Deloitte.

Risk and Regulation Monthly

Plans for the **Capital Markets Union** (CMU) were unveiled this month, and the Financial Conduct Authority (FCA) announced a **competition study** into investment and corporate banking. There was also further detail on the **Senior Managers' Regime** (SMR) and the **Senior Insurance Managers' Regime** (SIMR).

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Capital (including stress testing)

HM Treasury (HMT) published the outcomes of its consultation on the Financial Policy Committee's (FPC) **housing market tools** and the **leverage ratio framework**. It *confirmed* that the FPC will be granted powers of direction over loan-to-value (LTV) and debt-to-income limits in relation to owner-occupier mortgages, and over leverage ratio requirements. It will consult separately on LTV limits and interest coverage ratios for buy-to-let lending. The FPC also published draft Policy Statements setting out details of application of the *housing* and *leverage* ratio tools for consideration alongside Parliament's scrutiny of the associated secondary legislation.

In line with the Capital Requirements Directive IV (CRD), the Prudential Regulation Authority (PRA) *disclosed* the 2014 list of UK-headquartered **Global Systemically Important Institutions (G-SIIs)** and the capital buffers to which they will be subject. The institutions are HSBC (2.5% buffer), Barclays (2%), RBS (1.5%) and Standard Chartered (1%). The buffers will be phased in from 1 January 2016, and will be fully in force by 1 January 2019.

The Joint Forum of global supervisors *consulted* on recommendations for cross-sector **credit risk** management practices. Supervisors should be aware of over-reliance on internal models for risk management and regulatory capital; the growth of risk-taking as firms "search for yield" in the low interest rate environment; the increasing need for high-quality liquid collateral to meet margin requirements for over-the-counter (OTC) derivatives; and whether firms are accurately capturing central counterparty exposures as part of their credit risk management.

The European Banking Authority (EBA) *published* an opinion on whether the definition of **eligible capital** in the Capital Requirements Regulation (CRR) is appropriate for setting large exposure limits. It suggested conducting a comprehensive review of the EU regime in order to align it with relevant standards from the Basel Committee on Banking Supervision (BCBS), and recommended the Commission postpone any review of the eligible capital base until this has been done.

The EBA *said* that EU exemptions on the application of **Credit Valuation Adjustment** (CVA) charges under the CRR should be reconsidered or removed, since they did not reflect potential risks. However, action should be taken only after a BCBS review of the CVA framework as part of the fundamental review of the trading book. The opinion also outlined sixteen policy recommendations which provided clarification and convergence in the implementation of the current CVA framework in the EU, based on technical analysis contained in an amalgamated *report and review*.

ECRS EMEA Centre for Regulatory Strategy

The European Insurance and Occupational Pensions Authority (EIOPA) published *Set 1* of its **Solvency II** Guidelines, final reports relating to the Solvency II guidelines on the *system of governance* and *own risk and solvency assessment* (ORSA), *technical informatio*n on the symmetric adjustment of the equity capital charge for Solvency II, and the relevant *risk free interest rate term structures* for Solvency II.

The PRA *consulted* on a draft **supervisory statement** in relation to these Guidelines, and *published* an update on its approach to the balance sheet, technical provisions and own funds review under Solvency II. The PRA also published two letters on *pre-approval applications* and *equity release mortgages* in relation to the matching adjustment.

Liquidity

Ahead of the Delegated Act on the **Liquidity Coverage Requirement** (LCR) becoming the standard for firms from 1 October 2015, the PRA *announced* an extension until then to certain liquidity modifications and permissions granted under BIPRU12 and the CRR.

Governance and risk management (including remuneration)

The FCA and PRA *consulted* on how the new **SMR** and **SIMR** will apply to Non-Executive Directors (NEDs) in banks and insurers respectively. Only the chair, the Senior Independent Director and the chairs of the risk, audit, remuneration and nomination committees will be subject to pre-approval and inclusion in the regimes, although other NEDs should still observe certain conduct rules. The PRA also set out how it intends to apply the Presumption of Responsibility to senior managers at banks, building societies and designated investment firms if they do not take reasonable steps to prevent or stop breaches of regulatory requirements in their areas of responsibility. Please see our *blog*.

The FCA and PRA *consulted* on measures to formalise **whistleblowing** procedures in deposit-takers, insurers and designated investment firms. Firms will need internal procedures to assess and escalate whistleblowers' concerns and track outcomes; provide an annual report on the operation and effectiveness of the whistleblowing function to the Board; and share it with regulators on request. The FCA *published* an additional note on how it handles disclosures from whistleblowers, and updated its *webpages* on whistleblowing. Please see our *blog*.

The FCA *confirmed* final rules that require firms providing **workplace personal pensions** to set up and maintain independent governance committees (IGCs). IGCs will represent the interests of scheme members in assessing the value for money of pension schemes and challenge providers to make changes where necessary. The FCA also *published* a "Dear CEO" letter reminding firms of their new responsibilities.

Conduct of Business (including MiFID)

As part of a *review of* **competition in the wholesale sector**, the FCA *said* it would launch a market study in spring 2015 of investment and corporate banking services. Limited transparency over price and quality may make it difficult to assess the value for money of such services, and bundling and cross-selling may make it difficult for new or smaller firms to compete against established investment and universal banks. The FCA will also consider undertaking a market study later this year on value for money in asset management. Martin Wheatley, FCA CEO, also *spoke* about the FCA's approach to the wholesale sector. Please see our *blog.*

The FCA *published* a feedback statement on the use of **dealing commission**, supporting the European Securities and Markets Authority's (ESMA) technical advice to the European Commission on the revision to the Markets in Financial Instruments Directive (MiFID II), which requires portfolio managers to separate the purchase of research from execution arrangements. The FCA said the cost of research in fixed income markets is "more opaque" than equity markets since research is "entirely embedded in implicit transaction costs". Decoupling research from trading spreads in fixed income markets might result in a "narrowing of spreads".

The FCA *published* findings from its thematic review of how asset management firms controlled the risk of **market abuse**. While all firms had a policy to limit the sharing of inside information, practices to "avoid inside information or identify its receipt when it was not expected to be received" were often informal and inconsistently applied. Firms had good pre-trade controls to reduce the risk of market abuse, but most failed to demonstrate post-trade surveillance that effectively highlighted and properly investigated potentially suspicious trades.

Andrew Hauser, Director of Markets Strategy at the Bank of England (BoE), *discussed* responses to the **Fair and Effective Markets Review** (FEMR) consultation. Respondents identified a number of areas with scope for change, including market practices and structures in fixed income, currency and commodity markets, individual professionalism, culture, and firm-level surveillance. The review's final recommendations are expected in June.

ESMA *published* its technical advice to the European Commission on the **Market Abuse Regulation** (MAR). ESMA clarified that disclosure requirements for managers' transactions should cover any acquisition, disposal, subscription or exchange of financial instruments of the relevant issuer or related financial instruments. The advice also covered procedures and arrangements for sound whistleblowing infrastructures.

ESMA *published* a peer view of the MiFID **best execution** rules, which found "certain shortcomings" in implementation, supervision and enforcement. Oversight of best execution was often limited to verifying if an execution policy exists and best execution was viewed in many cases in terms of best price, rather than looking also at other characteristics. Monitoring of non-equity and less liquid markets was found to be largely absent.

ESMA *consulted* on regulatory technical standards (RTS) relating to transparency requirements under **MiFID II** for credit default swaps (CDS), foreign exchange derivatives, contracts for difference, and exotic derivatives. The analysis follows the approach taken to transparency requirements for other derivatives classes set out in ESMA's December consultation on RTS.

Verena Ross, Executive Director of ESMA, *spoke* about the implications of **MiFID II** transparency rules on liquidity, particularly in non-equity markets. ESMA aims at "switching on the light without turning off the tap". Ross also stated that "all level 2 measures should be in force" by the end of this year.

The International Organization of Securities Commissions (IOSCO) *reviewed* implementation of its principles for **financial benchmarks**. Many Administrators had used the principles to perform a gap analysis on their policies and procedures and the majority had taken steps to implement some or all of the principles, with many reporting ongoing work. Boards were taking a stronger interest in the benchmark-setting process. Administrators of equity benchmarks reported the highest level of compliance, with most having published a statement of compliance.

The European Commission *fined* ICAP €14.96mn for breaching **EU antitrust rules** by facilitating cartels in yen interest rate derivatives. The decision comes after related fines were imposed on a number of major banks that settled the case with the Commission in December 2013.

The FCA *fined* Aviva Investors Global Services Limited £17.6mn for weaknesses in systems and controls which resulted in **conflicts of interest**. Between 2005 and 2013, funds that paid differing levels of performance fees were managed by the same desk within Aviva's fixed income area. Some of these performance fees were paid to traders who managed funds on a side-by-side basis, which created conflicts of interest as these traders had an incentive to favour one fund over another. Aviva paid £132mn in compensation to ensure that none of the funds it managed were adversely impacted.

The FCA *proposed* changes to its **consumer credit** regime, clarifying the new rules for credit brokers introduced in January 2015 and setting out rules requiring firms to provide adequate explanations to guarantors to loans, assess their creditworthiness and treat them with forbearance. Other key proposals related to high-cost short-term credit; financial promotions; arrears, default and collection; and amendments to the Consumer Credit Sourcebook (CONC) relating to the implementation of the Mortgage Credit Directive (MCD). The FCA also *consulted* on implementation of a conduct framework for consumer buy-to-let mortgages under the MCD.

The FCA *reviewed* firms' implementation of **crowdfunding** rules, concluding that there was no need to change the regulatory approach, though it will conduct a full post-implementation review of the market and regulatory framework in 2016. Meanwhile, the EBA *recommended* the convergence of **lending-based crowdfunding** regulation across the EU "based on existing EU law". The EBA identified the Payment Services Directive as the most readily applicable EU legislative text. Should EU legislators consider developing a regulatory framework, the EBA recommended several measures, adding that existing national regulations should also be considered.

The Competition and Markets Authority (CMA) *issued* a final report on its investigation into **payday lending**, finding that "a lack of price competition between lenders has led to higher costs for borrowers." Measures to address this will require: i) online payday lenders to disclose product information on at least one FCA-authorised price comparison website; and ii) all payday lenders to provide existing customers with a summary of their cost of borrowing. The CMA recommended the FCA adopt measures to improve the disclosure of late fees and other charges, and to improve real-time data sharing between lenders and credit reference agencies.

The Lending Standards Board (LSB) *published* the findings of its review of the adequacy of the processes and controls used by its subscribers, as required under the **Lending Code**, to identify early warning signs of customers falling into financial difficulties. The report included a new section of the code devoted to pre-arrears, and a requirement that subscribers develop appropriate product triggers and management information. The LSB will undertake further research, and refer any proposals for inclusion in the new Code due in autumn 2015.

The FCA *issued* an occasional paper on firms' approaches to **consumer vulnerability**. It said the response of frontline staff is "crucial to the customer's experience" and that sufficient training was required. Most problems related to poor interactions, or systems that did not flex to meet needs, and "inaccurate interpretation or overzealous implementation of rules" prevented firms from meeting the needs of vulnerable customers. Martin Wheatley also *spoke* about how consumer vulnerability is "a key test of conscience for the City, as well as a rapidly intensifying social priority".

The FCA *published* a policy statement on **retirement reforms** and the guidance guarantee, which set out the final rules requiring firms to provide appropriate retirement risk warnings to consumers accessing their pension savings. The FCA also *modified* its conduct of business rules to take into account the additional option for flexible access to defined contribution pension schemes after age 55 that will be available from April 2015, which will be known as an Uncrystallised Funds Pension Lump Sum (UFPLS).

The FCA *updated* its webpage on **fund authorisation and supervision**. From April the FCA will introduce new targets for the authorisation of non-UCITS retail schemes (two months) and qualified investor schemes (one month), while the target for UCITS funds remains at two months. The FCA summarised its reviews of derivative reporting and disclosures, as well as valuation and liquidity oversight, and said it had agreed with trustees and depositaries that they will report fund breaches and summaries of their visits to authorised fund managers.

Tracey McDermott from the FCA *spoke* at Deloitte's **Chief Compliance Officer (CCO) Event** about regulatory challenges and expectations, and the role of compliance in helping to meet these.

The Treasury Committee *published* the terms of settlement agreements the FCA entered into with nine banks to conduct past business reviews and redress exercises of their sales of **interest rate hedging products**. It *published* the FCA's letter detailing key considerations for the review in response to concerns raised by the banks, including on sophisticated customer criteria, sales standards and redress, and *a supplemental agreement* amending the review with regards to the definition of sophisticated customer criteria.

The Financial Ombudsman Service (FOS) *published* **complaints data** for H2 2014. It took on a total of 161,649 new cases, of which payment protection insurance made up two-thirds. While the total number of cases remained at a similar level to H1, banking complaints increased by 8% and investment cases by 4%. Overall, the FOS found in the consumer's favour around half of the time.

The FCA *published* online data on the use of **attestations** in 2014, broken down by quarter, sector and conduct classification. In total, 59 attestations were obtained from senior managers in 2014. The FCA intends to publish this data on a quarterly basis in future.

EIOPA *published* its final report and technical advice to the European Commission on **conflicts of interest** in direct and intermediated sales of insurance-based investment products, which covered identification of conflicts, conflicts of interest policy, and inducements and remuneration.

Crisis management (including special resolution, systemically important firms, and business continuity)

The PRA *consulted* on amendments to its rules on **depositor, dormant account and policyholder protection**, intended to minimise the adverse impact on UK financial stability of a failure of a deposit-taker, dormant account fund operator or insurer, and to deliver effective compensation or continuity to those affected.

The BoE *published* a paper reviewing existing approaches to estimating the extent of the **'too big to fail'** (TBTF) implicit subsidy in the context of funding costs.

The Financial Markets Law Committee (FMLC) *published* a paper on legal uncertainty arising from the Financial Stability Board (FSB's) proposed standard on **Total Loss Absorbing Capacity** (TLAC). It identified inconsistency between the FSB and EU proposed frameworks for determining eligible instruments; and uncertainty on whether TLAC instruments that included restrictions on set-off or netting arrangements were eligible to count towards the minimum TLAC requirement.

Gabriel Bernardino, EIOPA chair, *wrote* to Jonathan Hill, European Commissioner, highlighting issues which should inform the Commission's policy agenda on **recovery and resolution for insurers**. These included a fragmentation of existing recovery and resolution systems employed by national authorities, and the consequent emergence of conflicting national solutions; the risk of a "double hit" stress scenario, i.e. the risk that a potential sharp reversal in asset prices coupled with low interest rates would pose "severe challenges" to the insurance sector; and the lack of harmonisation of insurance guarantee schemes among member states, resulting potentially in inconsistent treatment of policyholders and poor consumer protection in the event of firm failure.

The EBA *reported* on the potential implications for business models of the **post-crisis regulatory package**. New liquidity rules "are likely to push towards more deposits, reduced short-term wholesale funding reliance, and high desirability of high-quality liquid assets, to the detriment of other assets for banks that are struggling to meet the new requirements". Structural reforms, e.g. ring-fencing, will adversely influence the "profitability of investment banking/trading activities due to an increased cost of funding, operational complexity and overhead", while new resolution regimes could increase funding costs and change funding mixes.

Vítor Constâncio, Vice-President of the European Central Bank (ECB), *spoke* on the importance of effective **macro-prudential policy** for financial stability objectives, which would require intrusive policy interventions going well beyond the new capital and liquidity regulatory framework, and completing the macro-prudential tool-kit with instruments addressing non-bank financial activities and institutions.

HMT *provided* feedback to its consultation on draft **pensions regulations** in relation to ring-fenced banks and outlined a number of amendments to the text, including the addition of a materiality threshold to the requirement to apply for clearance for any changes firms would make as part of the ring-fencing process, and removal of the reporting requirements on trustees. The government also *made* some technical changes to the legislation.

Regulatory perimeter

The European Commission published a *green paper* and a *staff working document* on the **CMU**. It also launched two parallel consultations on the *Prospectus Directive* and the development of a framework for simple, transparent and standardised *securitisation*, which form two of the first five initiatives under the CMU (the remaining three being developing a European private placement market, encouraging long term finance, and improving the availability of SME credit information). The Commission is focusing on "market-driven solutions", using regulation only where necessary, and said that that there may be a "further role" for the European Supervisory Authorities (ESAs) to play. Please see our *blog*.

The EU Economic and Financial Affairs Sub-Committee of the House of Lords *announced* a short inquiry into the **CMU**, covering the problems it is seeking to address, its key components, potential drawbacks, key obstacles to its completion, and timing. The sub-committee also *heard evidence* from Commissioner Hill and held a seminar with experts in the field; it will publish its findings in March 2015.

The BoE *published* a paper on the implications for growth and stability of the **CMU**. It said the proposals would need to be targeted at both savers and borrowers, and that economic and financial stability would be better served if funds were directed towards investments less prone to capital flight during stress, including equities.

Dame Clara Furse, External Member of the FPC, *spoke* on encouraging **market-based finance** while there are structural changes to the banking system which may be impacting market liquidity, such as a reduction in trading inventories and proprietary trading, changes to risk weights for certain assets, and a decline in market-making.

EIOPA *announced* a new work stream on **infrastructure investments by insurers**. It intends to develop a definition that offers predictable long-term cash flows; explore possible criteria for long-term high quality infrastructure assets; and analyse the prudentially sound treatment of such investments under Solvency II.

The FMLC *wrote* to Jonathan Faull at the European Commission on the proposed Regulation on **securities financing transactions** (SFTR). It noted that the restrictions on re-hypothecation did not properly account for the difference between a title transfer financial collateral arrangement (TTFCA) and a security financial collateral arrangement. Due to the change in ownership of a TTFCA it was "incongruous" to place conditions on the use of an asset provided as collateral.

IOSCO and the Committee on Payments and Market Infrastructures (CPMI) reported on the implementation of the **principles for financial market infrastructures** (PFMIs) for central counterparties (CCPs) and trade repositories (TRs) in the *EU*, *US* and *Japan*. All three jurisdictions had made good progress in implementing the principles; this is especially evident for CCPs, where frameworks have been developed implementing either all, or the majority, of the principles applicable to systemically important CCPs. However, progress in implementing the principles for TRs was more varied.

The European Commission *recommended* that pension funds be granted a further two-year exemption from **central clearing requirements** for their OTC derivative transactions, and encouraged CCPs to continue work on this matter (the current exemption had been due to expire in August 2015). This followed an extensive *study*.

The EBA *consulted* on RTS on prudential requirements for **central securities depositories** (CSDs), including capital requirements and an additional risk-based surcharge reflecting the risks of ancillary banking services. All CSDs will be subject to two layers of protection, covering risks on a going-concern basis and aiming at ensuring own resources are available to manage a winding-down or restructuring of CSD activities. As CSDs providing banking-type ancillary services need also to comply with the CRR, the possible differences between these regimes have been considered in a way that ensures the stricter of the rules on prudential supervision apply.

ESMA *published* a feedback statement on applying the **clearing obligation** to non-deliverable foreign-exchange forwards (NDFs) under the European Market Infrastructure Regulation (EMIR). It does not intend to propose a clearing obligation on NDFs at present, as it requires longer to address respondents' concerns.

ESMA *published* its annual report on its supervision of **credit rating agencies** (CRAs) and trade repositories (TRs). During 2014, it concluded its investigation into structured finance ratings by CRAs, and work on sovereign ratings. In 2015, its work will focus on CRA governance, risk management and internal decision-making. Since reporting to TRs started in February 2014, almost 10bn reports have been made to the six TRs, by 5,000 entities with direct reporting arrangements to them. During 2015, ESMA will focus on data quality and thematic reviews of inter-TR reconciliation processes.

ESMA *published* a call for evidence as part of the development of technical advice for the European Commission on the functioning of the **CRA** industry and the evolution of the markets for structured finance instruments, asking how the CRA Regulation is stimulating competition between CRAs, improving the choice of CRAs available and minimising conflicts of interests in the industry.

IOSCO *published* a final report on **prudential standards in the securities sector**. The report focused on the Net Capital Rule (NCR), in particular the US and CRD approaches. Areas considered included regulatory scope, risk capture, components of capital, use of internal models, risks posed by group entities, and supervisory perspectives on key issues. Many of the themes identified were already reflected in the existing IOSCO capital adequacy standards report, including the need for risk-based capital requirements and for minimum capital requirements reflecting the type of business being conducted by securities firms.

Regulations were *issued* which result in the **special resolution regime** (as set out in Part 1 of the Banking Act 2009) now applying to certain UK clearing houses during the transitional period until the successful completion of their application for authorisation by the BoE. Earlier amendments to the act were made without any accompanying transitional provisions, an unintended consequence of which was that those clearing houses awaiting authorisation under the EMIR Regulation could not be made subject to the special resolution regime. The rules come into force on 18 March 2015.

David Bailey, Director of Financial Market Infrastructure, BoE, *spoke* about its role in maintaining financial stability through supervising **systemically important payment systems** in the UK. Reforms to the UK payments landscape should not lead to an unacceptable increase in settlement risk, while any changes to payment systems must maintain or enhance their robustness and resilience. He added that payment systems should facilitate the continuity of payment services in resolution.

Rethinking the domestic and international architecture for regulation

The G20 *published* a communiqué following a meeting of finance ministers and central bank governors, reiterating its commitment to finalise the remaining core elements of the **financial reform agenda**. It made particular reference to the "critical steps" which remain to be taken in addressing the too-big-to-fail problem, e.g. finalising the proposed common international standard on TLAC by the time of the Antalya Summit in November.

The FSB *published* a letter outlining its **priorities for financial reforms** as well as the various regulatory developments expected before the November summit. The priorities consist of full, consistent and prompt implementation of agreed reforms; finalisation of the design of remaining post-crisis reforms; and action on new risks and vulnerabilities, including risks stemming from market-based finance and conduct risk (which has risen to a level "that has the potential to create systemic risks").

The FMLC *published* a discussion paper on coordinating reform of international financial regulation, focusing on the **legal uncertainties** in the application of the G20 2009 Pittsburgh recommendations due to differences in implementation by different jurisdictions. The paper examined options to address these uncertainties, including a permanent G20 secretariat, a formal dispute resolution procedure, and formalising the early discussions of regulators and standard setters.

The International Swaps and Derivatives Association (ISDA) *published* key principles to improve regulatory transparency in **global derivatives markets**. Regulatory reporting requirements should be harmonised within and across borders, with the adoption of standards, such as legal entity identifiers. Regulations that prevent policy-makers from appropriately accessing and sharing data across borders should be amended or repealed.

The ECB *issued* an opinion on the review of the objectives and organisation of the **European Systemic Risk Board** (ESRB). The ECB supported the conclusions reached in an earlier European Commission report and considered that no far-reaching changes were needed to the ESRB legal framework, though some technical adjustments to its operational framework could be made. However, clarifications were warranted regarding the Commission's proposal to expand the ESRB's toolbox, which includes warnings and recommendations, to include the exercise of more 'soft powers', such as the publication of letters or statements.

EIOPA *announced* that its **budget** for 2015 had been reduced by 7.6% from the previous year. Solvency II remains the highest priority, but cuts will affect the training programme for supervisors, and the IT supervisory toolkit related to XBRL reporting has been cancelled. ESMA also *published* a revised 2015 **work programme,** to reflect a reduction in its budget.

It reduced the priority of several tasks, with delays possible in work on the Benchmarks Regulation, the Central Securities Depository Regulation (CSDR) and MiFID II.

EIOPA *reported* on the **functioning of colleges,** and on its Action Plan 2014. In most countries, colleges had developed in line with targets on information exchange, risk assessment, development of emergency plans and coordination arrangements. However, progress and consistency of implementing Solvency II preparatory guidelines required further work. EIOPA also *published* criteria for assessing delivery of the plan.

The BoE *consulted* on two proposals relating to **interaction between the PRA and external auditors and actuaries**. The PRA will require the external auditors of the largest UK-headquartered banks to provide written reports on relevant aspects of their audit to the PRA as part of the statutory audit cycle. At the PRA's request, HMT granted the PRA disciplinary powers over actuaries and auditors if they fail to comply with reporting requirements or duties imposed by PRA rules. The range of disciplinary powers that the PRA proposes includes fines, public censures or disqualification from working in financial services.

The International Association of Insurance Supervisors (IAIS) *adopted* new policies governing its **engagement with all stakeholders**, including making all supervisory and supporting material subject to public consultation, and providing advance notice of the final draft of supervisory and supporting material prior to its adoption.

The BoE *announced* the outcome of a review of its programme of **Market Intelligence** (MI), which identified eleven actions to reinforce transparency and safeguards around MI. These included a public Charter; benchmarking and strengthening the set of policies that govern MI; introducing a new expanded MI training framework; formalising the existing central MI team as a dedicated division; and establishing a new Bank-wide executive level committee to agree and oversee the priorities for the MI programme. The BoE *published* the charter and Minouche Shafik, the BoE Deputy Governor for Markets and Banking, *spoke* on MI.

The BoE *published* its formal response to the recommendations made by Lord Grabiner in his Foreign Exchange Market Investigation Report, which examined whether any BoE official was involved in, or aware of, conduct which was the subject of the FCA's investigation into the **FX market**. The response set out the actions being taken by the Bank to address the various recommendations on MI practices, documentation, education, and ensuring clarity over MI systems and controls. The Bank has made public a review of its documentation and record-keeping practices; reinforced its formal escalation policy; required all staff that have contact with market participants to attest to their compliance with certain policies; and introduced a policy on chat rooms.

The ICAEW *published* a technical release to assist individuals in conducting a **skilled persons' reporting** engagement, as well as on the direct appointment of a skilled person by an appropriate regulator.

Disclosure, valuation and accounting

The Basel Committee on Banking Supervision (BCBS) *consulted* on its guidance on accounting for **expected credit losses** (ECL), consisting of eleven fundamental principles. The principles require banks to have policies and procedures in place e.g. to validate internal credit risk assessment and to group lending exposures on the basis of shared credit risk characteristics. The guidance also covers supervisory expectations of how an ECL accounting framework should interact with a bank's overall credit risk practices and the regulatory framework.

The FCA *published* the Transaction Reporting User Pack (TRUP), providing guidance to firms on **transaction reporting** obligations under MiFID, and *published* a summary of feedback received on the TRUP consultation.

IOSCO and the CPMI *issued* quantitative disclosure standards for **CCPs**, which established a common set of "basic data" on transaction volumes and values, and a common minimum set of quantitative information on the financial condition, financial resources and performance of a CCP, including disclosures related to collateral, margins, credit risk, liquidity risk, operational risk, custody and investment risks.

Information security and data privacy

The Information Commissioner's Office outlined its vision for **privacy seal schemes**, saying it will proceed with plans to endorse certification schemes that promote good privacy practices, despite calls to delay until the proposed new EU Regulation on Data Protection is finalised. In a recent *blog post*, the ICO said it would "endorse third party operators to deliver ICO privacy seal schemes", before clarifying that it envisaged a number of schemes running across different sectors.

Financial crime

No new developments.

Other

The Bank of International Settlements (BIS) *published* a working paper examining the relationship between the **rate of growth of the financial sector and the rate of growth of total factor productivity**. It said that "an exogenous increase in finance reduces total factor productivity growth", and that where skilled labour works in finance, the "financial sector grows more quickly at the expense of the real economy."
The FCA *announced* the new chairs of its **Practitioner Panels**. The appointments, which come into effect from 1st April 2015, are Alison Brittain (FCA Practitioner Panel), Robert Mass (FCA Markets Practitioner Panel) and Clinton Askew (FCA Smaller Business Practitioner Panel). Each appointment is for two years.

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