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Belgium
Governance, Regulation & Compliance

Regulatory Radar

Newsletter on banking and financial regulation

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Top 10 issues

Also in this issue:

Capital & liquidity

Derivatives and Basel III

On 28 June, the **Basel Committee on Banking Supervision (BCBS)** published the following two consultation papers on the treatment of derivatives-related transactions under Basel III:

- ➲**A consultation paper on the non-internal model method for capitalizing counterparty credit risk exposures**: The paper outlines a proposal to improve the methodology for assessing the counterparty credit risk associated with derivative transactions. The proposal would, when finalized, replace the capital framework's existing methods - the Current Exposure Method (CEM) and the Standardized Method. It improves on the risk sensitivity of the CEM by differentiating between margined and un-margined trades. The proposed non-internal model method updates supervisory factors to reflect the level of volatilities observed over the recent stress period and provides a more meaningful recognition of netting benefits. At the same time, the proposed method is suitable for a wide variety of derivatives transactions, reduces the scope for discretion by banks and avoids undue complexity.
- ➲**A consultation paper on the capital treatment of bank exposures to central counterparties**: The paper sets out proposals for calculating regulatory capital for a bank's exposures to central counterparties (CCPs).

Comments on the consultation papers should be submitted by 27 September.

Management of interest rate risk arising from non-trading activities

On 27 June, the **European Banking Authority (EBA)** published ➲**a consultation paper on guidelines on technical aspects of the management of interest rate risk arising from non-trading activities**. The consultation sets out a number of proposed amendments and additions to the ➲**CEBS Guidelines on interest rate risk from non-trading activities (IRRBB)** published on 3 October 2006. The amendments to the original general guidance are focused in two areas:

1. Insertion of an additional item of high level guidance for institutions on the need for robust internal governance arrangements for IRRBB; and
2. Clarification of the guidance on calculation of the supervisory standard shock, in terms both of the size of the shock and the suggested calculation method.

The additional technical guidance is intended to highlight key aspects of the main IRRBB risks to be considered, and to provide an overview of how managers of institutions, and their supervisors, may take these into account in assessing IRRBB under the Internal Capital Adequacy Assessment Process (ICAAP) or the Supervisory Review And Evaluation Process (SREP). This additional guidance is focused thematically on five areas of interest risk assessment/control:

1. The setting and use of scenarios for stress testing purposes
2. Measurement assumptions
3. Methods of measuring interest rate risk
4. The governance of interest rate risk
5. The identification, calculation and allocation of capital to IRRBB

Comments on the proposed amendments and additions can be submitted until 27 September.

Leverage ratio and associated disclosure requirements

On 26 June, **the Basel Committee on Banking Supervision (BCBS)** published ➲**a consultation paper on the revised Basel III Leverage Ratio Framework and Disclosure Requirements.** The paper sets out a revised formulation for calculating the leverage ratio by banks subject to the Basel III framework, as well as a set of public disclosure requirements. In summary, revisions with respect to formula for calculating the leverage ratio relate primarily to the denominator of the leverage ratio, the Exposure Measure (the Basel III leverage ratio is defined as the Capital Measure (the numerator) divided by the Exposure Measure (the denominator), with this ratio expressed as a percentage). The major changes to the Exposure Measure include:

- Specification of a broad scope of consolidation for the inclusion of exposures
- Clarification of the general treatment of derivatives and related collateral
- Enhanced treatment of written credit derivatives
- Enhanced treatment of Securities Financing Transactions (SFTs) (e.g. repos)

With respect to the public disclosure of the leverage ratio, the consultation paper sets out the proposed implementation date for the reporting as well as the frequency, format and location of reporting. In principle, public disclosure by banks of their Basel III leverage ratio will start on 1 January 2015.

Comments on the consultation paper can be submitted until 20 September.

Closely correlated currencies

On 25 June, the **European Banking Authority (EBA)** published ➲**a consultation paper on draft Implementing Technical Standards (ITS) on closely correlated currencies**. The proposed ITS set out a list of relevant closely correlated currencies for the purposes of calculating the capital requirements for foreign-exchange risk according to the standardized rules. Positions in closely correlated currencies are subject to a 4% (instead of 8%) capital charge. A pair of currencies is closely correlated if the probability that over a ten-day period the change in the value of an equal and opposite position in the respective currencies comes to 4% or less of the matched position is (i) at least 99%, when an observation period of three years is used and (ii) 95% when an observation period of five years is used. In order to assess the above criteria with a confidence level of 99% EBA is proposing to scale down the ten-day requirement to a one day loss. This would require dividing the maximum currency movement of 4% by the square root of 10, which results in 1.265%. The Authority is also proposing to update the list of closely correlated currencies yearly.

Comments on the consultation paper can be submitted until 8 September.

Appropriately diversified indices

On the same day, the **European Banking Authority (EBA)** also published ➲**a consultation paper on draft Implementing Technical Standards (ITS) on appropriately diversified indices**. The proposed ITS contain a list of relevant appropriately diversified indices for the purposes of calculating the capital requirements for equity risk according to the standardized rules. This is necessary as the CRR text considers that stock-index futures, which are both exchange traded and 'appropriately diversified', only pose general risk for an institution. Consequently, these ITS list the exchange traded and appropriately diversified indices, for which specific risk can be ignored. To ensure that the specific risk incorporated in a stock index can be dismissed, the minimum level of diversification required in these draft ITS takes into account a number of considerations: in particular, (i) the index must comprise a minimum number of equities; (ii) none of the equities (or concentration of equities) must significantly influence the volatility of the index and hence not represent more than a certain percentage of the total index value; finally, the index must comprise of equities diversified both (iii) from a geographical and (iv) an economical perspective.

Comments on the consultation paper can be submitted until 8 September.

Long-Term Guarantee Assessment

On 14 June, the **European Insurance and Occupational Pensions Authority (EIOPA)** published ➲**a report setting out its technical findings on the Long-Term Guarantee Assessment (LTGA)**. The Long-Term Guarantees Assessment (LTGA) examines the so-called Solvency II LTG package – a series of selected regulatory measures in aimed at ensuring an appropriate supervisory treatment of long-term guarantee products, also under volatile market conditions. On the basis of the assessment, EIOPA supports the inclusion of some of the measures tested: Extrapolation, "Classical" Matching Adjustment, Transitional measures and Extension of the Recovery Period, with slight amendments to provide the right incentives for sound risk management. The Authority however advises to exclude the so-called Extended Matching Adjustment on the basis that it would not provide sufficient policyholder protection and would be unduly difficult to supervise. In addition, the Counter-Cyclical Premium was judged to be likely to have an adverse financial stability impact due to the way it would be triggered, as well as the perverse impacts on undertakings' Solvency requirement that it generated. As a consequence, EIOPA advises to replace the CCP with a simpler, more predictable measure, the Volatility Balancer, which would deal with the unintended consequences on undertakings' capital requirements of short-term volatility.

Investor and consumer protection

Payment Protection Insurance

On 28 June, the **European Insurance and Occupational Pensions Authority (EIOPA)** published ➲**an Opinion on consumer protection issues in payment protection insurance**. The Opinion and ➲**its accompanying background note** contain an analysis of the consumer protection issues in relation to payment protection insurance and the supervisory and regulatory actions in some Member States in this regard. On the basis of the assessment, EIOPA recommends national competent authorities to explore their national markets and report back to EIOPA with a view to deciding potential (further) investigation and any possible (further) supervisory and/or regulatory action at national level.

Comparison websites

On 27 June, the **European Insurance and Occupational Pensions Authority (EIOPA)** published ➲**a consultation paper on a draft report on Good Practices on Comparison Websites**. The good practices outlined in the report concern primarily the activities of commercial comparison websites; however, also non-commercial websites' operators are equally encouraged to check whether their practices are in line with the good practices in this report, and to adapt them accordingly, if needed. The practices concern the following areas:

- Information about the website
- Market coverage
- Presentation of information
- Criteria used to make the ranking

- Frequency of updating the information
- Dealing with potential conflicts of interest

Comments on the consultation paper should be submitted by 23 September.

Knowledge and ability of distributors of insurance products

On 27 June, the **European Insurance and Occupational Pensions Authority (EIOPA)** also published **a consultation paper on a draft report on Good Supervisory Practices regarding knowledge and ability requirements for distributors of insurance products**. The report sets out a number of good supervisory practices regarding:

- What a competent authority should expect a distributor of insurance products to demonstrate in relation to knowledge and ability in order to complete tasks and perform duties and the notion of appropriate knowledge and ability
- What a competent authority should expect a distributor of insurance products to demonstrate in relation to the continuous professional development in order to maintain an adequate level of performance.

Comments on the consultation paper should be submitted by 23 September.

Responsible mortgage lending and treatment of borrowers in payment difficulties

On 13 June, the **European Banking Authority (EBA)** published two Opinions on good practices for (i) **responsible mortgage lending** and (ii) **the treatment of borrowers in mortgage payment difficulties**. The good practices set out in the Opinions aim to ensure that potential risks associated with mortgage lending and with borrowers in mortgage payment difficulties are managed adequately by credit institutions. The Opinion on responsible mortgage lending sets out good practices on the following aspects:

- Verification of information provided by the mortgage applicant
- Reasonable debt service coverage
- Appropriate loan-to-value ratios
- Lending and supervisory processes

The Opinion on the treatment of borrowers in mortgage payment difficulties, in turn, sets out good practices on the following aspects:

- General principles
- Policies and procedures
- Provision of information and assistance to the borrower
- Resolution process

Governance and Risk Management

Remuneration

On 11 June, the **European Securities and Markets Authority (ESMA)** and **European Banking Authority (EBA)** published **Guidelines on remuneration policies and practices**. The purpose of these guidelines is to ensure the consistent and improved implementation of the existing MiFID conflicts of interest and conduct of business requirements in the area of remuneration. As the guidelines cover the following topics:

- Governance and design of remuneration policies and practices
- Controlling risks that remuneration policies and practices create
- Supervision and enforcement of remuneration policies and practices

Crisis Management

No new developments

Regulatory perimeter

Long term investment funds

On 26 June, the **European Commission** ➲**a proposal for a Regulation on European Long-term Investment Funds.** The proposed regulation sets out a new framework for the establishment of a private European Long-Term Investment Fund (or "ELTIF"). An ELTIF is envisaged as a new type of collective investment framework allowing investors to put money into companies and projects that need long-term capital. The new Funds would be available to all types of investor across Europe subject to certain requirements set out in EU law. These requirements include the types of long-term assets and firms that the ELTIFs are allowed to invest in, for example infrastructure, transport and sustainable energy projects, how they have to spread their money to reduce risks and the information they have to give to investors. Any ELTIF manager would also have to comply with all of the stringent requirements of the Alternative Investment Fund Managers Directive to provide adequate protection for its investors.

The proposal was accompanied by a ➲**Frequently Asked Questions**.

Exchange Traded Funds

On 24 June, the **International Organization of Securities Commissions (IOSCO)** published ➲**Principles for the Regulation of Exchange Traded Funds**. The Principles aim to provide the industry and regulators with a benchmark against which they can assess the quality of regulation and industry practices concerning ETFs. They cover the following areas:

- Disclosures regarding ETF classification, portfolios, strategies, costs, expenses and offsets;
- Conflict of interest; and
- The management of counterparty risk.

Credit rating agencies

On 17 June, the **European Securities and Markets Authority (ESMA)** published ➲**Guidelines and Recommendations on the Scope of the CRA Regulation.** The Guidelines clarify the interpretation of the scope of the CRA Regulation with respect to the following areas:

- Enforcement of the scope of the CRA Regulation: ESMA will take action against any CRAs issuing, endorsing, or distributing credit ratings to the public or by subscription without being registered or certified. National securities markets regulators shall keep ESMA informed in order to assist it in enforcing the regime;
- Obligation to register: a CRA established in the EU must be registered with ESMA in order to conduct rating activities;
- Credit rating activities vs. credit scoring activities: the guidelines delineate the boundaries between both activities. Credit rating activities call for the contribution of a rating analyst in terms of professional knowledge, expertise and analytical input;
- Private ratings: these respond to an individual, specific and documented order placed by a client; ratings distributed to a list of subscribers do not fall within the definition of private rating and therefore fall within the registration requirement;
- Establishment of branches outside the EU by registered CRAs: CRAs' important operational functions should not be carried out through branches established outside the EU; and
- Credit scores: in order to guarantee a high level of investor protection, ESMA recommends that credit scoring firms that distribute credit scores to the public in the EU provide clear and prominent disclosure that those scores are not credit ratings as defined under the CRA Regulation.

Oversight of systemically important payment systems

On 7 June, the European Central Bank (ECB) published ➲**a proposed Regulation on oversight requirements for systemically important payment systems**. The proposed regulation aims to implement in the euro area the CPSS-IOSCO "Principles for financial market infrastructures" and make them legally binding. As such it contains requirements that are aimed at ensuring efficient management of legal, credit, liquidity, operational, general business, custody, investment and other risks as well as sound governance arrangements, objective and open access and the efficiency and effectiveness of systemically important payment systems. Furthermore, the Regulation sets out the criteria for qualifying a payment system as systemically important. The list identifying such payment systems and their respective operators and competent oversight authorities will be adopted by the Governing Council and published on the ECB's website.

Benchmarks

On 6 June, the **European Securities and Markets Authority (ESMA)** and **the European Banking Authority (EBA)** published ➲**Principles for Benchmark-Setting Processes in the EU**. The Principles are designed to address the problems identified with benchmark-setting processes and are aimed to provide benchmark users, administrators, calculation agents, publishers and data submitters with a common framework for carrying out these activities. They provide a general framework covering all stages of the benchmarks setting process including data submission, administration, calculation, publication, the use of benchmarks and the continuity of benchmarks.

Market infrastructure

Interoperability arrangements between CCPs

On 11 June, the **European Securities and Markets Authority (ESMA)** published ➲**Guidelines and Recommendations for establishing consistent, efficient and effective assessments of interoperability arrangements.** The Guidelines and Recommendations define what the national competent authorities should analyze in assessing an interoperability arrangement concludes between CCPs and therefore on what aspects of the interoperable arrangement the relevant CCPs will need to focus their attention. They focus mainly on the risks that might arise from interoperability arrangements and outline the areas on which CCPs should focus, and which NCAs should verify, to mitigate those risks.

Supervision of Central Counterparties (CCPs)

On 6 June, the **European Securities and Markets Authority (ESMA)** published ➲**Guidelines and Recommendations on written agreements between members of CCP colleges**. The document contains a template for a standard written agreement that should be used by the national competent authorities. Furthermore, the Guidelines and Recommendations require that a national competent authority should agree to such written agreement within 12 calendar days from receipt and should avoid requesting changes to the written agreement that introduce a departure from the standard written agreement.

Reform of the supervision of financial institutions

No new developments.

Market integrity

Short selling

On 3 June, the **European Securities and Markets Authority (ESMA)** published ➲**a technical advice on the evaluation of the Short Selling Regulation**. The advice sets out the results of ESMA's analysis of:

- The market impact of the transparency requirements, restrictions on uncovered short selling and uncovered sovereign CDS and of any temporary measures restricting short selling
- Whether the current provisions of the Regulation and their application are fulfilling the needs of market participants in terms of transparency and the needs of the regulators to perform their supervisory functions

In addition to the above, the advice also contains a number of recommendations to mitigate deficiencies identified during the above-mentioned analysis and to further strengthen the Regulation.

Information Security & data privacy

No new developments.

Financial crime

Risk management and AML/CFT

On 27 June, the **Basel Committee on Banking Supervision (BCBS)** published ➲**a consultation paper on Risk management guidelines related to anti-money laundering and the financing of terrorism**. The guidelines set out guidance in relation to sound ML/FT risk management, AML/CFT in a group-wide and cross-border context and the role of supervisors. They aim to support countries' implementation of the FATF standards with respect to their banks and banking groups. Therefore, they are intended to be consistent with and to supplement the goals and objectives of the FATF standards.

Comments on the consultation paper can be submitted until 27 September.

Revision of AML/CFT Insurance Core Principle

On 21 June, the **International Association of Insurance Supervisors (IAIS)** published ➲**a revision of Insurance Core Principle 22 on anti-money laundering and combating the financing of terrorism (AML/CFT)** for consultation. The revision aims to align the principle with the new FATF Recommendations and as such make it more risk-based.

Financial Services Industry

Also in this issue:

Normative documents

National Bank of Belgium (NBB)

Prudential statute of electronic money institutions

On 24 June, the NBB published Communication NBB_2013_04 on the prudential statute of electronic money institutions (in ➲**Dutch** and in ➲**French**). In the Communication, the NBB clarifies that prudential statute of electronic money institutions. In particular, an overview is given of the circulars that they must be complied with by electronic money institutions. The Communication also contains guidance on the procedure that must be followed by electronic money institutions to obtain an exemption from the application of (certain) licensing and operational requirements, the consequences of such an exemption and the role of the external auditor.

Exemption procedure for payment institutions

On the same day, the NBB also published Communication NBB_2013_05 on the exemption policy of the National Bank in relation to payment institutions (in ➲**Dutch** and in ➲**French**). The Communication contains guidance on the procedure that must be followed by electronic money institutions to obtain an exemption from the application of (certain) licensing and operational requirements, the consequences of such an exemption and the role of the external auditor.

Fit and proper standards

On 17 June, the NBB published Circular NBB_2013_02 on standards for the fit and properness of members of the management committee, directors, the persons responsible for the independent control functions and effective managers of financial institutions (in ➲**Dutch** and in ➲**French**). In the Circular, the NBB clarifies what should be understood the terms “fit” and proper” and provides financial institutions with a reference framework for the application of the “fit and proper”-requirements (incl. the roles and responsibilities of the financial institutions, the person how is being assessed and the supervisor. The Circular also sets out the expectations of the NBB in relation to the fit and proper-assessments that must be carried out by the financial institutions.

The Circular is applicable to credit institutions, stockbroking firms, payment institutions, electronic money institutions, settlement institutions, institutions equivalent to settlement institutions, (re)insurance undertakings, (mixes) financial holdings, insurance holdings and branches of non-EEA credit institutions, stockbroking firms, insurance undertakings and settlement institutions.

Consultative or informative documents

European Systemic Risk Board (ESRB)

Risk Dashboard

On 20 June, the ESRB published ➲**its 4th Risk Dashboard**. The risk dashboard is a set of quantitative and qualitative indicators developed to identify and measure systemic risk in the EU financial system. According to the ESRB, systemic risk measures "stabilized further" during the first half of 2013 and financial market conditions have "continued their positive trend", although volatility has increased in some markets, and the "search for yield" as a result of low interest rates is a source of risk.

Financial Action Task Force (FATF)

Implementation of the targeted financial sanctions regimes

On 28 June, the FATF published ➲**updated best practices in relation to the Targeted Financial Sanctions Related to Terrorism and Terrorist Financing**. The best practices aim to help countries in their implementation of the targeted financial sanctions to prevent and suppress terrorist financing in accordance with the relevant UN Security Council Resolutions ("UNSCRs").

Politically Exposed Persons

On 27 June, the FATF published ➲**guidance on Politically Exposed Persons ("PEPs")**. The guidance aims to assist covered persons with the effective implementation of the enhanced due diligence measures that must be applied in relation to foreign, domestic and international organization PEPs, their family members and close associates pursuant to Recommendations 12 and 22. It also contains a collection of red flags and indicators for suspicion that can be used to assist in the detection of misuse of the financial systems by PEPs during a customer relationship.

Abuse of non-profit organizations

On 26 June, the FATF published ➲**updated best practices on combating the abuse of non-profit organizations**. The update brings the best practices in line with the new FATF Recommendations which were adopted in February 2012, and highlights that measures to protect NPOs from misuse should not disrupt or discourage legitimate charitable activities.

Proliferation of weapons of mass destruction

On 26 June, the FATF also published ➲**guidance on the implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction**. The guidance aims to assist countries in implementing not only targeted financial sanctions, but also other measures, such as activity-based financial prohibitions and vigilance measures as required by FATF Recommendation 7. It also consolidates and updates following three FATF guidance papers:

- The Implementation of Financial Provisions of UNSCRs to Counter the Proliferation of WMD (June 2007)
- The Implementation of Activity-Based Financial Prohibitions of UNSCR 1737 (October 2007)
- The Implementation of Financial Provisions of UNSCR 1803 (October 2008)

Risk-based approach for pre-paid cards, mobile payments and internet-based payment service

On 26 June, the FATF published ➲**guidance for a Risk-Based Approach to Prepaid Cards, Mobile Payments and Internet-Based Payment Services**. The guidance examines how these payment products and services work, determines the risks involved in the provision of new payment products and services and how to regulate and supervise this activity.

Money laundering and terrorist financing vulnerabilities of legal professionals

On 24 June, the FAF published ➲**a report on money laundering and terrorist financing vulnerabilities of** legal professionals. The report identifies a number of ML/TF methods that commonly employ or, in some countries, require the services of a legal professional and describes red flag indicators of ML/TF in this regard. In the report the FATF also challenges the perception sometimes held by criminals, and at times supported by claims from legal professionals themselves, that legal professional privilege or professional secrecy would lawfully enable a legal professional to continue to act for a client who was engaging in criminal activity and/or prevent law enforcement from accessing information to enable the client to be prosecuted.

Jurisdictions with strategic AML/CFT deficiencies

On 21 June, the FATF published updated versions of its lists of jurisdictions with strategic AML/CFT deficiencies:

- ➲**Jurisdictions that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies**: Due to its progress in implementing the action plan agreed upon with the FATF, Nigeria has been moved to the list of jurisdictions with strategic AML/CFT deficiencies that have developed an action plan. The updated version also contains a notice in relation to Ecuador stating that if the country does not take significant actions by October 2013 to mitigate the identified deficiencies, the FATF will call upon its members to apply counter-measures proportionate to the risks associated with the jurisdiction.
- ➲**Jurisdictions with strategic AML/CFT deficiencies that have developed an action plan**: In the updated list, the FATF indicates that Antigua and Barbuda and Algeria are not making sufficient progress in implementing the action plans agreed with the FATF. On the other hand, the FATF stated that Bolivia, Brunei Darussalam, Philippines, Sri Lanka and Thailand are no longer subject to the FATF's on-going global AML/CFT compliance process due to the progress they have made.

National Bank of Belgium (NBB)

Financial Stability

On 13 June, the NBB published ➲**its Financial Stability Review report for 2013**. The report takes a close look at the main determinants of the stability of the Belgian financial system and analyses recent developments in the banking and insurance sector in Belgium. In addition, it contains a number of thematic article covering the following topics:

- Review of the Belgian insurance sector's government bond portfolio
- Loans to non-financial corporations
- Oversight and supervision activities of financial market infrastructures in 2012
- The assessment of Euroclear Bank against the CPSS-IOSCO Principles for Financial Market Infrastructures.

Credit institutions and investment firms

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Insurance, reinsurance and pensions

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Official Journal of the European Union (OJ)

CRD IV

On 27 June, the ➲new capital requirements framework (CRD IV) for credit institutions and investment firms was published in OJ L 176. The framework transposes the Basel III accord into European law. In addition to Basel III implementation, the framework also introduces a number of important changes to the banking regulatory framework. It consists of a Directive and a Regulation. The Directive contains the provisions in relation to areas of CRD where the degree of prescription can be lower and where the links with national administrative laws are particularly important. This concerns in particular the powers and responsibilities of national authorities (e.g. authorization, supervision, and sanctions), capital buffers, the requirements on internal risk management that are intertwined with national company law as well as the corporate governance provisions. By contrast, the detailed and highly prescriptive provisions on calculating capital requirements are set in the Regulation ("the Single Rule Book"). As such it contains the requirements in relation to liquidity, leverage, counterparty credit risk, large exposures and disclosure requirements.

Institutions are required to apply the new rules from the 1 January 2014, with full implementation on 1 January 2019.

Official Journal of Belgium (BS/MB)

Periodic financial and statistical reporting

On 13 June, the Regulation of 12 February 2013 of the FSMA concerning the periodic statements of portfolio management and investment advice companies (in ➲Dutch and in ➲French) was published in the Official Journal. The regulation sets the requirements for the periodic financial and statistical reporting by portfolio management and investment advice companies and replaces the Regulation of the CBFA of 14 April 2010 concerning the periodic reporting on the financial position of investment firms and UCI management companies. Formally, the new Regulation will apply retroactively as of 1 April 2011 (the date on which the Twin peaks reform entered into force). However, in practice it will only have to be complied with for future reporting.

National Bank of Belgium (NBB)

Liquidity requirements and reporting

On 28 June, the NBB published Communication NBB_2013_06 on frequently asked question in relation to liquidity requirements and reporting (in ➲Dutch and in ➲French). The Communication contains answers to frequently asked question in relation to table 90.31 (liquid financial assets), table 90.32. (liquidity in- and outflows) and the scope of the liquidity requirements.

Periodical reporting

On 18 June, the NBB published Circular NBB_2013_03 on periodic reporting by credit institutions (in ➲Dutch and in ➲French). The Circular modifies the periodic reporting to take in account the fact that Croatia has joined the European Union.

Consultative or informative documents

Basel Committee on Banking Supervision (BCBS)

Basel III in Switzerland

On 25 June, the BCBS published ➲a report on the implementation of Basel III in Switzerland. The assessment carried out by BCNS found that the implementation is closely aligned with Basel III standards and therefore assessed it as "compliant". 11 out of 14 assessed components were found to be "compliant", while three of the components were graded "largely compliant" (definition of capital, credit risk-IRB, and Pillar 3).

Large Exposures QIS

On 20 June, the BCBS published ➲a FAQ on its Large Exposures Quantitative Impact Assessment (QIS). The document provides answers to technical and interpretive questions raised by supervisors and banks during the Large Exposures QIS.

European Systemic Risk Board (ESRB)

Asset encumbrance reporting

On 28 June, the ESRB published **its comments** on the **EBA Consultation Paper on Draft Implementing Technical Standards on asset encumbrance reporting under article 95 of the draft Capital Requirements Regulation**.

Reporting on forbearance and non-performing exposures

On 24 June, the ESRB published **its response** to the **EBA Consultation Paper on Draft Implementing Technical Standards on supervisory reporting on forbearance and non-performing exposures under article 95 of the draft Capital Requirements Regulation**.

Investment products and asset management

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Official Journal of Belgium (BS/MB)

Periodic financial and statistical reporting

On 13 June, the Regulation of 12 February 2013 of the FSMA concerning the periodic statements of ICB Management Companies (in **Dutch** and in **French**) was published in the Official Journal. The regulation sets the requirements for the periodic financial and statistical reporting by portfolio management and investment advice companies and replaces the Regulation of the CBFA of 14 April 2010 concerning the periodic reporting on the financial position of investment firms and UCI management companies. Formally, the new Regulation will apply retroactively as of 1 April 2011 (the date on which Twin peaks reform entered into force). However, in practice it will only have to be complied with for future reporting.

Consultative or informative documents

European Commission

Derivatives

On 14 June, the European Commission confirmed that it will apply to the US Commodity Futures Trading Commission (“the CFTC”) for a substituted compliance assessment to be undertaken on EMIR in respect of the CFTC’s entity level and transaction level requirements for swaps. In the context of the Dodd-Frank Act, the principle of “substituted compliance” entails that the non-U.S. Swap Dealers and non-U.S. Major Swap Participants can satisfy certain requirements of the Dodd-Frank Act by complying with comparable and comprehensive foreign requirements.

European Securities and Markets Authority (ESMA)

Risk Dashboard

On 10 June, ESMA published its second ➲**Risk Dashboard** for 2013. In the report, ESMA indicates that the overall level of systemic risk in EU securities markets decreased throughout 4Q12, as conditions in equity and bond markets improved. Since mid-December, systemic risk has remained stable. However, according to the Authority, the underlying sources of market uncertainty remain in place. Market clustering and fragmentation, funding risk, the low interest rate environment and obstacles to orderly market functioning remain important sources of uncertainty for EU financial stability. The recent restructuring of one national banking sector underlined the continued prevalence of the sovereign debt and banking crisis as a source of risk. On this basis, ESMA's outlook on credit, liquidity, market and contagion risks remains unchanged. As such,

- Market risk remains moderate
- Liquidity risk and contagion risk remain high
- Credit risk remains very high

Prospectus Directive liability regimes in the EU

On 10 June, ESMA published a ➲**report on the Comparison of liability regimes in Member States in relation to the Prospectus Directive**. The report contains an overview of the different arrangements and frameworks in place in EEA States to address administrative, criminal, civil and governmental liability, and provides clarity to market participants about the different regimes in place. The report does not cover how the regimes, or sanctions, are applied.

International Organisation of Securities Commissions (IOSCO)

Investor Education Gateway

On 4 June, IOSCO launched ➲**its Investor Education Gateway** website. The Gateway is part of IOSCO´s broader investor education initiative and aims to enhance the sharing of investor education information among IOSCO members and the public. The website contains online investor education materials from many of IOSCO´s members, as well as published IOSCO reports and presentations regarding investor education.

Insurance, reinsurance and pensions

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Official Journal of Belgium

Implementation of the Omnibus I Directive

On 20 June, the Royal Decree of 29 April 2013 amending the law of 27 October 2006 concerning the supervision on the institution for occupational retirement provision to implement Directive 2010/78/EU (in ➲**Dutch** and in ➲**French**) was published in the Official Journal. The Royal Decree implements Directive 2010/78/EU by requiring the FSMA:

- To inform EIOPA:
  - When an institution for occupational retirement provision ("IORP") is given a license (incl. the scope of the license)
  - When a license of a IORP which carrying out cross-border activities is revoked or when certain measures are imposed upon it

- Regularly and, at least, every two years about the legislation governing the prudential supervision of IORPs.

- To provide its full cooperation to EIOPA and provide it with all the information it needs to carry out its tasks

Consultative or informative documents

European Insurance and Occupational Pensions Authority (EIOPA)

Risk Dashboard

On 24 June, EIOPA published its **Quarterly Risk Dashboard**. On the basis of observed market conditions, data gathered from undertakings, and expert judgment, EIOPA assesses the main systemic risks and vulnerabilities faced by the European insurance industry over the coming quarters to be:

- Macro risks: Recessionary pressure in a number of economies in the EU illustrates the macro-economic risks which are still at an elevated level. The measures set at both European and national level had a notable effect in decreasing market volatility, though some uncertainty remains with regard to the implementation of forthcoming measures. In addition, the combination of austerity measures, rising unemployment and a prolonged period of subdued growth could have negative effects on insurance demand. Uncertainties in the macro outlook are not limited to the EU, but a concern in other world regions as well, thereby affecting the business of EU insurers' subsidiaries.
- Credit and market risk: As a result of the weak macro environment, interest rates in Western Europe have reached new historic lows in the last months, thereby constituting a major challenge for insurance undertakings (cf. guaranteed interest rates, search for yield, new business etc.). In this surrounding, the trend of decreasing credit spreads has continued. In addition to the effects of increased investor confidence, this development is also driven by excess liquidity, the difficult global financial investment environment and investors' risk appetite striving for an appropriate balance of yield versus risk. A reversal in the assessment of risk premia is a notable risk on its own.
- Profitability and solvency: Profitability has improved, mostly driven by on average favourable underwriting results. Investment returns have declined in the first quarter of 2013, partially mirroring the capital market environment.

Financial stability of the insurance and IORPs sector

On 12 June, EIOPA published its **first half-year report for 2013** on the financial stability of the insurance and institutions for occupational retirement provision (IORPs) sectors in the European Economic Area (EEA). In the report, EIOPA states that it has found that:

- The insurance and occupational pensions sector are exposed to the risks of financial markets reversals, the impact of low interest rates and the weak economic fundamentals and outlook that characterize the risks to financial stability in the EU more generally
- In the life insurance sector, low GDP growth and high unemployment continue to weigh negatively on premium growth, while nonlife insurers report positive premium growth rates due mainly to the mandatory nature of insurance purchases
- Insurers and supervisors have been responding to the risks of a prolonged period of low interest rates
- In the reinsurance market, underwriting capacity continues to outgrow demand, though undertakings show a good operating performance
- In the occupational pensions sector, the shift from defined benefit schemes towards defined contribution or hybrid schemes has continued. The rebalancing reflects a range of factors, including a response to changes in longevity, regulatory changes and developments in the tax treatment of pension schemes in some jurisdictions

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here.

Berkenlaan 8b,
1831 Diegem
Belgium

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