



EU file

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European Supervisory Authority's propose to amend bilateral margin requirements to assist Brexit preparations for OTC derivative contracts

The European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), together the European Supervisory Authorities (ESA), have today published a final report with draft regulatory technical standards (RTS) proposing to amend the Commission Delegated Regulation on the risk mitigation techniques for OTC derivatives not cleared by a CCP (bilateral margin requirements) under the European Market Infrastructure Regulation (EMIR). The draft RTS propose, in the context of the United Kingdom's (UK) withdrawal from the

European Union (EU), to introduce a limited exemption in order to facilitate the novation of certain OTC derivative contracts to EU counterparties during a specific time-window. The amendments would only apply if the UK leaves the EU without the conclusion of a withdrawal agreement – a no deal scenario. The draft RTS complement the similar proposal published by ESMA on 8 November1 with respect to the clearing obligation.

In the context of the on-going withdrawal negotiations between the EU and the UK, and to address the situation where a UK counterparty may no longer be able to provide certain services across the EU, counterparties in the EU may want to novate their OTC derivative contracts by replacing the UK counterparty with an EU counterparty. However, by doing this, they may trigger the clearing obligation or the bilateral margin requirements for these contracts, therefore facing costs that

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were not accounted for when the contract was originally entered into.

Limited exemption from the bilateral margin requirements to facilitate novations

The draft RTS allows UK counterparties to be replaced with EU ones without triggering the new procedures defined in the bilateral margin RTS. This limited exemption would ensure a level playing field between EU counterparties and the preservation of the regulatory and economic conditions under which the contracts were originally entered into. Its scope, time and intent are aligned with the draft RTS regarding the clearing obligation that ESMA published on 8 November.

The window for the novation of OTC derivative contracts which fall under the scope of this amending regulation and the one published by ESMA would be open for twelve months following the withdrawal of the UK from the EU. Counterparties can however start repapering their contracts ahead of the application date, making the novation conditional upon a no-deal Brexit, given the conditional application date of these two amending regulations.

Mergers: Commission opens in-depth investigation into proposed acquisition of VDM by Aperam in nickel alloy industry

The European Commission has opened an in-depth investigation to assess the proposed acquisition of VDM by Aperam under the EU Merger Regulation. At this stage, the Commission is concerned that the merger may reduce competition in the supply of nickel alloys.

Commissioner Margrethe Vestager, in charge of competition policy, said: "Nickel alloys are a crucial input for industrial products in a wide range of

sectors, including cars and trucks, oil and gas and electronic and electrical equipment. The proposed transaction would bring together the two leading European suppliers. This is why the Commission will carefully assess whether Aperam's plans to buy VDM would affect competition in the markets for nickel alloys and would lead to less choice or higher prices for European manufacturers, and ultimately, for consumers."

Aperam and VDM both produce nickel alloys, which are highly alloyed steels with a nickel content of at least 25%, used predominantly in highly corrosive or hot environments. They have customers in a range of industries, including the automotive, oil & gas, chemical process and electronics & electrical industries.

Aperam and VDM are the two leading nickel alloy producers in Europe, and the transaction may strengthen VDM's already strong position in flat nickel alloy products specifically.

The Commission's preliminary competition concerns

The Commission's initial market investigation raised issues relating in particular to the combination of Aperam's and VDM's offering of flat nickel alloy products, namely with regard to nickel alloy plates and sheets, and nickel alloy strips.

At this stage, the Commission is concerned that, following the transaction, customers would face reduced choice of suppliers, as well as higher prices, for nickel alloy plates and sheets, and for strips. VDM is already the market leader in these products and its position could be strengthened further through its merger with Aperam. The Commission will also investigate further whether the transaction could have an effect on the supply and prices of long nickel alloy products, namely nickel alloy wire and wire rod.

The transaction was notified to the Commission on 23 October 2018. The Commission now has 90 working days, until 16 April 2019, to take a decision. The opening of an in-depth investigation does not prejudice the outcome of the investigation. The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

In addition to the current transaction, there are currently seven on-going phase II merger investigations: the proposed acquisition of Embraco, Whirlpool's refrigeration compressor business, by Nidec, the proposed creation of a joint venture by Tata Steel and ThyssenKrupp, the proposed acquisition of Aurubis Rolled Products and Schwermetal by Wieland, the proposed acquisition of MKM by KME, the proposed acquisition of Gemalto by Thales, the proposed acquisition of Alstom by Siemens, and the proposed acquisition of Solvay's nylon business by BASF.

2018 Euromed Summit of Economic and Social Councils and similar institutions

Members of civil society representative bodies from countries of the Euro-Mediterranean region met in Turin to discuss the situation of education and training in the area. Although the challenges faced by each of the countries are different, as access to education and training is very

unbalanced in the region, the general consensus was that investing in human capital is essential for the sustainable development of the countries, but also to ensure regional stability and security. Recent data show a generally poor performance of the labour market in the Euromed region, with limited job creation, a low activity rate (especially among women, less than 25% on average), extreme disadvantage of youth and women participation in the labour market and an increase in the number of persons Not in Education, Employment or Training (NEETS) in risk of exclusion. The education and training sector is therefore called to lay a central role in equipping people with the right skills.

As stated by Luca Jahier, President of the European Economic and Social Committee (EESC), "these are exactly the times when our involvement as civil society organisations is key to foster dialogue, create bridges and improve the future of the citizens in our societies". Along the same line, Cesare Onestini, Director of the European Training Foundation (ETF), pointed out that "the key conditions of success in human capital development are the quality, continuity and regularity of social concertation between the government authorities and the social partners' organisations, including civil society".

Luca Jahier also highlighted that education and training is a very important topic not only in the Mediterranean region, but also for the civil society representative bodies, "that have a key role to play in developing policies in these areas". The main goal of the Euromed summit was to add inputs to draft a report, "a truly collaborative work able to produce recommendations with a true regional added value to policy makers, in Europe and in all other Mediterranean countries", in Jahier's words.

Quality EVT systems

The participants discussed during the summit the challenges posed by education in the region and contributed to a collective reflection that will give rise to an in-depth report that will be sent to Governments of the represented countries. During the debate, proposals were made to enhance Educational and Vocational Training (EVT) and lifelong learning in all Euromed countries as part of a project aimed at consolidating strong democracies, solid economies and societies with less inequalities. It was also agreed that the EU should contribute to ensuring the design of a quality EVT system in Euromed countries and, with that aim, a number of proposals were made for joint action to: increase networking, e-learning and cooperation between education providers; promoting projects to mainstream gender equality in EVT activities; supporting the development of national qualification frameworks. The EESC also encourages the Commission to propose, in coordination with the International Labour Organization (ILO) a "country programme strategy" and to coordinate its work with other international organisations, as the United Nations, the IMF or the World Bank'.

