



**Risk and Regulation Monthly**

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April saw the Financial Stability Board (FSB) consult on a framework for the post-implementation evaluation of the G20 financial regulatory reforms to help identify “material unintended consequences”. Mark Carney stressed the need for their implementation to be both “full, timely and consistent” as well as dynamic enough to allow authorities to make adjustments as necessary to optimise results. Solvency II and MiFID II were the focus of multiple consultations and guideline documents, while the Prudential Regulation Authority (PRA) launched its General Insurance Stress Test for the UK’s largest general insurers. Finally, the Financial Conduct Authority (FCA) published its Mission and Business Plan for 2017-18 in which the regulator made clear its focus on vulnerable customers as a key priority across financial sectors, as well as its intention to make proactive use of its competition and market intervention powers to support its consumer objectives.

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## Brexit

Mark Carney, Governor of the Bank of England (BoE), gave a *speech* in which he defended “responsible financial globalisation”, and **cautioned against fragmentation of the global financial system.**

He added in this context that Brexit will be a “litmus test of the future of international cooperation”, but also an opportunity to increase trust and cooperation and “create a template for trade in financial services”. However, Mr Carney acknowledged that financial services are only one part of a much broader negotiation and therefore, as a matter of prudence, the Bank will plan for all potential post-Brexit outcomes.

The PRA *published* a letter from Sam Woods, the Chief Executive of the PRA, to CEOs and branch managers of **all banks, insurers and PRA-designated investment firms with cross-border activities between the UK and the rest of the European Union (EU)**, “to ensure that all firms are making, and stand ready to execute” contingency plans for the full range of possible scenarios, so that “the safety and soundness of their UK operation is assured and the risk of any adverse financial stability impacts on the UK economy is mitigated.”

European Members of Parliament (MEPs) adopted a *resolution* setting out the **European Parliament’s key principles for negotiations with the UK** following the UK’s notification that it intends to withdraw from the EU. The resolution stresses that the UK will remain bound by its duties and commitments as a Member State until the withdrawal agreement comes into force, and cannot therefore begin, in advance, any bi-lateral negotiation on possible trade agreements with third countries. The resolution also puts securing equal and fair treatment for EU citizens living in the UK and British citizens living in the EU at the forefront of the European Parliament’s priorities. MEPs have confirmed their agreement with the Council position that any discussions on transitional arrangements between the UK and the EU will be possible only once “substantial progress” has been made towards an agreement on the UK’s withdrawal.

The Association for Financial Markets in Europe (AFME) published a *report* on the **practical challenges Brexit presents for wholesale banking and its supervisors.** The research argues that a sufficiently long post-Brexit transitional period will be vital, for both market participants and supervisors, to ensure the orderly functioning of Europe’s capital markets through the Brexit process.

**The European Central Bank (ECB) created a Relocating to the euro area webpage, providing further information for banks considering relocating activities to the Euro area in response to Brexit.** The webpage includes a set of Frequently Asked Questions (FAQs) on the ECB’s role in supervising euro area banks. The FAQs reiterate that “banks in the euro area should be capable of managing all material risks potentially affecting them independently and at the local level, and should have control over the balance sheet and all exposures” and that establishing an “empty shell” company would not be acceptable.

### Capital (including macro-economic issues and stress testing)

The PRA *launched* the **General Insurance Stress Test 2017** (GIST17), requiring the UK's largest general insurers to provide information about the impact of a range of stress tests on their projected Own Funds, as well as providing additional information on their sectoral exposures to the UK economy. GIST17 is split into two broad areas of interest: (1) a set of severe but conceivable stress scenarios, four natural disaster scenarios and one economic downturn scenario which is consistent with the Banking Stress Test; and (2) a capture of exposures that will allow the PRA to map where firms' and industry exposures lie across both property and liability. Participating firms need to submit the required information by 14 July 2017.

The PRA published a *policy statement* and an update to its *supervisory statement* on the **maintenance of the 'transitional measure on technical provisions' (TMTP) under Solvency II**. The statements provide feedback to consultation responses and clarify the PRA's expectations for maintaining the calculation of the TMTP both at the outset and over the transitional period. The changes apply to all UK insurance firms within the scope of Solvency II.

The FPC *published* a **record of its latest policy meeting**. It judged that the level of risk to UK financial stability remained "broadly unchanged", but the relative weight on specific risks had shifted. In particular, it noted that debt levels in China had further increased, and policy uncertainty (particularly in relation to policies supporting global trade and cross-border financial integration) was high. In the UK, the FPC said that it supported the PRA reviews of firms' plans to adjust to the UK's withdrawal from the EU and an investigation into underwriting standards for new consumer lending, following concerns that this segment has been "growing particularly rapidly".

The European Banking Authority (EBA) *published* its **Risk Dashboard for Q4 2016**, summarising the main risks and vulnerabilities in the EU banking sector. It showed that the weighted average CET1 capital ratio increased by 20 basis points (bps) to 14.2%, predominately driven by a reduction in risk-weighted assets. The recent positive trend in asset quality continued, with the ratio of non-performing loans declining by 30 bps to 5.1%, although widespread dispersion among countries remained a concern. Profitability remained weak, with the average return on equity dropping by 1.2 percentage points on a yearly basis to 3.3%.

The EBA *published* a Roadmap outlining its plans to update the **Pillar 2 framework** in 2017-2018. The EBA said the framework "remains robust and serves the purpose of ensuring convergence of supervisory practices well", but needs to be updated to reflect ongoing policy initiatives affecting Pillar 2 and the Supervisory Review and Evaluation Process (SREP). In particular, the EBA said it would update the existing Guidelines on SREP, interest rate risk in the banking book, and stress testing.

The Joint Committee of the European Supervisory Authorities (ESAs) *reported* on the **risks and vulnerabilities in the EU financial system** given low interest rates and elevated economic and political uncertainty. It said low profitability remained a "major challenge" for banks and insurers, contributing to lower confidence in the sector. It also identified the accurate valuation of asset prices as an increased risk in the current environment, due to higher volatility and liquidity concerns. In addition, "interconnectedness, persistent conduct risk and rising cyber risk" are adding to financial sector instability.

The European Systemic Risk Board (ESRB) *published* a **review of macro prudential policy in the EU in 2016**. The report concluded that most elements of the macro prudential framework were in place and fully operational in all Member States and that most macro prudential measures taken were of a tightening nature and related to residential real estate and Systemically Important Institutions (SIIs). 2016 was the first year that all Member States had a countercyclical capital buffer (CCyB) framework that was fully operational. The past year also saw the first applications of the framework for voluntary reciprocity developed by the ESRB.

The European Insurance and Occupational Pensions Authority (EIOPA), *published* a report, and related *FAQ*, on the **updated methodology to derive the ultimate forward rate (UFR)**, used to calculate the risk-free interest rate term (RFR) structures under Solvency II. The updated methodology will be first applied at the beginning of 2018. EIOPA also confirmed that, although the calculated value of the UFR for the euro under the updated methodology is 3.65%, annual changes to the UFR will be capped at 15 bps. This means that the UFR applied to the euro in 2018 will therefore decrease from 4.2% to 4.05%.

The Basel Committee on Banking Supervision (BCBS) *published* its twelfth progress report on adoption of the **Basel III regulatory framework**, setting out the adoption status of Basel III standards for each BCBS member jurisdiction as of end-March 2017.

The BCBS *published* final guidance on the **prudential treatment of problem assets**. The guidance is intended to harmonise the definitions of non-performing loans and forbearance, and to complement the existing regulatory and accounting frameworks. The guidance is not expected to become a binding requirement for firms. However, the BCBS said it may still have implications for supervisory asset quality reviews, and banks' own internal credit categorisation systems, depending on their current classification of problem assets.

The BCBS *updated* its webpage providing details of its **work programme for 2017-2018**. The BCBS said it would finalise existing policy initiatives (which comprise reforms to improve risk-weighted asset measurement, related initiatives and other on-going policy initiatives, including the review of the regulatory treatment of sovereign exposures) and place a "greater focus on bank supervision" (which involves a "deeper assessment" of issues related to Pillar 2, stress testing and the growth of financial technology). It also said it would assess the impact of post-crisis regulatory reforms, and continue to monitor the implementation of its regulatory standards across jurisdictions.

**The International Monetary Fund (IMF) published its latest Global Financial Stability Report (GFSR)**, which (among other things) examined the long-term impact of an adverse scenario of low growth and low interest rates on the business models and product offerings of financial institutions. The analysis shows that a prolonged period of low interest rates would present a "considerable challenge" to financial institutions and that, given their greater reliance on interest rates, business models of banks and insurers would generally be more affected than that of asset managers.

### Liquidity

**The BoE published a consultation paper on the establishment of a Shari'ah compliant fund based deposit facility**, which would provide greater flexibility to Islamic banks in the UK in meeting their regulatory liquidity requirements.

### Governance and risk management (including remuneration)

The PRA *published* a *policy and supervisory statement* on its **expectations on remuneration**. The regulator did not make any significant changes to the draft supervisory statement in response to consultation feedback received and, notably, did not revise the cost benefit analysis or the statement on the impact of rules on mutuals. The PRA will keep the policy under review should amendments be required due to changes in the UK regulatory framework, including those arising once any new arrangements with the EU take effect.

The PRA *published* a policy statement on **whistleblowing** in non-EEA UK branches. The PRA has not made any major changes to the rules that it had proposed in its consultation document. However it has decided that the rules will not apply to UK branches of EEA insurers or deposit-takers.

The PRA *clarified* its approach to **third country equivalence aspects of the credit risk provisions** under Capital Requirements Regulation (CRR) and the identification of recognised exchanges. Until such time as European Securities and Markets Authority (ESMA) implementing technical standards specifying the list of recognised exchanges are adopted by the European Commission, the PRA considers the following to qualify as recognised exchanges under the CRR: ICE Futures Europe, BATS Europe Regulated Market; ICAP Securities and Derivatives Exchange, NYSE Euronext London; the London Stock Exchange; the London International Financial Futures and Options Exchange (LIFFE); London Metal Exchange; and any other exchange that has been authorised by another EEA competent authority and has been found by that authority to meet the CRR definition of recognised exchange.

The PRA *clarified* how firms should **calculate certain risk-weighted exposure amounts for credit risk mitigation**, covering eligibility of financial institutions as protection providers, recognised exchanges, conditions for applying a 0% volatility adjustment under the Financial Collateral Comprehensive Method (FCCM), permissions to use 'own estimates of volatility adjustments' under the FCCM, and netting of liabilities that may be subject to bail-in.



The PRA *published* a supervisory statement to clarify its expectations on **the recognition of credit risk mitigation** in the calculation of certain risk-weighted exposure amounts for firms within the scope of the Capital Requirements Directive and Regulation (CRD IV).

The FSB *published* a thematic **peer review on corporate governance**, which takes stock of how FSB member jurisdictions have implemented the G20/Organisation for Economic Co-operation and Development (OECD) *Principles of Corporate Governance*. The report found that the effectiveness of corporate governance can be adversely affected if the division of responsibility among financial sector authorities is unclear, requirements overlap or leave unwarranted gaps. The peer review also offered recommendations to strengthen further corporate governance including streamlining regulatory frameworks for corporate governance; improving governance-related disclosure and transparency; considering adoption, implementation and disclosure of codes of ethics or conduct for boards; enhancing the rights of shareholders; and increasing the effectiveness of whistle-blower programmes.

### Conduct of Business (including MiFID)

The FCA *published* its **Mission and Business Plan 2017/18**. The *Mission* explains the intervention framework for the FCA's strategic decisions, the reasoning behind its operational judgements and the way the FCA chooses to use its tools. The annual *Business Plan* details the specific areas of work the FCA is prioritising for the next year, including supporting the UK Government to prepare for the EU's withdrawal from the EU, examining issues relevant to vulnerable consumers, continuing work on high-cost credit, and considering the issue of long term savings and retirement outcomes. The plan also announced new reviews into motor finance and retail banking, including the operations of current accounts.

The FCA *consulted* on proposals for new rules and guidance to address **persistent credit card debt**, including requiring firms to assess whether customers are at risk of developing financial difficulties and to intervene appropriately. The consultation also sets out the voluntary remedies the industry has agreed to adopt to give customers greater control over their credit limit.

Mark Steward, Director of Enforcement and Market Oversight at the FCA, *gave* a speech on the expanding scope of **individual accountability for corporate misconduct**. He highlighted that whereas the introduction of the Senior Managers Regime marked an important shift "in the right direction" in tackling conduct issues, making individuals accountable for misconduct would not mean the end of financial penalties and sanctions for firms.

The FCA *published* part one of its guidance consultation **on implementing the Financial Advice Market Review (FAMR)**. The consultation proposes guidance on streamlined advice, the fact-find process (by which firms obtain information about customers), and an employer and trustee factsheet. Although the guidance also sets out the FCA's initial thinking on non-advised service, these will be explored in more detail in part two of the guidance consultation, which the FCA is planning to publish in the summer. HM Treasury and the FCA separately published a *joint progress report* on FAMR, following the publication of the *FAMR final report* last year.

The FCA *published* its finalised guidance on the fair treatment of customers with **mortgage payment shortfall** and specifically on the remediation framework for those customers affected by the way firms calculate monthly mortgage instalments. The key changes relate to removing the June 2017 deadline for notifying affected customers; widening the scope of corrections to customer credit reference agencies records; and requiring firms to provide customers with details of debt advice services in their communications.

The FCA *published* data on the **number of complaints** (*firm specific complaints data* and an *aggregate commentary*) reported by firms. Overall, the top two reasons for complaint, receiving nearly 80% of complaints in 2016 H2, were general administration and customer service together with advising, selling and arranging of products.

The BoE *published* a new voluntary **UK Money Markets Code** setting out high-level standards and best practices expected from participants in the deposit, repo and securities lending markets in the UK. It is expected that the code should be implemented by market participants by January 2018.

The FCA *published* its **first policy statement on the implementation of MiFID II** with near-final rules on transaction reporting, transparency, algorithmic trading, data reporting, trading venues, eligible counterparties, third country branches, commodity derivatives, and transitional provisions for reporting breaches of current transaction reporting requirements. The FCA also decided to remove existing rules from the FCA Handbook that will be covered by directly applicable provisions under MiFIR and the implementing regulations.

The FCA *published* its **fifth consultation paper on MiFID II** regarding research and inducements, best execution and tapering for Occupational Pension Scheme (OPS) firms. In anticipation of MiFID II, the FCA also proposed changes to its Decision Procedure and Penalties Manual (DEPP) and Enforcement Guide (EG) to reflect position limits and obligations applying to certain persons exempt from authorisation, enforcement powers related to position limits, powers to require the removal of persons from management boards and the regime for data reporting service providers.

The PRA *published* a policy statement on the **implementation of MiFID II** which outlines the implementation arrangements for authorisations in respect of a new MiFID investment activity (operation of an Organised Trading Facility (OTF)), financial instruments classified as emission allowances under MiFID, and regulated activities of dealing, advising, and managing and arranging structured deposits. It also specifies the PRA approach regarding notification for firms that wish to carry out a number of activities, including dealing in investment as principal, arranging deals in investments, and managing investments.

ESMA *issued* guidelines on **circuit breakers and trading halts** under **MiFID II**. The guidelines cover the calibration of mechanisms to manage volatility, the dissemination of information regarding the activation of mechanisms to manage volatility on a specific trading venue, and the procedure and format to submit reports on trading halts' parameters from National Competent Authorities (NCAs) to ESMA.

ESMA *published* guidance on **how to implement regulatory provisions on market structure topics** under MiFID II/MiFIR. ESMA provided clarity on the type of arrangements that qualify as an OTF, which should meet the following conditions: trading is conducted on a multilateral basis; the trading arrangements in place have the characteristics of the system; and the execution of orders takes place on a discretionary basis. ESMA also clarified that the key characteristic of a Systematic Internaliser's activity is to provide bilateral liquidity to clients by undertaking risk facing transactions (i.e. transactions that affect the profit and loss of the firm).

ESMA *published* the **results of a recent study on the functioning of shareholder identification** and transmission of information between issuers and shareholders. The report presented a general assessment of the level of harmonisation of national regulatory frameworks and found that, although some standard information forms and communication formats are available in almost all jurisdictions, the content is not harmonised. The report was submitted to the European Commission to provide input into the preparation of the implementing acts under the Shareholder Rights Directive.

EIOPA *published* an **EU-Wide Thematic Review of Consumer Protection Issues in the Unit-Linked Market**. The review focused on the life insurance market and issues that arise from business links between providers of asset management services and insurance undertakings, in particular issues that could arise for consumers as a result of monetary incentives and remuneration payments. The review found that 70% of undertakings do not disclose these incentives to policyholders. EIOPA is now assessing whether further action needs to be taken.

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

The PRA *published* the final reporting requirements for **operational continuity in resolution**. The rules apply to banks and other financial institutions under the PRA's Operational Continuity regime which receive critical services from one or more entities in their corporate group. The PRA amended the reporting templates to allow multiple group service providers to be captured. It also clarified reporting obligations, such as which firms should submit the template, the scope of operational costs and charges to be reported, and the calculation of annual fixed overheads and liquidity resources.

The EBA finalised guidelines aiming to help resolution authorities execute **bail-in under the EU Bank Recovery and Resolution Directive (BRRD)**, particularly by clarifying how valuation information on assets and liabilities should inform the determination of the terms of bail-in. They set out guiding principles for how resolution authorities should set *debt-to-equity conversion rates*; the *treatment of shareholders* when the bail-in tool is applied or when capital instruments are written down or converted; and the *sequence of write downs*.

### **ESMA published an opinion on the European Commission's proposal for regulation on Central Counterparty (CCP) Recovery and Resolution.**

ESMA proposes the introduction of additional requirements regarding national resolution authorities' recovery plans in order to ensure a higher level of convergence, while providing the necessary flexibility to CCPs to select those recovery tools which best fit their business situation. It also urges the Commission to consider the implications the tasks assigned to ESMA will have on its budget and to include a provision in the CCP Recovery and Resolution Regulation for ESMA to draft a report on the budgetary impact.

### **Regulatory perimeter**

Christopher Woolard, the FCA's Executive Director of Strategy and Competition, *spoke* at the Innovate Finance Global Summit in London, setting out the **future plans for the FCA's Project Innovate**.

In addition to continuing the work of the regulatory sandbox, the FCA will broaden the remit of its Advice Unit to include firms from the mortgage, general insurance and debt sectors, as well as firms that want to provide guidance instead of regulated advice. The FCA will also focus on enhancing its cooperation with overseas regulators, building a common understanding of the principles of good innovation through bodies like the G20 and the International Organization of Securities Commissions (IOSCO).

The FCA *published* a **discussion paper on Distributed Ledger Technology (DLT)** to explore the potential for future development of the technology in financial services, and how to achieve a balance between the risks and opportunities DLT presents. This paper fits in with the broader FCA objective to take a lead role in understanding, and where relevant, promoting competition and innovation.

The FCA *published* a consultation paper setting out its **approach to applying the Payment Services Regulations (PSRs)** (which will transpose second Payment Services Directive (PSD2) into UK legislation) and the amended Electronic Money Regulations 2011. In the same paper, the Payment Systems Regulator (PSR) consulted on its approach to monitoring and enforcing the aspects of PSRs 2017 for which it is the competent authority, including rules on information on ATM withdrawal charges, and direct and indirect access to payment systems and bank accounts.

HM Treasury *published* its **Regulatory Innovation Plan**, setting out current and planned initiatives by UK regulators to support and encourage the development of new technologies and innovative business models in financial services. While UK authorities will continue to explore avenues to support FinTech, promote effective competition and innovation, and lower barriers to entry, the plan stresses the role of regulators in using technological advances, and particularly RegTech solutions, to improve their own efficiency and effectiveness.

The European Parliament's Economic and Monetary Affairs (ECON) committee *adopted* a draft report calling on the European Commission to develop a **comprehensive FinTech Action Plan** in the framework of Capital Markets Union (CMU) and Digital Single Market, to accelerate the development of financial services enabled by new technologies. The key priorities set out in the report are cybersecurity, a level playing field for traditional companies and start-ups, and controlled experimentation with new technologies.

Steven Majoor, Chair of ESMA, *spoke* at a public hearing on the CMU mid-term review and made the case for ESMA to have more **direct supervisory powers in data collection** and convergence powers to ensure **consistent authorisation in the asset management sector** across the EU. Majoor also signaled that ESMA is "developing a convergent position on key issues to be taken into account when market participants move some of their activities from the UK to the EU27", which may include "potential limitations to outsourcing and delegation".

Valdis Dombrovskis, Vice-President for Financial Stability, Financial Services and Capital Markets Union at the European Commission, *spoke* about the **challenges for EU financial services policy**. He urged efforts be made to reduce uncertainty and strengthen the recovery of the EU economy, specifically to accelerate the completion of the CMU and develop a regulatory and supervisory framework to address new challenges.

The ECB *published a guideline and a recommendation concerning the exercise of options and national discretions (O&Ds)* available to NCAs under EU law in the supervision of less significant institutions (LSIs). The aim is to harmonise further the way banks are supervised by NCAs in the 19 countries to which the Single Supervisory Mechanism (SSM) applies. While *some O&Ds* should be applied in a general manner to all supervised firms, the *large majority* should be exercised on a case-by-case basis, but following a common approach and ensuring a proportional application to smaller banks in certain cases.

### Rethinking the domestic and international architecture for regulation

EIOPA *called* for evidence on the **treatment of unlisted equity and debt without external ratings** in the standard formula. The call is to assist EIOPA's response to the European Commission's request for technical advice on reducing over-reliance on external ratings for regulatory purposes and to aid the Commission's review of the Solvency II Delegated Regulation.

Danièle Nouy *spoke* about the **ECB's views on the CRD V/CRR II bank prudential package** which covers the scope of total loss-absorbing capacity (TLAC) requirements in the EU, the European intermediate parent undertaking (IPU) and seven areas where the supervisor sees "substantial room for improvement", including the transitional measures for the capital impact of IFRS 9.

The FSB *consulted* on a framework for the **post-implementation evaluation of the G20 financial regulatory reforms**, which is intended to guide analyses of whether the reforms "are achieving their intended outcomes, and help to identify any material unintended consequences". The FSB proposes to undertake an analysis from three distinct, but related, perspectives: the effectiveness of individual reforms, the interaction and coherence among reforms, and the overall effects.

Mark Carney *spoke* at the Institute of International Finance's (IIF) Policy Summit in Washington, about the need for the implementation of G20 reforms to be both "full, timely and consistent" as well as dynamic enough to allow authorities to make adjustments as necessary to optimise results, without compromising the resilience the reforms intend to achieve.



### Disclosure, valuation and accounting

EIOPA *proposed* amendments to the adopted **Solvency II Technical Standards on Reporting and Disclosure**.

These amendments concern the implementing technical standards for procedures, formats and templates of solvency and final condition reporting, some of which impact the Solvency II XBRL Taxonomy.

ESMA *published* its 2016 annual report on the **enforcement and regulatory activities of accounting enforcers** within the EU. The report assessed the activities against the Transparency Directive and the International Accounting Standards, and found that while compliance by issuers of financial information was in general relatively high, the infringements were very often material and resulted in a high number of enforcement actions.

EBA *published a report on the Peer Review carried out on its Implementing Technical Standards (ITS) on supervisory reporting* aimed at assessing how supervisory authorities have ensured its consistent and comprehensive implementation.

### Information security and data privacy

Nausicaa Delfas, Executive Director at the FCA, *said* firms need to do more to address the widening gap between criminal capability and intent, and strengthen their capability to defend themselves against the **impacts of cyber-attacks**. She highlighted that in addition to getting the basics right, firms should also move to a “secure culture”, based on empowering staff to make secure decisions, and leverage Non-Executive Directors (NEDs) to share best practices from other businesses and challenge the Board’s cyber security awareness. Firms and regulators should collaborate and share information to improve the collective resilience of the sector and develop a bigger pool of qualified cyber security professionals.

The UK Government *launched a ‘Call for Views’ on the forthcoming General Data Protection Regulation* (GDPR), which will enter into force in May 2018. Although the GDPR aims to harmonise data protection legislation across the EU, the Regulation does contain a number of derogations which allows national governments to exercise discretion regarding how certain provisions will apply. Complemented by discussions that the UK government is already holding with a range of stakeholders, the Call for Views was initiated to capture views from stakeholders on how the flexibilities in the GDPR should be applied within the UK. The Government has not confirmed when the results of the Call of Views will be published.

The Article 29 Working Party, the advisory body composed of representatives from data protection NCAs, *published* guidelines on **Data Protection Impact Assessment (DPIA)** and determining whether processing is “likely to result in a high risk” for the purposes of the **General Data Protection Regulation (GDPR)**. The Article 29 Working Party has also revised and adopted the following guidelines: *the right to data portability, Data Protection Officers, and identifying a controller or processor’s lead supervisory authority*.

### Financial Crime

ESMA *published* an opinion on points for **convergence in relation to accepted market practices (AMP) under the Market Abuse Regulation (MAR)** on liquidity contracts. MAR provides a defence against market manipulation if the transaction was legitimate and carried out in accordance with an AMP. MAR also describes the non-exhaustive factors that a competent authority should take into account before deciding whether to accept a market practice.

The ESAs jointly *consulted* on what payment service providers (PSPs) should do in order to **detect and prevent the abuse of funds transfers for terrorist financing and money laundering purposes**.

The draft guidelines set out how intermediary PSPs and the payee’s PSPs should detect whether information on the payer or the payee is missing or is incomplete, and require PSPs to put in place procedures to detect transfer of funds that lack this information.

The FCA fined and permanently *banned* the former Chief Financial Officer and former Financial Controller of Worldspreads Limited (WSL) for engaging in **market abuse**. The two individuals “deliberately and repeatedly disseminated false and misleading information” and artificially inflated the company’s assets, amounting to serious market abuse and undermining the integrity of markets.

## Other

The FCA *consulted* on proposed 2017/2018 **regulated fees and levies** for the FCA, Financial Ombudsman Service (FOS), Money Advice Service, Pension Wise service and expenses of HM Treasury in tackling illegal money lending. The FCA's total annual funding requirement for 2017/2018 is £7.6m (1.5%) more than the previous year, with £2.5m needed "to pay for European Union withdrawal costs". The regulator will consider the feedback it receives and will publish its final fees and levies at the end of June/early July 2017.

**ESMA** *published* its final report on **fees for Trade Repositories** (TRs) under the Securities Financing Transactions Regulation (SFTR) and on amendments to fees for TRs under EMIR. ESMA proposed a simplification of the supervisory fee structure for TRs by including only revenues and excluding activity figures, and lower fees in case of TRs' extension of registration under SFTR.



## Contacts

### **Andrew Bulley**

Partner, Centre for Regulatory Strategy  
+44 (0)20 7303 8760

### **Rod Hardcastle**

Director, Centre for Regulatory Strategy  
+44 (0)20 7007 1640

### **Valeria Gallo**

Manager, Centre for Regulatory Strategy  
+44 (0)20 7303 6745

### **Francesca Panduru**

Analyst, Centre for Regulatory Strategy  
+44 (0)20 7303 7306

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Fax: +44 (0) 20 7583 1198.

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