



Risk and Regulation Monthly

February 2021

CENTRE *for*
**REGULATORY
STRATEGY**
EMEA

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Highlights

February marked a month of several important regulatory and wider government policy developments, both in the UK and internationally.

While the Bank of England's (BoE) Monetary Policy Committee (MPC) voted unanimously to maintain the Bank Rate at 0.1%, Sam Woods, the CEO of the PRA, wrote to PRA-authorized firms early in the month to ask that they develop tactical solutions to implement a negative Bank Rate at any point after six months. While he clarified that this should not be interpreted as a signal that the setting of a negative Bank Rate is imminent, or indeed necessarily a prospect at any time, this gives some indication of a potential direction of travel and will require significant preparation by UK firms.

At the same time, the BoE and the FCA announced in February that they are launching an ambitious multi-year data collection transformation programme. The first phase will take place over the next 24 months and will cover, inter alia, defining and adopting common data standards, modernising reporting instructions, and integrating reporting to a more streamlined, efficient approach to data collection.

Regulatory work on various digitisation initiatives also continued throughout the month. In the UK, HM Treasury (HMT) announced its plans to legislate to bring interest-free buy-now-pay-later products into the FCA's regulatory perimeter, noting that these have increased rapidly in popularity throughout the pandemic as online shopping has increased, such that there was now a significant risk that these agreements could cause harm to consumers. Elsewhere, the European Commission has requested the European Supervisory Authorities' (ESAs) technical advice on digital finance, while the ECB released its opinion on the Commission's proposal for a Regulation on Markets in Crypto-assets. We also saw several speeches related to this subject, for example by ESMA Chair Steven Maijor, which addressed how the finance industry can address and maximise opportunities arising from accelerated digitisation.

In the insurance sector there were several important documents released by EIOPA and the IAIS outlining their focus areas and priorities for the year, including EIOPA's Supervisory Convergence Plan for 2021, its Union-wide Strategic Supervisory Priorities report and IAIS' Public Roadmap 2021-2022.

COVID-19	
UK	
BoE	
<ul style="list-style-type: none"> Statement on the cancellation of the 2019 liquidity BES, previously paused due to Covid-19 	Link
FCA	
<ul style="list-style-type: none"> Survey finds that the COVID-19 pandemic has left over a quarter of UK adults with low financial resilience 	Link
<ul style="list-style-type: none"> Financial Lives 2020 survey on the impact of coronavirus 	Link
<ul style="list-style-type: none"> Guidance consultation on helping consumers with rights and routes to refunds due after cancellations of trips and events 	Link
PRA	
<ul style="list-style-type: none"> Statement on COVID-19 regulatory reporting amendments 	Link
EU	
ECB - SSM	
<ul style="list-style-type: none"> Assessment of banking sector risks and vulnerabilities for 2021 	Link
SRB	
<ul style="list-style-type: none"> Speech by Elke König, Chair of the SRB, on COVID-19 and the banking landscape 	Link
Int'l	
IMF	
<ul style="list-style-type: none"> Keynote speech by Antoinette M. Sayeh, Deputy Managing Director, on Global Economic Outlook and Policy Priorities 	Link

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Brexit	
UK	
UK Government	
<ul style="list-style-type: none"> UK government agrees to EU proposal to extend the ratification period for the UK-EU Trade and Cooperation Agreement until 30 	Link

April 2021, to allow more time for the European Parliament to scrutinise the agreement	
<ul style="list-style-type: none"> UK government welcomes the Commission's draft data adequacy decisions 	Link
HMT	
<ul style="list-style-type: none"> Entry into force of share trading obligation equivalence decision for Switzerland 	Link
FCA	
<ul style="list-style-type: none"> Approach to assessing international firms providing (or seeking to provide) financial services that require authorisation in the UK 	Link
<ul style="list-style-type: none"> Guidance on the UK's and Switzerland's respective share trading obligation equivalence decisions 	Link
EU	
EC	
<ul style="list-style-type: none"> Proposal adopted to extend the ratification period for the UK-EU Trade and Cooperation Agreement until 30 April 2021, to allow more time for the European Parliament to scrutinise the agreement 	Link
<ul style="list-style-type: none"> Two draft data adequacy decisions published for the transfer of personal data from the EU to the UK, one under the General Data Protection Regulation, and the second under the Law Enforcement Directive 	Link Link

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Banking	
Prudential	
UK	
BoE	
<ul style="list-style-type: none"> Monetary Policy Report February 2021 	Link
<ul style="list-style-type: none"> Speech by Andrew Bailey, Governor of the BoE, on 'modern challenges for the modern central bank' 	Link
<ul style="list-style-type: none"> Dear CEO letter from Dave Ramsden, Deputy Governor for Markets and Banking at the BoE, on banks' Resolvability Assessment Framework report submissions 	Link
FCA	

<ul style="list-style-type: none"> Dear CEO letter from David Geale, Director for Retail Banking and Payments Supervision at the FCA, on the supervision strategy for retail banking portfolios 	Link
HMT	
<ul style="list-style-type: none"> Statement on independent reviews of ring-fencing and proprietary trading 	Link
<ul style="list-style-type: none"> Consultation on the implementation of the IFPR and Basel 3 standards 	Link
PRA	
<ul style="list-style-type: none"> Statement on EBA Guidelines and EU RTS relating to approaches to credit risk following the end of the transition period 	Link
<ul style="list-style-type: none"> Dear CEO letter from Sam Woods, Chief Executive Officer of the PRA, on banks' operational readiness for a zero or negative Bank Rate 	Link
<ul style="list-style-type: none"> Statement on Supervisory Benchmarking Exercise relating to capital internal models 	Link
<ul style="list-style-type: none"> Consultation paper on the implementation of the parts of the second Capital Requirements Regulation (CRR2) that do not yet apply in the UK 	Link
<ul style="list-style-type: none"> Letter from Victoria Saporta, Executive Director of the PRA, on 'Disclosures about IFRS 9 Expected Credit Loss accounting (ECL)' 	Link
EU	
EBA	
<ul style="list-style-type: none"> Final guidelines on conditions for the alternative treatment of 'tri-party repurchase agreements' for large exposure purposes 	Link
<ul style="list-style-type: none"> Consultation on guidance to assess breaches of the large exposure limits 	Link
<ul style="list-style-type: none"> Final draft technical standards on disclosure of indicators of global systemic importance by G-SIIs 	Link
ECB - SSM	
<ul style="list-style-type: none"> List of supervised entities (as of 1 January 2021) 	Link
<ul style="list-style-type: none"> Supervisory Review and Evaluation Process (SREP) results 2020 	Link
Conduct	
UK	
FCA	
<ul style="list-style-type: none"> Report on change and innovation in the unsecured consumer credit market, following the Woolard Review 	Link

HMT	
<ul style="list-style-type: none"> Announcement confirming that buy-now-pay-later products will be regulated by the FCA 	Link

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Capital Markets	
Prudential	
UK	
BoE	
<ul style="list-style-type: none"> Update on the BoE/FCA MoU on the supervision of FMI and payment systems 	Link Link
Conduct	
UK	
HMT	
<ul style="list-style-type: none"> Guidance on share trading obligation equivalence decision for Switzerland now in force 	Link
<ul style="list-style-type: none"> Consultation regarding legal protections in relation to the wind-down of critical benchmarks 	Link
<ul style="list-style-type: none"> Consultation to expand the Resolution Regime for CCPs 	Link
EU	
ECB Central Bank	
<ul style="list-style-type: none"> Summary of responses to the public consultation by the working group on euro risk-free rates on EURIBOR trigger events 	Link
ECOFIN	
<ul style="list-style-type: none"> Announcement regarding Council adopting new rules addressing LIBOR cessation 	Link
ESMA	
<ul style="list-style-type: none"> Common Supervisory Action (CSA) with National Competent Authorities (NCAs) on MiFID II product governance rules across the EU 	Link
<ul style="list-style-type: none"> Updated Q&As on MiFID II and MiFIR market structures topics 	Link

<ul style="list-style-type: none"> Guidelines on portability of information between securitisation repositories under the Securitisation Regulation 	Link
<ul style="list-style-type: none"> Guidelines for harmonising CCP supervisory reviews and evaluation under EMIR 	Link
<ul style="list-style-type: none"> Second Annual Report on waivers and deferrals for non-equity instruments 	Link

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Insurance	
Prudential	
UK	
BoE	
<ul style="list-style-type: none"> Speech by Anna Sweeney, Executive Director for Insurance at the PRA, on capital adequacy in the insurance sector 	Link
EU	
EIOPA	
<ul style="list-style-type: none"> Risk Dashboard based on Q3 2020 Solvency II data 	Link
Conduct	
ESAs	
<ul style="list-style-type: none"> Announcement on EIOPA's board agreeing amendments to the PRIIPs Key Information Document 	Link Link Link
Other	
EU	
EIOPA	
<ul style="list-style-type: none"> Supervisory convergence plan for 2021 	Link
<ul style="list-style-type: none"> EIOPA identifies business model sustainability and adequate product design as Union-wide strategic supervisory priorities 	Link
Int'l	
IAIS	

<ul style="list-style-type: none"> IAIS 2021-2022 Public Roadmap 	Link
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Investment Management	
Prudential	
EU	
EBA	
<ul style="list-style-type: none"> Consultation on the draft technical standards on supervisory disclosure under IFD 	Link
<ul style="list-style-type: none"> Consultation paper on draft RTS on colleges of investment firms 	Link
<ul style="list-style-type: none"> Consultation paper on draft RTS and ITS on information exchange for investment firms 	Link
Conduct	
ESMA	
<ul style="list-style-type: none"> Announcement regarding final rules on standardised information to facilitate cross-border distribution of funds 	Link
<ul style="list-style-type: none"> Annual Report on the application of waivers and deferrals for equity instruments 	Link
<ul style="list-style-type: none"> Statement highlighting risks to retail investors of social media driven share trading 	Link
<ul style="list-style-type: none"> Working Paper analysing the impact of MIFID II research unbundling rules on Small and Medium Enterprises (SMEs) 	Link
<ul style="list-style-type: none"> Statement by Steven Maijoor, ESMA Chair, on GameStop at the ECON Committee 	Link

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Other	
Prudential	
UK	
BoE	
Plan for transforming data collection from the UK financial sector	Link Link

Conduct	
UK	
FCA	
<ul style="list-style-type: none"> Guidance for firms on the fair treatment of vulnerable customers 	Link
Cyber	
EU	
ESAs	
<ul style="list-style-type: none"> Joint letter on the EU's legislative proposal for a Digital Operational Resilience Act (DORA) 	Link
ESMA	
<ul style="list-style-type: none"> Consultation on methodology to calculate a benchmark in exceptional circumstances 	Link
FinTech	
UK	
FCA	
<ul style="list-style-type: none"> Review of how financial services firms implement technology change 	Link
HMT	
<ul style="list-style-type: none"> Report on Kalifa review of UK Fintech 	Link
EU	
EBA	
<ul style="list-style-type: none"> Opinion on supervisory actions to remove obstacles to account access under PSD2 	Link
EC	
<ul style="list-style-type: none"> Request to ESAs for technical advice on digital finance 	Link
ECB - SSM	
<ul style="list-style-type: none"> Speech by Pentti Hakkarainen, Member of the Supervisory Board of the ECB, on the benefits and risks digitalisation can bring to the financial industry in the next decade 	Link

ECB Central Bank	
<ul style="list-style-type: none"> Speech by Fabio Panetta, Member of the Executive Board of the ECB, on the impact of a digital euro on the financial system 	Link
<ul style="list-style-type: none"> Opinion on the Commission's proposal for a Regulation on Markets in Crypto-assets 	Link
ESMA	
<ul style="list-style-type: none"> Speech by Steven Maijoor, ESMA Chair, on how the financial industry can address risks and maximise opportunities arising from accelerated digitisation 	Link
Int'l	
BIS	
<ul style="list-style-type: none"> Occasional paper on how to achieve a level playing field in fintech regulation 	Link
Sustainable Finance	
UK	
HMT	
<ul style="list-style-type: none"> Guidance announcing the UK joining the International Platform on Sustainable Finance (IPSF) as a member 	Link
<ul style="list-style-type: none"> Dasgupta Review on the Economics of Biodiversity and sustainable engagement with nature 	Link
EU	
ECB Central Bank	
<ul style="list-style-type: none"> Statement on agreement of Eurosystem common stance for climate change-related sustainable investments in non-monetary policy portfolios 	Link
<ul style="list-style-type: none"> Speech by Christine Lagarde, President of the ECB, on the main policy priorities for investing in the EU's climate, social and economic resilience 	Link
ESAs	
<ul style="list-style-type: none"> Final Report and draft RTS on disclosures under Sustainable Finance Disclosures Regulation (SFDR) 	Link Link Link
<ul style="list-style-type: none"> Recommendations on the application of Sustainable Finance Disclosures Regulation (SFDR) 	Link Link Link
Int'l	

IOSCO	
<ul style="list-style-type: none"> Media release on progress made by the Sustainable Finance Task Force (STF) 	Link
Other	
UK	
PRA	
<ul style="list-style-type: none"> Announcement that the bank rate will be maintained at 0.1% 	Link
EU	
ESMA	
<ul style="list-style-type: none"> Report on proposed fees for Benchmarks Administrators 	Link

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Glossary

AFMs = Authorised Fund Managers
AI = Artificial Intelligence
AIFMD = Alternative Investment Fund Managers Directive
ALMD = Anti Money Laundering Directive
AMF = Autorité des Marchés Financiers
AML = Anti-Money Laundering
APA = Approved Publication Arrangement
AUM = Assets under management
BBLS = Bounce Back Loan Scheme
BCBS = Basel Committee on Banking Supervision
BEAR = Banking Executive Accountability Regime
BEIS = Department for Business, Energy and Industrial Strategy
BIS = Bank for International Settlements
BMR = Benchmarks Regulation
BRRD = Bank Recovery and Resolution Directive
BTS = Binding Technical Standard
BoE = Bank of England
CBI = Central Bank of Ireland
CCP = Central Counterparty
CP= Consultation Paper
CSDs = Central Securities Depositories
CTF = Counter Terrorist Financing
CCFF = Covid Corporate Financing Facility
CBILS = Coronavirus Business Interruption Loan Scheme
CLBILS = Coronavirus Large Business Interruption Loan Scheme
CISO = Chief Information Security Officer
CMA = Competition and Markets Authority
CMU = Capital Markets Union
CNMV = Comisión Nacional del Mercado de Valores
CPMI = Committee on Payments and Market Infrastructures
CQS = Credit Quality Step
CRD = Capital Requirements Directive
CRR = Capital Requirements Regulation
CROE = Cyber Resilience Oversight Expectations
CSA = Common Supervisory Action
CSSF = Commission de Surveillance du Secteur Financier
CTP = Consolidated Tape Provider
CTRF = Contingent Term Repo Facility
DB = Defined Benefit
DC = Defined Contribution
DP = Discussion Paper
DPA = Data Protection Agency
DRR = Digital Regulatory Reporting
EBA = European Banking Authority
ECB = European Central Bank
ECOFIN = Economic and Financial Affairs Council

EIOPA = European Insurance & Occupational Pensions Authority
EMEA = Europe, Middle East and Africa
EMIR = European Market Infrastructure Regulation
EONIA = Euro Over Night Index Average
ESAs = European Supervisory Authorities
ESG = Environmental, Social, and Governance
ESMA = European Securities & Markets Authority
ESRB = European Systemic Risk Board
ESTER = Euro Short-Term Rate
EU = European Union
Euribor = Euro Interbank Offered Rate
FAMR = Financial Advice Market Review
FCA = Financial Conduct Authority
FinPro = Financial Protection
FGCA = Financial Guidance and Claims Act 2018
FMIs = Financial Market Infrastructures
FOS = Financial Ombudsman Service
FPC = Financial Policy Committee
FRTB = Fundamental Review of the Trading Book
FS = Financial Services
FSB = Financial Stability Board
GBP = British pound sterling
GDP = Gross Domestic Product
GDPR = General Data Protection Regulation
GSIBs = Global Systemically Important Banks
HMT = Her Majesty's Treasury
IAIS = International Association of Insurance Supervisors
IASB = International Accounting Standards Board
IBA = ICE Benchmark Administration
IBOR = Interbank Offered Rate
ICAAP = Internal Capital Adequacy Assessment Process
ICO = Information Commissioners Office
ICS = Insurance Capital Standard
IDD = Insurance Distribution Directive
IFD = Investment Firms Directive
IFR = Investment Firms Regulation
IFPR = Investment Firms Prudential Regulation
IFRS = International Financial Reporting Standards
ILAAP = Internal Liquidity Adequacy Assessment Process
IM = Initial Margin
IOSCO = International Organization of Securities Commissions
IPU = Intermediate Parent Undertaking
IRB = Internal Ratings Based
IRRBB = Interest Rate Risk in the Banking Book
ISAs = Individual Savings Accounts
IT = Information Technology
JST = Joint Supervisory Teams

KID = Key Information Document
LEI = Legal Entity Identifier
LIBOR = London Interbank Offered Rate
LTV = Loan to Value
M&A = Mergers and Acquisitions
MAR = Market Abuse Regulation
MI = Management Information
MiFID = Markets in Financial Instruments Directive
MiFIR = Markets in Financial Instruments Regulation
MLD = Money Laundering Directive
MoU = Memorandum of Understanding
MREL = Minimum requirement for own funds and eligible liabilities
MTF = Multilateral Trading Facility
NCA = National Competent Authority
NED = Non-Executive Director
NGFS = Network for Greening the Financial System
NPLs = Non-performing Loans
NSFR = Net Stable Funding Ratio
OCIR – Operational Continuity in Resolution
ORSA = Own Risk and Solvency Assessment
OTF = Organised Trading Facility
OTC = Over the counter
PPI = Payment Protection Insurance
PRA = Prudential Regulation Authority
PRIIPs = Packaged Retail Investment and Insurance Products
PS = Policy Statement
PSD2 = Revised (second) Payment Services Directive
RDR = Retail Distribution Review
RFRs = Risk-Free Rates
RRM = Risk Reduction Measures
RTGS = Real Time Gross Settlement
RTS = Regulatory Technical Standard
RW = Risk Weight
SA = Standardised Approach
SFTR = Securities Financing Transactions Regulation
SI = Systematic Internaliser
SIPPs = Self Invested Personal Pensions
SM&CR = Senior Managers and Certification Regime
SONIA = Sterling Overnight Index Average
SRB = Single Resolution Board
SRF = Single Resolution Fund
SREP = Supervisory Review and Evaluation Process
SS = Supervisory Statement
SSM = Single Supervisory Mechanism
TCA = Total Capital Adequacy
TCFD = Task Force on Climate-related Financial Disclosures
TIBER = Threat Intelligence-based Ethical Red Teaming

TLAC = Total Loss-Absorbing Capital

TMTP = Transitional Measure on Technical Provisions

TPP = Third-Party Providers

TPR = Temporary Permissions Regime

TRIM = Targeted Review of Internal Models

TRR = Temporary Recognition Regime

UCITS = Undertakings for Collective Investments in Transferable Securities

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