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February saw several noteworthy regulatory developments. A possible red flag in the MiFID II implementation was pointed out by ESMA as it wrote to the European Commission warning about firms trying to circumvent certain MiFID II rules around the trading obligation and the systematic internaliser regime. ESMA also unveiled a framework for 2017 CCP stress test indicating a more expansive approach to the exercise that will now also incorporate a liquidity risk assessment.

Regulators, including the FCA, acknowledged that smaller financial firms, buy-side firms, asset managers, pension funds and insurance companies might not be able to meet EMIR deadlines for variation margin fully by 1 March 2017.

In the prudential area, the PRA issued a number of updates for ring-fenced banks, including a final statement on reporting requirements. The SRB shifted its approach to calculation of MREL by adding adjustments for individual firms according to their resolution plans and risk profiles.

Other important highlights include finalisation of the EBA's draft RTS on strong customer authentication and common and secure communication under the PSD II and the FSB's consultation on the framework for CCP resolution.

This note is produced for information only on a best effort basis, and does not constitute advice of any kind.

## Brexit

The UK Government [published](#) a **white paper** outlining its strategy and priorities throughout the Brexit negotiation process. The paper expanded on 12 principles set out by Prime Minister Theresa May in her speech on 17 January and confirmed the UK's intention to leave the Single Market and Customs Union and seek an "ambitious and comprehensive" Free Trade Agreement and a new customs agreement with the EU.

The Treasury Select Committee (TSC) [published](#) a letter from Andrew Bailey, Chief Executive of the Financial Conduct Authority (FCA), to Andrew Tyrie, the TSC's Chairman, on **implications of Brexit on UK financial services** and transitional arrangements which might be established following the UK's withdrawal from the EU. While the FCA did not provide an estimate of the value of UK financial services that could be affected if EU passporting rights were lost, Mr. Bailey stressed that global standards did not currently provide "an alternative either to the financial services passport within the EU single market or to third country access provisions".

He also said that aiming at a "smooth transition" and avoiding a "cliff-edge" scenario would be important to prevent material risks arising to consumer protection, market integrity and competition.

The Financial Services Consumer Panel, an independent statutory body that advises and challenges the FCA in its policy-making, [published](#) a position paper on the **opportunities and risks of Brexit for financial services consumers**.

It highlighted a number of areas where it considered existing EU legislation brought "clear benefits" to UK consumers and should remain in force in the UK, including the Payment Accounts Directive (PAD), Undertakings for Collective Investment in Transferable Securities Directive (UCITS V) and the Consumer Credit Directive.

Dr. Andreas Dombret, Member of the Executive Board of the Deutsche Bundesbank, [spoke](#) about the possible **impact of Brexit on the financial landscape**. He warned that equivalence was "not a reliable substitute for passporting" and stressed that financial services were "an especially tricky area" in negotiating free trade agreements with the EU, as the EU had "never fully integrated finance in its free trade agreements with third countries".

The International Regulatory Strategy Group (IRSG) [reported](#) on implications of the **post-Brexit regime for central counterparties (CCPs)** for banks and end-users of financial markets. The report stressed that there was a risk of market disruption and sharply increased costs of clearing if no arrangements were put in place to manage transition between regimes.

## Capital (including stress testing)

The Prudential Regulation Authority (PRA) [proposed](#) changes to the measurement of capital under the **Pillar 2A capital framework**, which would potentially reduce capital requirements for banks using the standardised approach (SA) for credit risk. The changes entail supervisory adjustment of the Pillar 2A add-ons, consideration of potential coverage of expected credit losses in the International Financial Reporting Standard (IFRS) 9 by the SA Pillar 1 capital charge, and an update to the PRA's credit risk benchmarks.

The PRA [updated](#) its supervisory statement on **market risk**. The update clarified the PRA's expectations in a number of areas, including the information that the Internal Models Approach (IMA) firms should submit quarterly, and the definition of trading location when applying for regulatory approval of the IMA.

Following the finalisation of reporting requirements for **ring-fenced banks** (RFBs), the PRA [updated](#) its methodologies for setting **Pillar 2** capital and [revisited](#) its expectations in relation to the **Internal Capital Adequacy Assessment Process** (ICAAP) and the **Supervisory Review and Evaluation Process** (SREP).

The PRA [amended](#) its rules on **loan-to-income (LTI) ratios in mortgage lending** and set out that the LTI flow limit should be applied on a four-quarter rolling basis. The FCA [revised](#) its guidance on LTI ratios bringing them into line with the PRA's rules.

The PRA [updated](#) its supervisory statement on the **own risk and solvency assessment** (ORSA) and the ultimate time horizon under Solvency II for non-life firms. Changes were made to the templates and instructions for submitting internal model output information.

David Rule, Executive Director of Insurance Supervision at the Bank of England (BoE), [gave](#) a speech on the first year of **Solvency II** operation in the UK. He recapped how Solvency II was designed to work, the FCA's approach to implementation, and its experience of operating the Solvency II framework. He also discussed areas "where Solvency II needed improvement", in particular the calibration of the risk margin to avoid "excessive" interest rate sensitivity. Nevertheless, his overall conclusion on Solvency II was that "broadly, it is now working well".

The European Banking Authority (EBA) [released](#) an update on the timeline for the **2018 EU-wide stress test**. The exercise will be launched at the beginning of 2018 and the results published in mid-year. The methodology and templates will be revised during 2017 and will take into account the implementation of IFRS 9.

The EBA [published](#) its final draft regulatory technical standards (RTS) setting out procedures for excluding transactions with non-EU non-financial counterparties (NFCs) from the capital requirement for **credit valuation adjustment** (CVA). The RTS aligned the treatment of NFCs established in a third country with the treatment of EU NFCs as recommended in the EBA CVA Report. It also clarified that firms were responsible for verifying whether a non-EU counterparty qualified as a NFC and that it did not exceed the clearing threshold specified in the European Market Infrastructure Regulation (EMIR).

The EBA [reported](#) on the semi-annual **Capital Requirements Directive and Regulation (CRD IV-CRR)/Basel III monitoring exercise**. It showed that all EU banks in the sample complied with the future minimum CET1 capital requirement (4.5%) plus the capital conservation buffer (7%) as of the end of June 2016. However, some EU banks continued to report a shortfall under the Liquidity Coverage Ratio and the Net Stable Funding Ratio. The BCBS also [published](#) its latest **Basel III monitoring report**, which included its analysis of the impact of the revised market risk framework based on end-June 2016 data. The percentage increase in capital requirements was "significant", with a weighted average increase of 75.9% of current market risk-weighted assets for G-SIBs. Firms that used the SA to market risk were affected the most.

The European Central Bank (ECB) [wrote](#) to "significant" banks in the Single Supervisory Mechanism (SSM) asking for their feedback on draft **ICAAP and Internal Liquidity Adequacy Assessment Process** (ILAAP) principles. The ECB launched a multi-year project to develop comprehensive guides on ICAAP and ILAAP for "significant" SSM banks and will consult on the revised guides early next year.

The ECB [called](#) for feedback on its guide to the **Targeted Review of Internal Models** (TRIM). It set out the ECB's views on appropriate supervisory practices in relation to credit, market, and counterparty credit risks and model governance issues.

### Liquidity

The FCA [published](#) new evidence on **liquidity in UK corporate bond markets**. It suggested that liquidity had declined from mid-2014 onward. Some firms had also seen an increase in failed or rejected trades and the amount of time to fill an order, a decline in dealer quote rates on electronic bond trading platforms, and a slight increase in some bid-ask spreads.

### Governance and risk management (including remuneration)

The Financial Reporting Council (FRC) [announced](#) a "fundamental" review of the **UK corporate governance code**. It will take into account the FRC's work on succession planning and the proposals laid out in the Government's green paper and the Business, Energy & Industrial Strategy Select Committee's inquiry into corporate governance.

### Conduct of Business (including MiFID)

HM Treasury [published](#) the **response to its consultation on the transposition of the Markets in Financial Instruments Directive (MiFID) II**, including draft statutory instruments. It included topics of third countries, organised trading facilities, binary options, power to remove board members and data reporting service providers. The Government decided to maintain its current third country regime and will not implement Article 39 of MiFID II.

HM Treasury [consulted](#) on the transposition of the **Insurance Distribution Directive (IDD)**. Changes introduced by IDD with a bearing on the UK included the removal of requirements to regulate certain activities, such as changes to exemptions from regulation for market participants selling insurance products on an ancillary basis as part of package. Additionally, IDD removed the requirement to regulate those carrying out activities which consisted of the mere provision of data or information on insurance products or potential policyholders.

HM Treasury [published](#) a response to its consultation on the definition of **financial advice**. For regulated firms, HMT decided that the definition of financial advice should only apply when firms provide a personal recommendation. The wider definition of advice in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 as "advising on investments" remains unchanged for unregulated firms.

The FCA [published](#) a policy statement and final rules on changes to the disclosure guidance and transparency rules (DTR) on the delay in the **disclosure of inside information**. It proposed minor wording changes to DTR 2.5 in line with the FCA's existing approach in implementing the Market Abuse Regulation (MAR).

The FCA [published](#) a discussion paper and [consulted](#) on the **effectiveness of the UK's primary markets**. It made proposals in relation to the UK's premium listing regime and explored issues around the listing of debt securities on multilateral trading facilities, overseas issuers, retail access to debt markets, exchange traded funds and growth of science and technology companies. Christopher Woolard, Executive Director of Strategy and Competition at the FCA, [stressed](#) that the "integrity of the market, effective competition and protection for consumers and users" were essential for the UK "to continue to consider itself a global centre for the issuance of securities".

The European Securities and Markets Authority (ESMA) [revised](#) its draft Implementing Technical Standards (ITS) on the format of **position reports** by investment firms and market operators under MiFID II. It removed the requirement for all commodity positions to be reported on a gross basis.

ESMA [wrote](#) to the European Commission raising concerns about the potential establishment of networks of **systematic internalisers (SIs)** to circumvent certain MiFID II obligations. It warned that SIs operating broker crossing networks would breach rules such as the trading obligation for equities, and the requirements for investment firms operating internal matching systems and executing client orders on a multilateral basis to be authorised as trading venues.

ESMA [published](#) a final report with draft RTS under the Markets in Financial Instruments Regulation (MiFIR) on **package orders for which there is a liquid market**. It set out a general methodology and asset-class specific criteria to assess whether packages were standardised and frequently traded.

ESMA [published](#) its **2017 risk assessment work programme**. This includes completing the technical infrastructure for data processing as market data collected under the Alternative Investment Fund Managers Directive (AIFMD), MiFID and EMIR mandates become available; and enhancing ESMA's risk monitoring capacities. ESMA also plans to pursue in-depth research on market and fund liquidity, fund leverage, and the impact of innovation especially in the areas of market infrastructures and investment advice, and to continue to further enhance stress testing work, including developing ESMA's approach to investment fund stress testing.

ESMA [published](#) its **2017 supervisory convergence work programme**. Areas of focus include preparing for the implementation of MiFID II/MiFIR, applying MAR, improving data quality, ensuring adequate investor protection in the context of cross-border provision of services, and ensuring effective convergence in the supervision of EU CCPs.

The European Insurance and Occupational Pensions Authority (EIOPA) [issued](#) technical advice on possible delegated acts on the **implementation of the IDD**. It covered product oversight and governance, conflicts of interest, inducements, and assessment of suitability and appropriateness. EIOPA also [wrote](#) to the Commission and [submitted](#) a final report summarising responses to the consultation.



EIOPA [consulted](#) on guidelines on complex **insurance-based investment products** (IBIPs) under the IDD. It covered the assessment of all types of IBIPs and included criteria to identify product features which may be difficult for the customer to understand.

The European Supervisory Authorities (ESAs) [consulted](#) on minimum requirements for manufacturers of **packaged retail and insurance-based investment products** with environmental or social objectives (EOS PRIIPs). The proposals included requirements to establish a well-founded and robust investment strategy consistent with the EOS objectives and to provide at least an outline of the EOS objectives in the Key Information Document (KID), together with a link to more detailed elaboration on all of the relevant steps of the investment lifecycle.

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

The PRA [updated](#) its **supervisory statement on RFBs** which set out revised expectations for recovery planning, reverse stress testing and RFB group risk.

The Single Resolution Board (SRB) [published](#) information on further development of the **minimum requirement for own funds and eligible liabilities** (MREL) policies and calculation of binding MREL requirements, both at the consolidated level and material entity level, which will be finalised during 2017 and early 2018. The SRB moved away from the mechanical approach adopted last year by making new adjustments for individual firms according to their resolution plans and risk profiles. The SRB said firms will need to comply with their MREL requirements after an "appropriate" but as-yet unspecified transitional period.

The International Association of Insurance Supervisors (IAIS) [announced](#) its **systemic risk assessment and policy workplan** and set out related workstreams including the development of an activities-based approach to assessment of potential systemically risky activities in the insurance sector, and policy measures to address such potential systemically risky activities. The IAIS plans to consult on the revised 2019 systemic risk assessment methodology by the end of 2018. Revisions to higher loss absorbency (HLA) requirements will be based on the Insurance Capital Standard (ICS) Version 2.0 scheduled for adoption in late 2019.

### **Regulatory perimeter**

The BoE [published](#) its annual report on supervision of **financial market infrastructures** (FMIs). It set out the context for FMIs, including their growing systemic importance, and the BoE's approach to FMI supervision. Over the course of 2016, the BoE's supervision of FMIs focused on their operational resilience, Board effectiveness and governance, recovery and resolution, and continuing to work with Euroclear UK & Ireland Limited to further its application for authorisation under The European Central Securities Depositories Regulation (CSDR). Priorities for 2017 include enhancing the BoE's approach to ensuring operational resilience of FMIs, continuing to work with international regulators to develop the framework for CCP resolution, assessing the impact of the proposed merger between Deutsche Börse and the LSE Group, and ensuring FMIs identify and mitigate risks to their operations resulting from the UK's withdrawal from the EU.

HM Treasury [consulted](#) on transposition of the revised **EU Payment Services Directive** (PSD II) into UK law and [set out](#) draft statutory instruments. It proposes to build on the existing the Payment Services Regulations 2009 to ensure continuity and consistency with the implementation of the PSD in the UK and that the payment services regime remains, as far as possible, tailored for the UK payments market.

In a [speech](#), **David Bailey**, Director of Financial Market Infrastructure at the BoE, announced upcoming amendments to the legislative framework for the **retail payment infrastructure** to enable, where necessary, direct supervision of infrastructure providers by the BoE in order to ensure financial stability. Clarifications to regulatory requirements and expectations are expected to be incorporated into the development of the new architecture.

The FCA [published](#) a discussion paper on illiquid assets and **open-ended investment funds**. It considered a range of potential measures to address difficulties arising when investors expect to be able to withdraw their money quickly and at short notice. These include differential treatment of professional investors, changes to portfolio structure and liquidity buffer, asset valuation and anti-dilution measures, additional guidance and tools, enhanced disclosure and secondary market provision.

The [International Organization of Securities Commissions](#) (IOSCO), the [ESAs](#) and the [FCA](#) published statements on the **implementation of variation margin** recognising that some firms, notably smaller financial firms, buy-side firms, asset managers, pension funds and insurance companies, might not be in a position to exchange variation margin fully in compliance with the relevant regulatory technical standards by 1 March 2017. Supervisors, including the FCA, plan to adopt a case-by-case assessment on the degree of progress, with a view to ensuring that firms have credible plans to achieve compliance and are mitigating the risks associated with non-compliance.

ESMA [set out](#) a high-level design of the 2017 **CCP stress test**. Compared to the first exercise conducted by ESMA in 2016 that was focused on the counterparty credit risk, the scope will now be extended to cover liquidity risk. The exercise will not assess CCPs' compliance with EMIR and minimum regulatory requirements.

ESMA [published](#) its annual report and work programme on **supervision for credit rating agencies (CRAs), trade repositories (TRs), and third country CCPs** in the EU. In 2016, ESMA recognised 11 third country CCPs and, in 2017, it plans to assess 21 applications for recognition. ESMA also plans to focus on data quality, technology trends and internal control at trade repositories, and on a risk analysis framework for existing recognised third country CCPs.

The [EBA consulted](#) on guidelines to govern complaints to competent authorities about alleged infringements of **PSD II**, requiring authorities to provide at least two different channels for filing complaints, and monitor compliance based on appropriate internal documentation and aggregate analysis. The EBA also specified the information that needed to be included in the complaint and the authority's response, which should be made available to the public.

**Andrea Enria**, Chair of the EBA, [noted](#) that the **PSD II** policy framework remained relevant to the UK even after Brexit, and highlighted the "difficult trade-offs between the competing objectives" of PSD II the EBA faced in the development of the technical standards for strong customer authentication and common and secure communication (SCA & CSC). Those include time constraints, the lack of clarity in the PSD II legal text, and the vast number of responses from stakeholders which expressed "300 distinct concerns and clarification requests".

The EBA [expressed](#) dissent over the EU Commission's amendments to the final draft RTS under the **Interchange Fee Regulation (IFR)**, particularly its intention to treat payment card schemes and processing entities as legally and structurally separate entities, whereas only "qualitative and organisational" separation was required by the IFR. The EBA's view was that the Commission's proposals "might result in a disproportionate, difficult and/or ambiguous application of the RTS" and would "significantly affect the ability of small undertakings to compete".

EIOPA [published](#) a decision on the **collaboration of the insurance supervisory authorities** from all EU Member States. It extended pre-existing information and data exchange rules in areas such as authorisations, complaints and recovery plans.

ESMA [reported](#) on the application of **distributed ledger technology (DLT)** to securities markets. It concluded that the current regulatory framework did not present any major impediments to the development of DLT and that it would be premature to launch any regulatory action, considering the early stage of the technology and the limitation of practical applications both in number and scope.

The European Parliament's ECON committee [reported](#) on the **influence of technology on the future of the financial sector** and encouraged firms to use RegTech solutions to comply with new regulatory frameworks. ECON also asked the European Commission to draw up a FinTech action plan and called on relevant authorities to clarify rules on compliance outsourcing.

Steven Maijoor, Chair of ESMA, [spoke](#) about improvements to the process and timing of **development of draft technical standards, supervisory convergence and framework for third countries**. He said that ESMA required at least 12 months to deliver 'high quality' technical standards and that it needed to have an instrument similar to the no-action letters to allow quicker response to market developments. He also expressed the views that ESMA needed the power to impose higher fines on supervised entities and that its supervisory convergence tools were "too weak" and "not sufficiently effective to ensure that the risks to consumer protection are sufficiently controlled or reduced". He also said the third country framework needed to be overhauled to address existing problems and concerns, including those related to the strong reliance on the home country regulator.

The Financial Stability Board (FSB) [consulted](#) on draft guidance for **CCP resolution and resolution planning**. It set out a framework for resolution of CCPs including a range of powers and tools that should be available to authorities to resolve a failing CCP. The guidance also covered indicators for considering when a CCP should enter resolution, use of loss allocation tools in resolution and provisions necessary to protect creditor rights, and steps authorities should take for resolution planning including assessing resolvability.

IOSCO [published](#) the second review of the implementation of **IOSCO's Principles for Financial Benchmarks** in respect of the WM/Reuters 4pm closing spot rate. IOSCO found that most of its recommendations had been put into practice. The report made further recommendations in areas including management of conflicts of interest, review of internal policies and disclosure of information where the principles had not been fully implemented. One area in which implementation "distinctly lagged" progress was the internal and external audit of compliance.

The Committee on Payments and Market Infrastructures (CPMI) [reported](#) on **DLT in payments, clearing and settlement**. It set out an analytical framework for banks and other relevant authorities to use when determining the potential efficiencies and risks of DLT applications.

CPMI-IOSCO [published](#) technical guidance on the usage, generation, structure and format of **Unique Transaction Identifiers (UTIs)** to enable authorities to set rules on assigning UTIs to OTC derivatives transactions.

IOSCO [published](#) its research report on **Fintech**. It set out the context of global trends in the delivery of securities and capital markets products and services through the use of Fintech, including through alternative financing platforms, retail trading and investment platforms, institutional trading platforms and DLT.

IOSCO [published](#) the final report on findings of its survey on **loan funds** across 24 jurisdictions. It looked into reasons for prohibiting loan originating funds, market environment, regulatory aspects and relevant risks, such as liquidity, credit and systemic risks, regulatory arbitrage and the challenge around the valuation of loans. All jurisdictions considered loan origination by funds to be a "shadow banking activity", highlighting the merit of monitoring its developments. IOSCO concluded that further work was not warranted at this stage.

### Rethinking the domestic and international architecture for regulation

The European Parliament [passed](#) a new resolution on the **Banking Union**, covering supervisory developments, the resolution of banks, and deposit insurance. It raised concerns at the high level of non-performing loans (NPLs), and recommended that the Commission assist Member States in the establishment of dedicated asset management companies (or 'bad banks') and enhanced supervision. It stressed that national options and discretions might hinder the creation of "a level playing field" between Member States and the comparability of financial reporting by banks to the public. Parliament also clarified how MREL and minimum total loss-absorbing capacity (TLAC) instruments should work and warned that the Bank Recovery and Resolution (BRRD) requirement of contractual recognition for bail-in powers on liabilities governed by non-EU legislation was "proving cumbersome to implement".

Valdis Dombrovskis, Vice-President of the European Commission, [spoke](#) about the EU's contributions towards the **international regulatory architecture**, and its stance to continue cooperating on financial governance at the international level and upholding the reforms introduced to protect financial stability in Europe. He warned that "lax regulation in one country can create conditions for inadequate regulation and contagion throughout the world."

The FSB [assessed](#) progress on a variety of post-crisis reforms, and the development of a 'comprehensive framework' for evaluating the **post-implementation effects of reforms**. The FSB committed to the delivery of a number of reports and policy proposals ahead of the G20 Leader' Summit in July, including publication of reviews of shadow banking and OTC derivatives reforms, and consultation papers on financial technology and the role of compensation tools in addressing misconduct risks.

US President Donald Trump [issued](#) an executive order on **core principles for regulating the US financial system**. The principles included preventing the funding of taxpayer bailouts, rationalising the financial regulatory framework and making regulation efficient, effective, and appropriately tailored. It called for a report by the Secretary of the Treasury and FSOC on the extent to which existing policies promote and support federal regulation in a manner consistent with the core principles.

### Disclosure, valuation and accounting

The PRA [published](#) a final policy statement on **reporting requirements for RFBs**. It made a number of technical clarifications to wording and reporting instructions. The PRA believes the degree of granularity and level of application of the requirements to be appropriate. It plans to consult on a proposal to require RFBs to report an aggregated total for the use of exceptions from the ring-fencing rules for all legal entities within an RFB sub-group, in addition to the individual RFB reporting requirements. The PRA [updated](#) its supervisory statement on guidelines for **completing regulatory reports** with templates and reporting instructions for reporting requirements applying to RFBs.

The PRA also [consulted](#) on **residual reporting issues for RFBs**, including a requirement for RFBs to report their affiliates' use of exceptions from the ring-fencing rules. The consultation also included proposals for RFBs to comply on a sub-consolidated basis with changes to reporting requirements relating to IFRS 9, as well as a requirement that RFBs within a sub-consolidation group must submit intra-group exposures without netting intra-group transactions.

The PRA [set out](#) supervisory expectations on the form and timing for **liquidity reporting for third country branches**. It expects liquidity information to be provided on a semi-annual basis and, where appropriate, on a more frequent basis taking into account the firm's potential impact on UK financial stability.

The PRA [updated](#) its supervisory statement on **regulatory reporting and internal model outputs** under Solvency II. The updates were made to reflect changes to references and template names.

The EBA [updated](#) a list of institutions which are required to report for the purposes of the **2017 EU supervisory benchmarking exercise** to assess the quality of internal approaches used to calculate risk exposure amounts.

The ECB [consulted](#) on amendments to the regulation on **reporting of supervisory financial information**. The amendments mainly reflect changes from the introduction of IFRS 9, including changes to the FINREP reporting templates. It also [published](#) a consolidated version of the draft regulation.

EIOPA [published](#) draft ITS for the **insurance product information document (IPID)** in the IDD. It was designed to enhance the standardisation and comparability of the IPID whilst ensuring the ITS does not conflict with future digital developments in the insurance market.

### Information security and data privacy

The Information Commissioner's Office (ICO) [consulted](#) on consent guidance under the **General Data Protection Regulation (GDPR)**. It explained ICO's recommended approach to compliance and what counts as valid consent. It also provides practical help to decide when to rely on consent, and when to look at alternatives.

Elizabeth Denham, the UK's Information Commissioner, [appeared](#) before the House of Lords EU Home Affairs Sub Committee to discuss the **EU Data Protection Package**. She discussed the importance of ensuring data continued to flow freely across borders following Brexit, and noted the need to increase the ICO's headcount to cope with the increased workload that was expected following the implementation of the GDPR.

The EBA [finalised](#) its draft RTS on **SCA & CSC** under the **PSD II**. It introduced a number of changes, including additional exemptions to SCA requirements, the prohibition of screen scraping by third parties, and an increased threshold for remote payment transactions.

### Financial Crime

The ESAs [published](#) a joint opinion on the **risks of money laundering (ML) and terrorist financing (TF)** affecting the EU's financial sector. They found several problems and difficulties experienced by firms which could diminish the robustness of Europe's ML/TF defenses, including in the areas of firms' understanding of the ML/TF risks to which they were exposed, their implementation of customer due diligence policies and procedures, and the lack of timely access to intelligence used to identify and prevent terrorist financing.

The ESAs [consulted](#) on criteria to determine whether payment service providers or e-money institutions that operated across borders needed to establish a central contact point with the competent authority of the host EU Member State in order to comply with **anti-money laundering and counter terrorist financing** laws, and specified the functions that a central contact point must have.



## Other

The FCA and PRA [published](#) a policy statement on implementation of the **Enforcement Review** and Andrew Green QC's report into the FSA's enforcement actions following the failure of HBOS ('the Green Report'). It included final changes to enhance enforcement decision-making processes in areas including decision-making on referring an issue for investigation, provision of more information and regular updates in case of a referral for investigation, and effective levels of dialogue between enforcement and supervision departments.

The PRA [updated](#) its risk-based formula that the **Financial Services Compensation Scheme** should use to calculate firm levies.

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