are a legislative/non-legislative proposal (with the former being awarded higher priority), policy development stage, relevance and significance. They are listed in order of perceived priority (as explained in footnotes):

1. Initiative 7: Revision of the Capital Requirements Directive (CRD IV)¹
2. Initiative 4: Revision of the Directive on Deposit Guarantee Schemes
3. Initiative 3: Legislative initiative on short selling / Credit Default Swaps
4. Initiative 32: Budget Review²
5. Initiative 6: Communication on effective and efficient crisis management framework³

¹ This is deemed to be the most pressing issue since banks' willingness and/or ability to lend remains the key determinant of economic recovery. Depositor protection is vital in ensuring consumer confidence and thus in restoring consumption levels; however, it might be considered a less pressing issue in an economic context – as such, it is preceded by Initiative 7.

² Considered to be more pressing than Initiative 6 in that it may have immediate financial implications

³ As with Initiative 3, this is concerned with safeguarding the future, as opposed to redressing existing issues (however, it ranks below Initiative 3 on basis of non-legislative nature)