



Risk and Regulation Monthly

December 2016

December saw a number of regulatory developments, as authorities sought to finalise a range of deliverables before the year's end. At the international level, the Financial Stability Board (FSB) issued consultations on setting internal Total Loss-Absorbing Capacity (TLAC) in banks; and on maintaining access to Financial Market Infrastructures (FMIs) during resolution. At the European level, both the Council and the Parliament of the EU adopted legislation to delay the application of rules on packaged retail and insurance-based investment products (PRIIPs) until 1 January 2018. In the UK, both firms and authorities continued to assess the potential practical implications of Brexit, including the role that a transitional exit arrangement could play in that process.

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Brexit

The House of Commons Treasury Select Committee (TSC) [issued](#) a call for written submissions on **transitional arrangements** as part of its inquiry into the UK's future economic relationship with the EU. The TSC Chair noted that transitional arrangements could offer firms "some protection" against "a sudden change in their operating environment".

Views were sought on a range of issues associated with potential transitional arrangements.

The House of Lords EU Financial Affairs Sub-Committee [published](#) a report on the **implications of Brexit for the UK's financial services sector**. The report discussed a range of issues, including automatic 'passporting' rights, free movement of labour and 'fintech'. It concluded that a better evidence base was needed to assess the impact of losing 'passporting' rights, and that it would be to the EU's advantage if the UK retained a concentration of activity in financial services after Brexit. It also called on the UK Government to "pursue an early announcement on a transitional period".

Capital (including stress testing)

The Prudential Regulation Authority (PRA) [published](#) a policy statement on its approach to the implementation of the **systemic risk buffer** (SRB), which will apply to ring-fenced banks and large building societies from January 2019. The policy statement confirmed the first SRB rates would be communicated in early 2019 and applied three months thereafter.

The PRA [published](#) a **statistical release of UK banking sector regulatory capital** for the third quarter of 2016 covering CRD IV capital adequacy ratios, a breakdown of the level and components of capital, a breakdown of risk-weighted assets into risk types, and a comparison of the range of capital ratios for the UK banking sector published by different organisations. The average CET1 ratio was 14.8% and the total capital ratio 20.6%, both higher than the previous quarter and previous year. This was due to a decrease in the level of risk weighted assets and an increase in the level of Tier 1 capital.

The PRA [consulted](#) on its expectations for life insurance and reinsurance companies that hold or intend to invest into **illiquid, unrated assets, including equity release mortgages (ERMs), within their matching adjustment (MA) portfolios under Solvency II**. The proposals concern the determination of ERMs' contribution to a firm's overall MA benefit, and how the PRA intends to monitor the level of MA benefit claimed by firms, including thresholds for intervention and selective in-depth reviews of certain assets that are at risk of MA benefit over-statement.

The Joint Committee of the European Supervisory Authorities (ESAs) [published](#) a report on good supervisory practices for reducing **sole and mechanistic reliance on credit ratings**. The report is directed at the nationally appointed sectoral competent authorities (SCAs) for a wide range of financial institutions and it proposes a non-binding framework for the steps SCAs can take to monitor their supervised entities' reliance on credit ratings and to mitigate any such reliance where it is identified.

The European Banking Authority (EBA) [announced](#) that it would conduct the next **EU-wide stress test** in 2018. Although there would be no stress test in 2017, the EBA said it would run its regular annual transparency exercise.

The EBA [launched](#) a qualitative survey on **internal ratings-based (IRB) models to calculate credit risk capital requirements**. The survey's main objective is to assess the impact of EBA Guidelines on the estimation of risk parameters for non-defaulted exposures and on the treatment of defaulted assets in terms of the expected number and severity of model changes.

The EBA [published](#) its fourth **update to the list of capital instruments** that competent authorities have classified as Common Equity Tier 1 (CET1). Membership capital in Poland was added to the list of CET1 capital after being evaluated as compliant with the CRR.

Legal references for instruments issued in one Member State have also been updated.

The EBA [published](#) a report on the **cyclicality of banks' risk-based capital requirements**. It found that, at an aggregate level, there is no strong evidence of risk-based capital requirements having had an impact on the EU economic cycle. Banks' loan supply after the financial crisis of 2008 appeared to be driven by broader macroeconomic and financial factors. The EBA concluded that there were no grounds to move away from a risk-sensitive capital framework.

The EBA [published](#) its ninth report on **risks and vulnerabilities in the EU banking sector**. The report is accompanied by the EBA's 2016 transparency exercise, which provides essential data, in a comparable and accessible format, for 131 banks across the EU. The EBA found that, overall, banks have further strengthened their capital position. The report also identifies key challenges including the remaining high levels of non-performing loans (NPLs), sustained low profitability, rising operational risks and high volatility in funding markets.

The EBA [published](#) a report on the implementation and design of the **minimum requirement for own funds and eligible liabilities (MREL)**. The report summarises how MREL has been implemented in the EU and makes a number of recommendations, including requiring resolution authorities proactively to monitor the maturity profile of MREL-eligible instruments and giving them powers to require firms to change the maturity profile of their MREL stack. The report also contained an updated impact assessment, with the upper range of the aggregate shortfall lowered from EUR 790 billion to EUR 276 billion.

The European Insurance and Occupational Pensions Authority (EIOPA) [published](#) the results of the **2016 insurance stress test**. EIOPA found that while in the pre-stress situation participants were adequately capitalised on an aggregate basis with an overall Solvency Capital Requirement ratio of 196%, the "low-for-long" scenario resulted in a fall in the excess of assets over liabilities of about €100bn, and the "double-hit" scenario had a negative impact on the undertakings balance-sheet of €160bn (-28.9% of the total excess of assets over liabilities). Drawing on the results, EIOPA concluded that "the exercise confirmed the vulnerability of the insurance sector to the low interest rate environment, and to a pronounced reassessment of risk premia."

EIOPA [published](#) a discussion paper which focused on the **Solvency Capital Requirement (SCR) standard formula under Solvency II**, with the aim of achieving more proportionality in the supervisory regime through possible simplifications in the SCR formula. In particular, the discussion paper posed specific questions about the risk margin, e.g. whether there is evidence indicating that the methods and assumptions for the risk margin calculation are no longer appropriate in view of a changed market environment.

EIOPA [submitted](#) its first annual report on **long-term guarantee (LTG) measures and measures on equity risk**. In analysing the impact of the matching adjustment, volatility adjustment, transitional measure on the risk-free interest rates and transitional measure on technical provisions, EIOPA concluded that the LTG measures have a significant impact on the own funds and capital requirements of insurers. Removing the measures would result on average in a reduction of the Solvency Capital Requirement ratio by 72%, from 193% to 121%, at the EEA level. In several countries the average solvency ratios of undertakings without the use of the measures would fall below 100%.

Liquidity

The EBA [published](#) its third impact assessment report of EU banks' compliance with the **Liquidity Coverage Ratio (LCR)**. It showed that the average LCR has constantly increased since 2011 and now stands at 134%. The increase was mainly driven by an increase in liquid assets, whereas net cash outflows remained relatively stable. The report was accompanied by the EBA's review into the LCR phase-in arrangements, which found no strong evidence that suggest an extension was necessary.

Governance and risk management (including remuneration)

The EBA [consulted](#) on **remuneration policies for sales staff**, having previously identified poor remuneration policies and practices as a key driver of mis-selling of financial products and services. The EBA provided a framework for credit institutions, among others, to implement remuneration policies and practices. Its objective was to improve the link between remuneration of sales staff and the fair treatment of consumers.

Conduct of Business (including MiFID)

The Financial Conduct Authority (FCA) [published](#) a **policy statement on home finance customers with a payment shortfall** including minor Handbook changes and feedback it received to its previous consultation paper. The regulator will change the definition of payment shortfall to make it clear that interest on missed payments, outstanding fees and charges, and ancillary items do not form part of a payment shortfall.

The FCA [published](#) a **thematic review of general insurance intermediaries' professional indemnity insurance (PII)** to evaluate whether firms' policies comply with the FCA's requirements and to consider how effectively the general insurance (GI) PII market was functioning. The regulator found that firms were able to obtain cover for high limits of indemnity but in a small number of cases firms did not have the minimum level of cover required by the FCA's rules. A number of policies contained exclusion clauses, which the FCA highlighted as a potential source of concern.

The FCA and the Department for Work and Pensions (DWP) [published](#) a report on their **joint review of industry progress in remedying poor value workplace pension schemes**. The report found that pension providers have made significant progress to reduce costs and charges but that there are a small number of schemes where providers have not taken sufficient action and customers are exposed to higher costs and charges.

The FCA [published](#) a consultation paper on enhancing **conduct of business rules for firms providing contract for difference (CFD) products to retail clients**. The consultation raised concerns around poor conduct and investor protection resulting in significant risk of retail clients opening accounts and trading CFD products that they did not adequately understand. The FCA's package of remedies included enhanced disclosure requirements, leverage limits, lower leverage limits for inexperienced retail clients and higher leverage limits for experienced retail clients, set according to the volatility of the underlying asset.

The FCA [published](#) a **statement on payment protection insurance (PPI)**. It announced that it had received a large amount of feedback and will make a further announcement in Q1 2017.

FCA [published](#) finalised guidance on the **fair-treatment of closed-book customers** in the life insurance sector. The FCA said it expected firms to: (i) keep customers well informed and engaged about the product in which they have invested; (ii) remain proactive in identifying the drivers of overall product performance and ensure fair treatment of customers regarding investment performance, expense allocation and charges; and (iii) ensure customers do not face unreasonable barriers to exit.

FCA [launched](#) a **market study on competition in the mortgage sector**. It promised to consider whether, at each stage of the consumer journey, the available tools help mortgage consumers make effective decisions and whether commercial arrangements between lenders, brokers and other players lead to conflicts of interest or misaligned incentives to the detriment of consumers.

The FCA [published](#) a **thematic review on early arrears management in unsecured lending**. Despite a general increase in engagement, and positive change when dealing with customers in early arrears, it found that there were key areas which required further improvement. One example highlighted was that the majority of firms missed early opportunities to identify and offer forbearance to customers showing signs of financial difficulty.

The FCA published its fourth [consultation](#) on **Markets in Financial Instruments Directive II (MiFID II)** implementation. The consultation dealt with a series of technical Handbook changes, including specialist conduct of business regimes, tied agents and SME growth markets. The FCA also proposed some guidance on transaction reporting, including trading venues' use of Approved Reporting Mechanisms and a transitional rule for fees for draft applications for authorisations under MiFID II.

The PRA [published](#) a policy statement on **supervising building societies' treasury and lending activities**, setting out its expectations and indicative limits. The PRA redrafted the section on lifetime mortgages to segment the types of lending based on different characteristics, and expanded the section on wholesale funding risks.

The European Central Bank (ECB) [published](#) the **SSM SREP Methodology Booklet**. The outcome of the 2016 SREP exercise revealed that the distribution of risks in the system remains broadly stable. Profitability was under pressure because of the weak economic environment, overcapacity and market fragmentation, and capital adequacy was negatively affected by non-performing loans in some countries.

The legislation to delay **PRIIPs application** by one year to January 2018 was [published](#) in the Official Journal of the EU. In addition, the ESAs [published](#) a response to the Commission's intention to amend the draft RTS on PRIIPs. The Opinion the ESAs presented to the three Boards of Supervisors did not receive the support of a qualified majority of the EIOPA Board owing to differences of views on the treatment of multi-option products, the criteria to determine whether a comprehension alert should be included in a KID, and the provisions in the RTS on credit risk mitigation factors for insurers.

The EBA [consulted](#) on its draft Guidelines on the **supervision of significant branches** providing a framework for identification, and outlining a coordinated approach to supervision and assessment of recovery planning. In particular, the draft Guidelines proposed a set of principles that competent authorities should comply with in the performance of risk assessments, exchange of supervisory information, carrying out of inspections, and allocation of tasks between authorities.

The European Securities and Markets Authority (ESMA)'s Executive Director, Verena Ross, [spoke](#) at the 2016 Global Capital Markets Conference on a range of issues relating to **ESMA's current work to strengthen European capital markets**. She said that there was scope for greater compliance with best execution requirements and that corporate bond market liquidity would benefit from new transparency requirements under MiFID II. She also talked about ESMA's work to support the Capital Markets Union and promote supervisory convergence.

The Fixed Income, Currency and Commodities (FICC) Market Standards Board (FMSB) [published](#) statements of [good practice](#) on **surveillance in foreign exchange markets** and [conduct training](#). These contained new guidelines on surveillance systems and surveillance techniques, as well as recommendations on increasing the number of face-to-face discussions of conduct issues between front office managers and other staff.

The International Organization of Securities Commissions (IOSCO) [published](#) a report on **order routing incentives** for public consultation. It provided an overview of the practices used by market regulators regarding incentives for order routing that may influence how intermediaries treat their clients and examined the regulatory conduct requirements for brokers or firms to manage conflicts of interest associated with routing orders and obtaining best execution. Having already planned reforms in all the identified areas, IOSCO did not propose any immediate next steps beyond the consultation paper.

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

EIOPA [sought](#) stakeholder input on a potential minimum-harmonised framework for **recovery and resolution of insurers**, including proposals for a full suite of resolution powers, incorporating the bail-in of shareholders, creditors and policyholders. While the paper is for discussion purposes only, EIOPA will further develop its view on harmonising RRP following stakeholder feedback.

The FSB [proposed](#) a set of high-level principles that resolution authorities should use as guidance when they set and execute **internal total loss absorbing capacity ("internal TLAC) of G-SIBs**. The guiding principles complement the 'hard' requirements set out in the FSB's [Term Sheet](#) and cover a variety of issues, notably, further clarification of the eligibility of instruments and how resolution authorities should identify material sub-groups and determine the size and composition of the internal TLAC requirement.

The FSB [proposed](#) arrangements to ensure banks' **continued access to FMIs** during resolution. The guidance sets out requirements for FMI service providers, their relevant authorities and for banks. Banks are required to carry out contingency planning on a range of issues, such as liquidity resources, conditions for approval, and a number of scenarios, including for instance, where access to FMIs is terminated or suspended, ownership of the bank in resolution is transferred to another institution, or the bank is separated from its parent group.

Regulatory perimeter

The PRA [set out](#) its expectations for maintaining the calculation of the **Solvency II transitional measure on technical provisions (TMTP)** during the transitional period until 2032. In addition, the PRA intends to require firms to analyse the components and drivers of TMTP benefit in order to facilitate better risk management, and firms' Audit Committees to ensure that the TMTP claimed meets the conditions for approval.

The FCA [announced](#) an intention to modify its rules for the **crowdfunding sector** in the first quarter of 2017. This was due to issues observed in the market, including difficulties for investors in comparing platforms and asset classes, and assessing risks and returns. The FCA also found in some firms inadequate arrangements for handling client money, wind down and risk management.

The Payment Systems Regulator (PSR) [consulted](#) on proposals requiring **interbank payment providers to carry out competitive procurement exercises and transition to international messaging standard ISO 20022**. Those two remedies were introduced in the PSR's report into competition in the market for the provision of payments infrastructure in the UK. Proposals for the third remedy, i.e. shareholder banks to divest their interests in Vocalink, are delayed.

The European Commission [determined](#) that the regulatory regimes for **central counterparties (CCPs)** in India, Brazil, New Zealand, Japan, and the United Arab Emirates including Dubai are **equivalent** to the EU's. The Commission also decided that the rules governing certain trading venues in Australia, Canada, Japan and Singapore can be deemed equivalent.

The European Commission [extended](#) for a second time **transitional relief for Pension Scheme Arrangements (PSAs) from central clearing** for their OTC derivative transactions under the European Market Infrastructure Regulation (EMIR) until 16 August 2018. This followed its conclusion that CCPs need additional time to find solutions in relation to non-cash margin for pension funds, as PSAs may otherwise need to divest a significant proportion of their assets for cash to meet the on-going margin requirements.

The European Commission [adopted](#) regulatory technical standards to **strengthen the regulation of commodities markets** through the application of position limits to commodity derivatives under MiFID II.

The delegated act provided the basis of the methodology for calculating and applying the limits of the size of a net position which a person can hold at all times in commodity derivatives traded on trading venues and economically equivalent OTC contracts.

The ESAs [asked](#) stakeholders for their views on how Big Data affects firms and their client relationships. The ESAs consider that **Big Data** could continue to grow and become a competitive advantage, and that tech firms may leverage their expertise and expand into providing financial services.

The ESAs [published](#) the final report on revised Joint Guidelines on the **prudential assessment of acquisitions and increases of qualifying holdings** in the Financial Sector. The report noted that due to the frequent use of group structures that extend across multiple EU Member States, a main supervisory objective would be to assess all proposed acquisitions or disposals of a qualifying holding in the same way throughout the EU and across the banking, insurance and securities sectors.

ESMA [proposed](#) to enhance aggregate position **data published by trade repositories under EMIR**, in order to facilitate aggregation and comparability across trade repositories. The proposals particularly concern the avoidance of double counting of cleared derivatives, data aggregation for commodity derivatives using benchmarks, and general technical aspects of publishing aggregate data.

ESMA [consulted](#) on proposals to introduce **fees to be paid by trade repositories to ESMA under the Securities Financing Transactions Regulation** (SFTR), specifically a mixed system of annual fees proportionate to turnover and levies for specific administrative actions by ESMA. To ensure a 'level playing field', ESMA also proposed amendments to its fees for trade repositories under EMIR.

ESMA [recommended](#) measures that aim to improve the consistency of national authorities' supervision of CCPs' compliance with **margin and collateral requirements under EMIR**, including proposals to enhance supervisory coordination and convergence and measures concerning CCPs' authorisation, changes to risk models and collateral haircuts, collateral policies, liquidity, and risk requirements.

The EBA [set out](#) criteria under PSD2 that payment service providers (PSPs) should use to determine whether an **operational or security incident is to be considered as 'major'**, and provided a reporting template to notify competent authorities.

The proposed guidelines also specify the reports that PSPs must provide during the incident, as well as the criteria for authorities to assess the relevance of such incidents.

The EBA [finalised](#) the standards for cooperation and exchange of information between competent authorities for **passport notifications under PSD2**. The framework requires that payment and e-money institutions are informed when passport notifications are transmitted from home to host authority. Authorities can now include the legal entity identifier (LEI) in the passport notification, and are required to use separate information templates for agents and distributors.

The EBA [published](#) instructions on **data collection applicable to investment firms whose main business consists of commodity derivatives or derivatives contracts**. As part of provisions under the CRR, the document contained specific instructions on completing the data collection templates covering solvency, liquidity and large exposures.

EIOPA [published](#) its Dec 2016 **Financial Stability Report in the (re)insurance and occupational pensions sectors** of the EEA. The report presents evidence that the European macroeconomic environment remains fragile and that insurers and pension funds are challenged by prolonged low interest rates, advances in technology and a number of geopolitical risks. The report also includes two thematic articles: "The impact of the monetary policy interventions on the insurance industry" and "Updating the long term rate in time: a possible approach".

IOSCO [published](#) a final report on the survey on **retail OTC leveraged products**. The mandate focused on rolling-spot forex contracts, contracts for differences and binary options, which are actively marketed to retail investors in a large number of jurisdictions. Given the concerns arising from practices by regulated firms offering the products, and the further concern that these issues are exacerbated by the cross-border dimension of the online retail market, IOSCO concluded that the area will remain a priority for supervision and investor protection.

IOSCO [published](#) a report on guidance on the **principles for financial benchmarks**. Based on the results of an early 2016 survey circulated to Benchmark Administrators, IOSCO decided to provide further guidance on statements of compliance, in the form of expectations for reporting. However, the organisation also determined that it would not provide further guidance on proportionality at this time.

Rethinking the domestic and international architecture for regulation

The European Commission [published](#) a feedback statement on its consultation on the functioning of the EU **macro-prudential framework**. The statement covered the effectiveness of the macroprudential instruments set out in the CRD/CRR, the role of the European Systemic Risk Board (ESRB), and the role of the Single Supervisory Mechanism (SSM) in setting macro-prudential policy within the Banking Union. Given respondents' strong support, the Commission stated that it would consider amending the existing pecking order of instruments, or the activation procedures themselves.

The ECB [published](#) the **SSM supervisory priorities** for 2017, stating that business model and profitability risks, along with credit risk and risk management remain its core priorities for the year ahead. The ECB noted that the "possible repercussions" of Brexit would also be a "point of supervisory attention", and that the implications of competition from FinTech sector were also on the agenda. In terms of specific work, the ECB will launch thematic reviews to take stock of banks' outsourced activities and the potential impact of IFRS 9, whilst continuing its review of internal models.

The General Board of the ESRB [held](#) its **24th regular meeting** where it highlighted the main risks to financial stability in the EU: the repricing of risk premia in global financial markets and the weaknesses in financial institutions' balance sheets. It also exchanged views on the calibration of the ultimate forward rate and received an update on The High-Level Task Force's feasibility study of sovereign bond-backed securities. Lastly, the Board approved the adverse scenarios prepared jointly by the ECB and ESRB Task Force on Stress Testing for the 2017 EU-wide stress test of central counterparties by ESMA.

The ESRB [published](#) a Commentary on the **implementation of the countercyclical capital buffer (CCyB) regime in the EU**. It found that, although many Member States had implemented the standard approach, they adapted it by using different statistical filtering techniques or using a different reference indicator to the credit-to-GDP gap in order to improve the effectiveness of the CCyB leading to differences in the implementation of the regime. It also found significant differences in the use of additional indicators. The ESRB also published an overview on all national measures under CRD4 and other national macroprudential measures under CRR that address systemic risk in the real estate sector and are not harmonised by EU law.

EIOPA [published](#) its fifth Consumer Trends Report on the **latest developments affecting consumers in the insurance and pensions sectors** in Europe. The report specifically identified that the business model of insurers were being reshaped by: the continuous introduction of new life insurance products with reduced or no guarantees; the increased accuracy of risk assessment due to big data and consumer analytics; and the presence of Fintech/Insurtech firms in insurance, especially through cooperation agreements with established insurers.

The EBA [published](#) recommendations for a fully-fledged framework for **harmonising the EU covered bond market**. The three-step approach included the development of a covered bond framework through a Directive, amendments to the CRR with reference to preferential risk weight treatment, and voluntary convergence of national frameworks through non-binding instruments.

The Joint Committee of the ESAs published a [report](#) on **automation in financial advice**. Having considered the responses to the earlier discussion paper challenging the potential benefits of automated tools, and in view of existing sectoral rules on the provision of advice, the ESAs have concluded that they should not, for the time being, develop additional joint cross-sectoral requirements specific to automated financial advice.

Yves Mersch, Member of the Executive Board of the ECB, [gave](#) a speech on **Distributed Ledger Technology (DLT)** as related to the role and relevance of the ECB. Mersch set out the ECB's views on the potential of DLT for **central bank money** in the context of market infrastructures. In assessing a range of DLT models currently under development, the ECB will continue to consider the operation of central bank settlement services in a DLT environment.

Gabriel Bernardino, Chairman of EIOPA, [gave](#) a speech on EIOPA's work on **long-term infrastructure investment** and the **Pan-European Personal Pension Product (PEPP)**. The two workstreams are significant elements of EIOPA's commitment to support long-term financing in Europe. Highlighting the amendment of Solvency II standard formula requirements to allow a specific treatment for qualifying infrastructure project debt and equity, as well as EIOPA's additional recommendations to extend the new asset class, Bernardino maintained that "Solvency II brings the right approach to investment by insurers". EIOPA will continue to develop product pilots for the PEPP to ensure European Union citizens invest in "a balance portfolio" with "the appropriate safeguards".

IOSCO [published](#) a final report updating the 2014 report on the IOSCO **automated advice tools survey**. Since the publication of the earlier report, the adoption of automated advice tools by market intermediaries has advanced significantly, as has the growth of the market for automated investment advice. Consequently, IOSCO concluded that the development of automated investment advice tools merits ongoing monitoring to understand its impact on all elements of the advice value chain, including portfolio selection and trade execution.

Disclosure, valuation and accounting

The PRA [published](#) a policy statement providing feedback on responses to its consultation paper on **regulatory reporting of financial statements, forecast capital data and IFRS 9 requirements**. Overall, the regulator did not consider the responses necessitated significant changes to the proposals.

The PRA [consulted](#) on **changes to regulatory reporting requirements** for banks and building societies arising from the introduction of IFRS 9. The proposals affect firms' existing reporting requirements for credit quality, including arrears and impairments. Firms would be required to report certain EBA Financial Reporting (FINREP) templates instead of the current FSA015 return, on both an individual and consolidated basis. The proposed implementation date is the start of a firm's accounting year beginning on or after 1 January 2018, to coincide with the implementation date of IFRS 9.

The PRA [published](#) a Policy Statement providing feedback to responses and final rules for its consultation paper on **'fees and FSCS levies for insurers: proposals for a transitional approach in 2017/18'**. The responses generally supported the proposals and have not led to any changes.

The PRA [published](#) a Policy Statement on the **reporting format of national specific templates and reporting clarifications under the Solvency II Directive**, providing feedback to responses to an earlier Consultation Paper and setting out final rules. The regulator did not consider that the responses received necessitated significant changes to its proposals but made minor amendments in order to add further clarity.

ESMA [published](#) a feedback statement on the consultation paper on the **RTS on the European Single Electronic Format (ESEF)** setting out the digital format which issuers in the European Union must use to report their company information from 1 January 2020. The regulator believes that the format will enable investors, analysts and auditors to carry out software supported analysis and comparison of large amounts of financial information and that this information will create robust capital markets and trigger technological innovation. ESMA will continue to work on the detailed technical specifications.

The EBA [published](#) its final guidelines on **revised Pillar 3 disclosures requirements**. While not changing the requirements of the regulatory disclosures defined in Part Eight of the CRR, the guidelines provide further, more specific guidance and formats for disclosures in order to enhance consistency and comparability. The guidelines apply to all G-SIIs and O-SIIs including other smaller, less complex institutions from 31 December 2017.

IOSCO [published](#) a statement on the **implementation of the three new accounting standards** relating to revenue, financial instruments and leases. Given the breadth of each of the changes, IOSCO stressed the importance of conducting both a quantitative and qualitative analysis of the possible impact and provided a non-exhaustive list of implementation, disclosure and audit matters that issuers, audit committees and auditors should consider.

Information security and data privacy

The TSC [published](#) the letter from Andrew Tyrie, Chairman of the Treasury Committee, to Ciaran Martin, Chief Executive of the National Cyber Security Centre (NCSC), on **cyber security in the financial services sector**. Noting his view that the lines of responsibility and accountability for reducing cyber threats remain opaque, unclear and continue to disrupt vital banking services, Tyrie asked the NCSC to consider the case for establishing a single point of responsibility for cyber risk. He also enquired about the NCSC's strategy and means of addressing the outdated IT infrastructure in UK banks.

The Article 29 Working Party, the advisory body made up of EU data protection authorities, has published its first **guidance on the upcoming General Data Protection Regulation** (GDPR), which comes in to force in May 2018. The published guidance covers three key areas: the right to [data portability](#), the role of [data protection officers](#), and identifying the correct lead [data protection authority](#) under GDPR. With significant new requirements regarding the processing of personal data, and fines of up to 4% of annual global turnover for serious non-compliance, the GDPR implies the greatest shake up of EU data protection regulations for three decades. The Working Party has invited comments on the guidance until the end of January.

The European Commission has formally [proposed](#) a new **ePrivacy Regulation**, which will govern the use of personal data within the electronic communications sector, which includes website cookies and online marketing. The Regulation, which will replace the current ePrivacy Directive, was commissioned to update and simplify privacy laws in this area. Notable changes to the existing legislation include a significant increase in the fines that can be enforced for breaches (up to 4% of global annual turnover, which is in line with the upcoming GDPR), a broader scope, and simplified rules for the use of cookies on websites. The European Commission has [announced](#) that it hopes that the Regulation will come in to force on 25 May 2018 – the same day as the forthcoming GDPR.

Other

The FCA [published](#) the third and final '**sunlight remedy' data set** showing the lowest interest rates available from 32 providers of cash savings accounts and easy access cash ISAs. Its aim is to encourage firms to deliver better outcomes for their customers by raising awareness of firms' strategies towards their longstanding consumers and allowing a comparison between open and closed accounts. The regulator has begun evaluating the trial where it will consider what other regulatory tools are needed to achieve more effective competition.

HM Treasury and the DWP [consulted](#) on a model for a new **single financial guidance body** providing debt advice, money guidance and pension information and guidance, to be created by 2018. The body will assist consumers to make effective financial decisions, and will help consumers with multiple financial guidance needs.

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

Scott Martin

Manager, Centre for Regulatory Strategy
+44 (0)20 7303 8132

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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