



2016/2017 Regulator agenda

Top priorities

Deloitte Czech Republic



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Indicative timeline

Indicative timeline



The Regulatory Centre in the Czech Republic has been established based on our perception of growing regulatory requirements placed on financial institutions and reflecting the clients' demand for professional services in this area. The Regulatory Centre is composed of experts with long-term experience in various areas of financial services while also drawing upon the specialised knowledge of Deloitte's entire European network in order to be able to inform our clients sufficiently in advance about the development of key regulatory changes, to provide our clients with professional advice in this area and to help our clients implement these new or changed requirements. The Regulatory Centre focuses both on specific local changes in the regulatory environment and global changes, particularly in relation to regulatory requirements arising from the European Union. Our team cooperates closely with the Deloitte European Centre for Regulatory Services in London and it is therefore able to offer our clients the professional services of a team with not only local knowledge, insight and experience, but also with the knowledge, insight and experience from abroad, not just from the European Union but also from the US and Asia.

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Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (Benchmark Regulation)

On 29 June 2016, the regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (2016/1011), known as the Benchmark Regulation, was published in the Official Journal.

The Benchmark Regulation will contribute to the accuracy and integrity of benchmarks used in financial instruments and financial contracts by:



- Ensuring that benchmark administrators are subject to prior authorisation and ongoing supervision depending on the type of benchmark (e.g. commodity or interest rate benchmarks)
- Improving their governance (e.g. management of conflicts of interest) and requiring greater transparency of how a benchmark is produced
- Ensuring the appropriate supervision of critical benchmarks, such as Euribor/Libor, the failure of which might create risks for many market participants and even for the functioning and integrity of markets of financial stability

The regulation implements and is in line with the principles for oil price reporting agencies and financial benchmarks agreed at international level by the International Organization of Securities Commissions (IOSCO) in 2012 and 2013, respectively.

Next steps

- **Q2 2017** – ESMA shall submit ITS to the Commission by 1 April 2017
- **Q1 2018** – Application (1 January 2018)

Scope

-  Credit institution
-  AIFM
- UCITS
- Others



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Consumer Loan Act




On 5 August 2016, the Consumer Loan Act (Act No. 145/2010 Coll.) was published in the Collection of Laws:

- Covering not only consumer loans, but also building loans and mortgages
- Obligatory insurance for intermediaries (including abroad). Tied agents insurance transferred to a represented institution
- Capital requirements for non-banking providers
- Widening the information package provided to the client (marketing materials and advertisement, precontract information etc.)
- Possibility of loan contract cancellation when the financial situation of the client is not properly assessed
- Possibility for the client to withdraw from a concluded contract within 14 days without any sanction
- Option of loan prepayment by a client
- Adjusted foreign currency building loans including the option of a currency change
- Forbiddance of tied sales
- Necessary certification based on a professional exam serving to declare professional competence

Next steps

- **Q4 2016** – Application (1 December 2016)

Scope

-  Credit institution
-  Non-banking intermediaries
-  Tied agents



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Insurance Distribution Directive (IDD)

On 2 February 2016, the Insurance Distribution Directive (2016/97) was published in the Official Journal.

The IDD aims to level the playing field between all participants involved in selling insurance products so as to strengthen policyholder protection.




The IDD extends the scope of application of the former IMD to all distribution channels (including direct writers) and contains surprises explicitly bringing certain activities of insurance aggregator websites within the scope of the Directive.

The IDD also introduces strengthened conduct of business rules, remuneration, disclosures, cross-selling rules, increases conflict of interest rules and professionalism requirements, and harmonises administrative sanctions for infringements of IDD provisions.

Next steps

- **Q1 2017** – EIOPA shall submit ITS to the Commission by 30 June 2018
- **Q3 2017** – EIOPA shall develop guidelines by 23 August 2017
- **Q1 2018** – – National implementation (23 February 2018)
- **Q1 2018** – Application (23 February 2018)
- **Q1 2019** – Transmission period for intermediaries (23 February 2019)

Scope

-  Credit institution (if assurance distributor)
-  Insurance undertakings
-  Insurance intermediaries



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Markets in Financial Instruments Directive and Regulation (MiFID II / MiFIR)

On 12 June 2014, the Directive (2004/39/EC) and the Regulation n.600/2014 on markets in financial instruments were published in the Official Journal.




MiFID II seeks to improve transparency and regulation of more opaque markets, such as derivatives. The main impact and challenges relate to:

- Investor protection and inducements
- New requirement for corporate governance
- Market structure: new trading venue (OTF), additional financial instruments in scope for a non-equity instrument
- Reporting to prudential authorities extended and additional publication rules apply
- Wider definition for systematic internalisers may impact numerous banks in the EU

Next steps

- **Q4 2016** – expected Delegated acts
- **Q1 2017** – National Implementation (3 July 2017)
- **Q4 2017** – Application

Scope

-  Credit institution (if assurance distributor)
-  Investment Firms
-  Market operators
-  Data reporting services providers and third country firms providing investment services or performing investment activities through the establishment of a branch in the EU

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Key Investor Documents for Packaged Retail and Insurance-based Investment Product (PRIIPs)

On 9 December 2014, the regulation n. 1286/2014 on Key Investor Information Documents for Packaged Retail and Insurance-based Investment Products was published in the Official Journal.

The aim of the Regulation is to provide investors with sufficient information prior to making decisions. Insurance and banks will soon be required to use a similar document to the Key Investor Information Document (KIID) introduced under the UCITS IV Directive.





Criteria for assessing options for presentation are:

- Engaging
- Understandable
- Comparable
- Compatible
- Balanced presentation
- Coverage of types of PRIIPs

Next steps

- **Q4 2016** – Application (31 December 2016)
- **Q4 2019** – Grandfathering period for UCITS funds

Scope

-  Structured products
-  Investment funds
-  Structured deposits
-  Life insurance with investment element



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Payment Service Directive (PSD II)

On 23 December 2015, the Directive on payment services in the internal market (2015/2366) was published in the Official Journal.



The main changes are:

- Extension of scope in particular the new Payment Initiation Services and removal of exemption
- New consumer protection requirements such as liability rules for unauthorised transactions and additional security requirements for internet payments
- Standardised format for information on payment accounts available for all payment service providers (API)

Next steps

- **Q3 2017** – EBA provides the Commission with Regulatory Technical Standards on PSD II
- **Q1 2018** – National implementation (18 January 2018)
- **Q1 2018** – Application (18 January 2018)
- **Q2 2018** – Transmission period (18 July 2018)

Scope

-  Credit institution
-  Other service payments providers eWallets etc.



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Banking Recovery and Resolution Directive (BRRD)

On 15 May 2014, the Directive (2014/59/EU) was published in the Official Journal.



BRRD seeks to establish financial stability and unified approaches during the recovery and resolution process of financial institutions. Possible widening to insurance and financial markets infrastructure entities in the future.

- Requirements for recovery plans – key elements, strategic analysis regarding the core business lines and critical functions, interconnectedness, recovery triggers, recovery options, group recovery plans
- Requirements for resolution plans – resolution actions, resolvability
- Resolution tools – sale of business, bridge institution, asset separation
- Intragroup financial support
- Resolution fund and resolution fund contributions
- Deposit guarantee scheme vs. resolution fund
- MREL and Bail-in tool, exclusions from bail-in

Next steps

- **Q4 2016** – Deadline for legislative proposal updating the BRRD
- **Q4 2016** – EBA review of the implementation of MREL

Scope

-  Credit institution
-  Investment firms > EUR 730,000 initial capital



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Guidelines on sound remuneration policies

On 21 December 2015, the Guidelines on sound remuneration policies (EBA/GL/2015/22) were published by the European Banking Authority.

The guidelines broaden the requirements under the CRR/CRD IV:



- Detailed requirements for remuneration policies
- Sets requirements for all staff and identified staff
- Governance arrangements and process to implement the remuneration policies
- Detailed application in the group context
- Identification of staff whose professional activities have a material impact on the institution's risk profile.
- Sets out the criteria for the allocation of remuneration to fixed and variable components, taking into account allowances, structure of remuneration
- Aligns the risk of the institution and remuneration
- Disclosure requirements

RTS sets criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.

Next steps

- Final guidelines issued
- **Q1 2017** – Application (1 January 2017)

Scope

-  Credit institution
-  Investment firms



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