



2017/2018 Regulator agenda

Top priorities

Deloitte Czech Republic

Contents

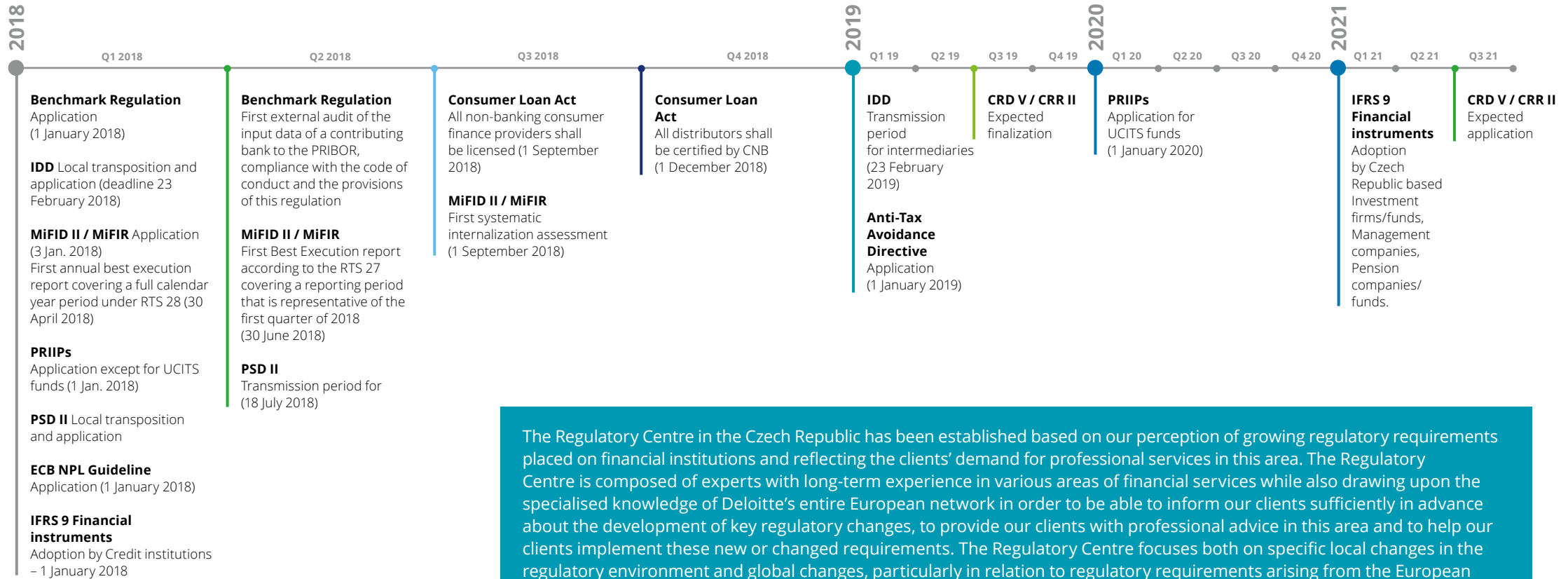


 2017/2018 Regulatory agenda - Top priorities / Indicative timeline	03
 Benchmark Regulation	04
 Consumer Loan Act	05
 Insurance Distribution Directive (IDD)	06
 Markets in Financial Instruments Directive and Regulation (MiFID II / MiFIR)	07
 Key Investor Documents for Packaged Retail and Insurance-based Investment Product (PRIIPs)	08
 Payment Service Directive (PSD II)	09
 Anti-Tax Avoidance Directive (ATAD)	10
 Review of Capital Requirement Directive and Capital Requirement Regulation (CRD V / CRR II)	11
 ECB NPL Guideline	12
 IFRS 9 Financial instruments	13

Introduction

2017/2018 Regulatory agenda – Top priorities Indicative timeline

3



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.

Tap a text of the regulation for more details.

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 aimed at:

- 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 appropriate supervision of critical benchmarks, such as Euribor/Libor, the failure of which might create risks for many market participants and markets financial stability as a whole.

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

Next steps

- **Q1 2018** – Application (1 January 2018)
- **Q2 2018** – First external audit of the input data of a contributing bank to the PRIBOR, compliance with the code of conduct and the provisions of this regulation

Scope

-  **Banks**
-  **AIFM**
-  **UCITS**

Consumer Loan Act






On 5 August 2016, the Consumer Loan Act (No. 145/2010 Coll.) was published in the Collection of Laws of the Czech Republic. The main changes are as follows:

- 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, pre-contract 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

- **Q3 2018** – All non-banking consumer finance providers shall be licensed (1 September 2018)
- **Q4 2018** – All distributors shall be certified by CNB (1 December 2018)

Scope

-  **Credit institutions**
-  **Non-banking intermediaries**
-  **Tied agents**

Insurance Distribution Directive (IDD)

Insurance Distribution Directive ('IDD'), published in the Official Journal under No. 2016/97, 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 brings 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 2018** – Local transposition and application (deadline 23 February 2018)
- **Q1 2019** – Transmission period for intermediaries (23 February 2019)

Scope

-  **Insurance companies**
-  **Insurance intermediaries**



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 non-equity instrument.
- Extended reporting (daily basis) and additional publication rules apply.
- Wider definition for systematic internalisers may apply to numerous banks in the EU.

Next steps

- **Q1 2018** – Application (3 January 2018)
- **Q1 2018** – First annual best execution report covering a full calendar year period under RTS 28 (30 April 2018)
- **Q2 2018** – First Best Execution report according to the RTS 27 covering a reporting period that is representative of the first quarter of 2018 (30 June 2018)
- **Q3 2018** – First systematic internalization assessment (1 September 2018)

Scope

-  **Credit institutions (if investment services provider or structured deposit 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**



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



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

The aim of the Regulation is to provide investors with sufficient information prior to making a decision. 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

- **Q1 2018** – Application except for UCITS funds (1 January 2018)
- **Q1 2020** – Application for UCITS funds (1 January 2020)

Scope

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

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.
- Introduction of Third Part Payment Service Providers ('TPPs') including Account Information Service Providers ('AISPs') and Payment Initiation Service Providers ('PISPs').
- New consumer protection requirements as liability rules for unauthorized transactions and additional security requirements for internet payments (strong authentication).
- Standardized interface for exchange of information on payment accounts mandatory for all payment service providers (API).

Next steps

- **Q1 2018** – Local transposition and application
- **Q2 2018** – Transmission period for (18 July 2018)

Scope

-  **Credit institutions**
-  **Other service payments providers eWallets etc.**

Anti-Tax Avoidance Directive (ATAD)



On 28 January 2016, the Commission presented its proposal for an Anti-Tax Avoidance Directive ('ATAD') as part of the Anti-Tax Avoidance Package. Later on, the Council adopted the Directive (EU) 2016/1164 laying down rules against tax avoidance practices that directly affect the functioning of the internal market. ATAD anti-avoidance measures other than the rule on hybrid mismatches, include:

- Controlled foreign company (CFC) rule: to deter profit shifting to a low/no tax country,

- Switchover rule: to prevent double non-taxation of certain income.
- Exit taxation: to prevent companies from avoiding tax when re-locating assets.
- Interest limitation: to discourage artificial debt arrangements designed to minimize taxes.
- General anti-abuse rule: to counteract aggressive tax planning when other rules do not apply.

Next steps

- **Q1 2019** – Application (1 January 2019)

Scope

-  **All entities**

Review of Capital Requirement Directive and Capital Requirement Regulation (CRD V / CRR II)





The CRD V/CRR II is a package of:

- Binding Net Stable Funding ratio (NSFR).
- Binding leverage ratio.
- Fundamental review of the trading book (FRTB).
- A new standardized approach for counterparty credit risk (SA – CCR).
- Standards on the Total Loss-Absorbing Capacity (TLAC).

Next steps

- **Q2/Q3 2019** – Expected finalization
- **Q2/Q3 2021** – Expected application

Scope

-  **Credit institutions**
-  **Investment firms**

ECB NPL Guideline

In 2017, the European Central Bank ('ECB') introduced guidance on non-performing loans.

The guidance provides quantitative supervisory expectations for minimum levels of prudential provisions for new NPLs. These take into account the length of time a loan has been non-performing and the extent and valuation of collateral. More specifically, banks are expected to provide full coverage for the unsecured portion of new NPLs after 2 years at the latest and for the secured portion after 7 years at the latest.

Next steps

- **Q1 2018** – Application (1 January 2018)

Scope

-  **Credit institutions**



IFRS 9 Financial instruments



Effective from 1 December 2018*.

IFRS 9 Financial Instruments is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement, focusing on the areas which are different from IAS 39. The key impacted areas are as follows:

- classification and measurement of financial assets;
- impairment;
- classification and measurement of financial liabilities; and
- hedge accounting.







Derecognition model in IFRS 9 is carried over unchanged from IAS 39.

*local exemptions are available, e.g. Czech Republic based Investment firms, Management companies, Investment funds, Pension companies, Pension funds etc.

Next steps

- **Q1 2018** – Adoption by Credit institutions (banks, saving unions, building savings companies)
- **Q1 2021** – Adoption by Czech Republic based Investment firms, Management companies, Investment funds, Pension companies, Pension funds

Scope

-  **Credit institutions**
-  **Investment firms**
-  **Management companies**
-  **Investment funds**
-  **Pension companies**
-  **Pension funds**

Contacts



David Batal

Partner
+420 603 196 371
dbatal@deloittece.com



David Jurcik

Director
+420 604 210 586
djurcik@deloittece.com



Ondrej Veselovsky

Director
+420 733 161 527
oveselovsky@deloittece.com



Martin Burjanek

Manager
+420 739 685 487
mburjanek@deloittece.com



Tomas Cadil

Manager
+420 735 701 489
tcadil@deloittece.com



Marie Zavoralova

Senior Consultant
+420 739 647 336
mzavoralova@deloittece.com



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/cz/about to learn more about our global network of member firms.

Deloitte provides audit, consulting, legal, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high-quality service to address clients’ most complex business challenges. To learn more about how Deloitte’s approximately 244,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional advisor. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.