



## Risk and Regulation Monthly

### September 2016

The summer period has ended and our focus is back to the dual tasks of implementing rules that have already been agreed and assessing how the regulatory framework still needs to change. G20 Leaders meeting in Hangzhou, China received an update on the progress of global regulatory efforts from the Financial Stability Board (FSB), and the Basel Committee on Banking Supervision (BCBS) held an important meeting later in the month on finalising the post-crisis bank capital framework. In Brussels, the European Commission re-affirmed its commitment to pressing forward with the Capital Markets Union (CMU) agenda and gave further detail on its legislative plans in this area. In Britain, Prime Minister Theresa May used the Conservative Party conference to indicate the Government's intent to trigger Article 50 and launch exit negotiations by March 2017.

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#### Brexit

The European Commission President Jean-Claude Juncker **delivered** the 2016 **State of the Union address** before the European Parliament in Strasbourg where he warned that the UK could not retain access to the EU's single market if it does not accept free movement of people. He also expressed concerns about the European Union facing fragmentation in the face of nationalism and called for solidarity in the wake of the UK vote.

The Treasury Committee (TSC) **published** correspondence from Andrew Bailey, CEO of the FCA, to Andrew Tyrie, Chairman of the TSC, disclosing the first set of **official passporting data**. The statistics show that there are 5,500 financial services firms in the UK holding passports to conduct business in other European Economic Area (EEA) Member States, and 8,000 EEA firms holding passports to conduct business in the UK. The correspondence also provides a list of the available passports under each single market directive.

The Financial Policy Committee (FPC) **published** a statement from its meeting on the 20th of September stating that **bank capital requirements** will remain as stringent as those currently in place irrespective of the UK's future relationship with the EU. The FPC also recognised the need to ensure that the regulatory framework continues to evolve alongside international standards and the risk environment and stated that the UK financial stability outlook remains challenging.

Theresa May **gave** a speech at the Conservative Party conference where she stated that **Article 50** will be triggered no later than the end of March 2017. The Prime Minister said that she wants to give British companies the maximum freedom to trade with and operate in the Single Market but that she will not give up control of immigration or maintain the jurisdiction of the European Court of Justice.

Philip Hammond, Chancellor of the Exchequer, **gave** a speech at the Conservative Party conference and said that the government would do anything necessary to protect the economy from turbulence throughout **Brexit negotiations** and to obtain the best deal for British business and workers. He announced that, aside from guaranteed funding for projects signed prior to this year's Autumn Statement, the Treasury will guarantee payments to firms securing multi-year EU funding before the UK exits the EU in order to reduce uncertainty.

### Capital (including stress testing)

The Financial Conduct Authority (FCA) **published** a paper summarising certain aspects of its **Pillar 2** policy arising from the application of CRD IV and the EBA's Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP). The paper indicated how capital requirements were determined and how the FCA would intervene in case of a breach. The paper also laid out a range of problems the FCA identified with stress testing reports. It said it was "disappointed" by the level of compliance with stress testing provisions.

The Prudential Regulation Authority (PRA) **published** a Supervisory Statement for firms in scope of **Solvency II**, setting out guidance and expectations with regards to the appropriateness of disclosed information and the approval process for the Solvency and Financial Condition Report (SFCR). It also set out its expectations of auditors in auditing a firms' SFCR.

The PRA **consulted** on a draft Supervisory Statement clarifying **how insurance firms should plan and respond to a market turning event** (MTE) under Solvency II. In addition, the PRA set out areas for firms to consider in the medium and long-term after the occurrence of an MTE, and the possible implications for the risk profile and business model of an insurer.

The PRA **published** a Supervisory Statement setting out expectations of firms applying for major changes to **internal models under Solvency II**. Specifically, the PRA clarified its interaction with firms as part of the model change application, as well as the quality expected of an application and the information needed.

The PRA **consulted** on changes to two Supervisory Statements relevant to **Solvency II** firms. The proposed changes followed the analysis of the year-end 2015 PRA internal model output data request, and addressed data quality and technology issues identified.

The TSC **announced** an inquiry into **Solvency II** which focused on the impact of the regime on the competitiveness of the UK insurance industry in the context of Britain's referendum decision to leave the EU. The TSC laid out the options for the future relationship between the UK and the EU, and invited the UK insurance industry and other stakeholders to comment on the existing regulatory framework.

The PRA published a **supervisory statement** and a **policy statement** on **underwriting standards for firms that undertake the buy-to-let lending** that are not already subject to FCA regulation. The statements set out principles and expectations for affordability testing, portfolio landlords, risk management, the SME supporting factor and set out implementation timescales for 2017.

The European Banking Authority (EBA) **published** the results of its latest **CRD IV/CRR monitoring exercise**, which ran in parallel to the monitoring exercise at the global level conducted by the BCBS. The EBA said European banks' capital ratios further increased, with the capital shortfall below the 7% CET1 benchmark now less than at any time since mid-2011.

The European Central Bank (ECB) **consulted** on draft guidance on how banks deal with **non-performing loans** (NPLs). It provided recommendations and set out a number of best practices. The ECB, together with eight national supervisory authorities, also conducted a stock take of national supervisory practices and legal frameworks concerning NPLs and found that some countries could further improve their legal and judicial framework to better facilitate the workout of NPLs.

The European Commission **published** an Implementing Regulation defining the templates, definitions and IT solutions to be used by firms when reporting on the **benchmarking of portfolios that are calculated using internal approaches** under CRD IV.

The EBA **published** its final Guidelines on the application of the **definition of default**. In setting an application date of 1 January 2021, the EBA recognised the significant implementation challenge for firms, particularly those on Internal Ratings-Based (IRB) Approaches. The EBA also **quantified** the impact of the proposed changes on capital requirements and found that capital requirements would not significantly increase. The impact varied across firms and was generally greater for firms on IRB Approaches.

The BCBS **published** the results of its latest **Basel III monitoring report**. For the third consecutive year, all large internationally active banks met their fully phased-in Basel III minimum CET1 requirement of 4.5% and the future CET1 target of 7% (including the capital conservation buffer). A group of smaller, domestic banks continued to face a €0.2 billion capital shortfall at the target level. The total capital shortfall for this group of banks increases to €1.6 billion when taking into account the end-point Tier 1 leverage ratio.

### Liquidity

The EBA **submitted** a report in response to the European Commission's Call for Advice on a possible **core funding ratio** (CFR). The EBA found that assessing funding risks only by the CFR could lead to wrong conclusions, primarily because the CFR did not take into account the asset side of the balance sheet. The EBA concluded that on its own a CFR is not a suitable replacement of the Net Stable Funding Ratio (NSFR), even for a specific subset of business models.

### Governance and risk management (including remuneration)

The FCA published letters on its **governance requirements** and **prudential approach** for investment firms that are subject to the Prudential Sourcebook for Investment Firms (IFPRU firms). The FCA has completed a number of Supervisory Review and Evaluation Process (SREP) cycles and noted that many firms have not complied with the **governance requirements** under CRD IV. The FCA stipulated that it will review IFPRU investment firms' **Internal Capital Adequacy Assessment Process** as part of a further SREP. It set out its expectations as to what firms must, at a minimum, document and review.

David Rule, Executive Director of Insurance Supervision at the Bank of England, **gave** a speech on **"managing insurance in a soft market"** stressing the PRA's concerns regarding insurers managing risk exposures as pressures on profits and retaining market share in the prolonged soft market intensify. To address the issue, Boards are expected to: seek evidence that underwriters are maintaining appropriate discipline, establish a robust approach and appropriate oversight of the settling of reserves and the reserving process, ensure that the impact of insurance transactions is appropriately reflected and satisfy themselves that firms' assessments of risk and capital requirements remain valid.

### Conduct of Business (including MiFID)

The FCA **published** key findings of a thematic review of **financially vulnerable customers**, following a review on mortgage lenders' arrears management. Most firms had considered what characteristics might make a borrower more vulnerable to a rise in interest rates and had built analysis around this. Firms are, however, at different stages in developing strategies to treat customers fairly when interest rates rise, with some better prepared than others.

The FCA **published** Feedback on the **Call for Inputs on Big Data in Retail General Insurance** and found that, overall, the impact of Big Data on consumer outcomes is largely positive. It decided not to launch a full-scale market study. It did highlight concerns regarding risk segmentation and pricing practices, where increased use of Big Data had the potential to make some consumers worse off. It said it will "remain alert" to these issues and will take further action if concerns grow.

The FCA **published** the **third consultation paper on MiFID II** which focuses primarily on conduct issues. The consultation paper clarified the FCA's position in a number of areas where it has some discretion, including on payment for research, inducements and product governance. It also sets out areas in which the FCA intends to extend MiFID II rules to non-MiFID firms e.g. UCITS management companies, AIFs, non-MiFID energy and oil market participants, Article 3 exempt firms and UK branches of third country firms. The FCA said that certain conduct, payment for research, best execution and recording of communications rules should be applied to non-MiFID firms.

The **FCA** and **PRA** consulted on expectations on **remuneration in CRD IV firms**. The FCA guidance clarifies the existing process for identifying Material Risk Takers (MRTs) and on governance provisions in EBA guidelines on "significant institutions". It also covers the application of remuneration rules in a group context and good practice examples of non-financial metrics to be used for variable remuneration awards. The PRA provided additional guidance on the application of the EBA Guidelines, malus and clawback to variable remuneration, its position on proportionality, and the identification of MRTs. The PRA clarified that the EBA Guidelines will apply to all firms except for the 'bonus cap', which will apply to firms based on their proportionality level.

The FCA **published** a discussion paper to clarify how and why the **legal function** is currently captured under the Senior Managers and Certification Regime (SM & CR). The FCA invited contributions on whether the legal function should continue to be part of the regime.

The FCA **consulted** on applying **conduct rules** in its Sourcebook to all non-executive directors (NEDs) in the banking and insurance sectors. The FCA proposed that standard NEDs be subject to the five FCA individual conduct rules in the Code of Conduct Sourcebook and to the senior conduct rule requiring persons to disclose appropriately any information on which the FCA and PRA would reasonably expect notice.

The FCA **published** a consultation on how it will enforce the **duty of responsibility**, which was introduced by the Bank of England and Financial Services Act 2016 and is applicable to Senior Managers. The guidance included a non-exhaustive list of considerations that the FCA will keep in mind when determining whether or not a Senior Manager took reasonable steps to avoid a contravention occurring or continuing.

The **FCA** and **PRA** consulted on **whistleblowing**. The FCA proposed that UK branches of overseas banks tell their UK-based employees about the FCA and PRA whistleblowing services. Where a branch of an overseas bank sits alongside a UK-incorporated bank subject to FCA whistleblowing rules, the UK-based staff of that branch should be informed of the subsidiary's whistleblowing arrangements. The FCA proposed that UK branches of overseas banks tell their UK-based employees about the FCA and PRA whistleblowing services, but it noted that the UK branches of overseas banks are not required to implement any other FCA rules related to whistleblowing. The PRA's consultation required UK branches of non-EEA banks and of both EEA and non-EEA insurers to inform their workers about the FCA and PRA's whistleblowing services and any non-EEA banking group with both a UK branch and UK subsidiary, which is subject to PRA whistleblowing rules to inform staff of the branch of the subsidiary's whistleblowing arrangements.

Payday firm, **CFO Lending**, **entered** into an agreement with the FCA to provide over £34 million of redress to more than 97,000 customers for unfair practices. The FCA found a number of failings, which date back to April 2009, took place at the firm and caused detriment for many customers. The FCA said that CFO Lending will contact customers to explain how the redress will be provided.

The FCA and PRA published **final rules** and **guidance policy** on **regulatory references** under the SM&CR and Senior Insurance Managers Regime, which are intended to prevent the "recycling" of individuals with poor conduct records between firms. The FCA limited the obligation for firms to disclose "all relevant information" on an individual's fitness and propriety to six years but retained the no time limit rule for serious misconduct. It said that it will not provide additional guidance on what "all relevant information" means and that firms should exercise judgement.

The PRA **published** a policy statement on **buy-outs of variable remuneration**, which was largely designed to ensure that such activities do not undermine malus or clawback arrangements currently in place. The new rules will apply in relation to any buy-out award agreed on or after 1 January 2017 with an individual who was a Material Risk Taker (MRT) at their previous firm.

The PRA published a **consultation paper** and two supervisory statements on **strengthening individual accountability in banking and insurance**. The regulator set out its expectations on the duty of responsibility and proposed applying certain conduct rules to those non-executive directors who are not approved persons under the SMR or SIMR. It also proposed creating a new PRA Senior Management Function, which will bring the most senior individual responsible for managing, and ensuring the operational continuity of a firm into the scope of SMR.

HM Treasury **consulted** on amending the **definition of financial advice** under UK's Regulated Activities Order to align with the EU definition of 'investment advice' under MiFID such that only advice which makes a personal recommendation would be regulated. The change of the definition will be followed by FCA's guidance on what providers of guidance services need to do in order to treat customers fairly.

The Financial Ombudsman Service (FOS) **published** a report on the impact of **Payment Protection Insurance (PPI) mis-selling** on the service. The report suggested the ombudsman service should maintain its appetite for innovation and continuous improvement, continue to refine its forecasting capability, take full advantage of the growing experience of staff recruited to handle PPI cases, and share as much intelligence as possible with the FCA.

The European Parliament **rejected** the Commission's **Delegated Regulation on the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation** following the unanimous vote of the European Parliament's ECON Committee to **reject** the final technical standards. The Committee had expressed concerns as to whether the technical standards provided for clear, comparable, understandable and non-misleading information in Key Information Documents (KIDs). The Parliament called on the Commission to submit a new Delegated Regulation taking into account the Parliament's concerns about the text.

The European Insurance and Occupational Pensions Authority (EIOPA) **published** a report on good practices on Communication Tools and Channels for communicating to **occupational pension scheme** members. The seven good practices identified by EIOPA advised on coherent communication strategy, storing of all communication in one online space, employer online platform to combine information about related Human Resource matters and pensions, pension calculators, advanced tracking services, evaluation of communication strategy effectiveness and multi-channel strategy.

EIOPA **consulted** on its empowerment to "develop Guidelines for the assessment of **insurance based investment products** (IBIPs) that incorporate a structure which makes it difficult for the customer to understand the risks involved" under the Insurance Distribution Directive (IDD). The fact-finding online survey aimed to facilitate compliance with the August 2017 deadline for issuing the Guidelines in time for the implementation of IDD in February 2018.

The European Securities and Markets Authority (ESMA) **published** a discussion paper on the implementation of the trading obligation for derivatives under Article 28 and 32 of the **Markets in Financial Instruments Regulation (MiFIR)**. ESMA sought input on topics including the level of granularity for calibrating the transparency regime, number of market participants and makers and liquidity criteria in relation to the trading obligation.

ESMA **published** responses to the call for evidence on **asset segregation under UCITS V**. Following strong objection to the asset segregation options on which ESMA consulted under the AIFMD in 2014, ESMA will now consider the thirty three responses received from asset managers, trade associations, central securities depositories and other groups on questions about the custody chain related to both AIFs and UCITS.

ESMA **published** a consultation paper on draft RTS and ITS under the **Securities Financing Transaction Regulation (SFTR)** and amendments to related EMIR RTS. In particular, the draft RTS specify the registration framework for trade repositories under SFTR and requirements related to the transparency of data aggregation.

ESMA **consulted** on its draft regulatory and implementing technical standards (RTS/ITS) which will implement the **Benchmarks Regulation** to ensure their accuracy, robustness and integrity across the EU. The framework will also clarify behaviours and standards expected of administrators and contributors. ESMA is due to consider the feedback of the consultation, finalise the draft RTS/ITS and submit them to the European Commission by 1 April 2017.

The EBA **published** the final guidelines on remuneration policies and practices related to the provision and **sale of retail banking products** and services. The guidelines laid down aspects of remuneration ranging from its scope and definition, compliance and reporting obligations, implementation, proportionality, to impact assessment for credit and payment institutions.

Benoît Cœuré, Member of the Executive Board of the ECB **gave** a speech at the annual meeting of the Money Market Contact Group in Frankfurt on the integral role of **financial sector benchmarks** in the European Economy and criticality of bank participation to the success of their reform. After emphasising contributions from both the private and public sectors in improving the benchmark-setting process, he particularly encouraged banks to join the transition of the EURIBOR to the transaction-based methodology in 2017.

The BCBS **published** guidance on the application of the **Core Principles for Effective Banking Supervision** to the regulation and supervision of institutions relevant to financial inclusion. Covering supervisory power, responsibilities and functions as well as prudential regulations and requirements, the application of the Guidance addressed unserved and underserved customers in both BCBS and non-BCBS countries.

The FSB **published** a report on measures to reduce **misconduct risk in financial services** cutting across a wide range of issues, from compensation and governance to FICC markets and benchmarks. The report was largely a stocktake, but it made clear that conduct and governance will remain priority issues. The FSB said it will develop guidance on the link between compensation and conduct, and would also look at reporting and data collection on the use of compensation tools to address misconduct risk. The FSB's new Working Group on Governance Frameworks will also take forward this work.

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

In its **Introduction to Resolution Planning** the Single Resolution Board (SRB) specifies the procedure for **resolution planning** as stipulated in the BRRD and set out its approach. The SRB gives an indication of the level of preparedness and the granularity of information that it will expect from banks in the resolution planning process. It also gives an overview of how it will determine the appropriate bank-specific level of minimum requirements for own funds and eligible liabilities (MREL) to ensure that banks have sufficient loss-absorbency in a resolution scenario.

Final technical standards for calculating the **minimum requirement for own funds and eligible liabilities** (MREL) under the Bank Recovery and Resolution Directive (BRRD) were **published** in the EU's Official Journal, ending an almost two year process of drafting and revision. The standards set the criteria for resolution authorities to consider when determining bank-specific MREL levels.

### **Regulatory perimeter**

HM Treasury **gave** an account of how the UK has complied with its responsibilities under the **Payment Accounts Directive (PAD)**, by providing details on the application of implementing regulations, the duties of competent authorities and how material provisions such as account switching and basic bank account offerings are implemented.

HM Treasury **made** a statutory amendment enabling the **PRA** to use its full range of powers under the Financial Services and Markets Act 2000 in order to enforce directly applicable EU regulations in relation to the taking-up and pursuit of the business of insurance and reinsurance under **Solvency II**.

Christopher Woolard, Director of Strategy and Competition at the FCA, **gave** a speech at the BBA **Fintech Banking Conference** updating on two years of Project Innovate. Three hundred firms were assisted and interest in both the Sandbox and the Advice unit exceeded expectations. Successful applicants to these initiatives are allowed to start testing new ideas without incurring all of the regulatory consequences and to introduce automated advice to the market, respectively.

Victoria Cleland, Chief Cashier of the Bank of England, **gave** a speech on **fintech opportunities** focusing on widening access and distributed ledger technology. She mentioned that the Bank is developing a blueprint for a new generation of its **RTGS infrastructure** and will be consulting on a package of proposals in the near future. The Bank is also undertaking long-term research on the feasibility and implications to the economy of a potential central bank-issued digital currency.

Subsequently, the Bank of England (BoE) **consulted** on high-level proposals for the next generation update of its **Real-Time-Gross-Settlement (RTGS) system**. The Bank's proposals are intended to provide broader access, higher resilience, greater interoperability, and a wider range of user functionality. The BoE will begin its work to develop the new RTGS in 2017 and aims to complete delivery in 2020.

The three **European Supervisory Authorities** (EBA, EIOPA, ESMA – together, ESAs) **disagreed** with the amendments proposed by the EU Commission to the technical standards on risk mitigation techniques for **non-centrally cleared OTC derivatives**, particularly the removal of concentration limits on initial margins for pension schemes.

The EBA **published** a consultation paper on draft guidelines on the criteria that insurance authorities should consider when stipulating the minimum monetary amount of professional indemnity insurance or comparable guarantee for payment initiation service (PIS) and account information service (AIS) providers under the **revised Payment Service Directive** (PSD 2). The final guidelines will be published after consultation, the closing date being end of November 2016.

Under the PAD, the EBA **proposed** a standardised terminology for eight **payment account-related services** that are used in a majority of Member States, as well as a standardised format of how payment service providers should disclose information on fees to customers.

The FSB and IMF **published** a report on the second phase of the international **Data Gaps Initiative** with the aim of bringing G20 countries to a higher common statistical standard in relation to the financial system. The report set out a series of targets to be met by 2021, including for indicators of financial soundness, and global systemically important insurers (G-SIIs). There will be four technical workshops in 2017, including one on G-SII information reporting.

**Phase-in of margin requirements for non-cleared derivatives** started on 1 September in the USA, Canada and Japan, for the largest financial counterparties, in accordance with the international **timeline** set by the BCBS/IOSCO.

### Rethinking the domestic and international architecture for regulation

The European Commission renewed its commitment to the CMU and **proposed** plans to **accelerate reforms**. Notable priority areas for immediate action include the implementation of simple, transparent and standardised securitisations, the modernisation of securities prospectus rules, and the establishment of a programme to support Member States with implementation of domestic structural economic reforms for the period 2017-2020.

The FSB **published** its **Second Annual report to G20 Leaders** saying there had been significant, yet uneven, progress in implementation of the G20 regulatory agenda. Global banks and financial markets were in general more resilient, but several areas were still in need of further work. Progress in relation to OTC derivatives trade reporting came in for particular criticism, with significant work still needed. The FSB also emphasised that support was needed from political leaders, including to ensure that legal, data and capacity constraints do not hamper implementation efforts.

The FSB **published** a summary of the status of implementation of **FSB and G20 reforms** in areas that are not designated as priorities under the FSB coordination framework for implementation monitoring. These include hedge funds, securitisation, enhancing supervision, building and implementing macro prudential frameworks and tools risk management and enhancing financial consumer protection.

At their meeting in Hangzhou, China, G20 leaders **adopted** a communique announcing their **commitment to finalising critical elements of the regulatory framework**, and the implementation of the financial sector reform agenda including Basel III and the total-loss-absorbing-capacity (TLAC) standard as well as effective cross-border resolution regimes. They reiterated their support of the regulatory reform programme being carried forward by the FSB and other international standard setters and will continue to closely monitor and address emerging risks and vulnerabilities, including those associated with shadow banking, asset management and other market-based finance.

### Information security and data privacy

Nausicaa Delfas, Director of Specialist Supervision at the FCA, **gave** a speech at the FT **Cyber Security Summit** where she stressed the importance of resilience to cyber-attacks, enhancing market integrity and protection of consumers. She outlined that expectations of firms include effective management of risk and controls with a security culture embedded at every level of the organisation. The FCA has been and will continue to engage nationally and internationally to ensure a co-ordinated approach to addressing such threats and has undertaken resilience exercises, both with the industry and with other regulators.

Elizabeth Denham used her first **speech** as the **UK's Information Commissioner** to highlight the lack of trust that consumers currently have in business's use of their personal data. Denham stated that her fundamental objective during her five-year tenure as Commissioner would be to 'build a culture of data confidence'. In her speech, she took the opportunity to remind businesses of the penalties that exist for non-compliance with privacy regulations, and warned that her office would 'use the stick in the cupboard when necessary'.

In a separate **interview** with BBC Radio 4 Elizabeth Denham stressed that she did not think that Brexit 'should mean Brexit when it comes to standards of data protection'. The European Union has recently passed the **General Data Protection Regulation (GDPR)**, which, from May 2018, will set the new standard for data protection within the EU. Denham explained that Britain had played an important role in drafting the GDPR, and that data protection laws enforced in the UK will have to be recognised by the European Union as equivalent in order for British businesses to share information and provide services for EU consumers.

Payments UK **published** the updated **code of conduct for indirect access providers (IAPs)**. Developed in consultation with the Payment Systems Regulator (PSR), the voluntary code of conduct sets out the standards of best practice expected from an IAP to an Indirect Payment Service Provider for the supply of indirect access services.

### Financial crime

The TSC **consulted** on the **Transposition of the Fourth Money Laundering Directive**. The Directive gives effect to updated international anti-money laundering and counter-financing of terrorism standards set by the Financial Action Task Force (FATF). The directive is accompanied by the Fund Transfer Regulation, which updates rules on information accompanying transfers of funds, and which will come into force from June 2017.

ESMA **published** its final guidelines establishing a non-exhaustive list of information which is reasonably expected or required to be disclosed in accordance with legal or regulatory provisions in EU or national law, market rules, contract, practice or custom, on the relevant commodity derivatives or spot markets in accordance with the **Market Abuse Regulation (MAR)**.

### Other

The Bank of England **published** a consultation paper on **governance of recognised payment system operators**.

The draft code of practice outlined minimum requirements that recognised payment system operators must meet in relation to the role of the system risk manager, governance arrangements, composition of the board and performance management.

**Minouche Shafik**, Deputy Governor for Markets and Banking at the Bank of England, will **leave** the Bank at the end of February to take on the role of Director of the London School of Economics (LSE) starting in September 2017. While at the Bank, Shafik's contributions have included co-chairing the Fair and Effective Markets Review and overseeing changes to the Bank's management of its balance sheet and payments system.

Mark Carney **gave** a speech entitled "Resolving the climate paradox". As the Chair of the FSB, he warned that G20 members account for 85% of global emissions and explained the need for "financial diplomacy" to consider the **impacts of climate change**. According to Carney, financial stability risks being increasingly exacerbated by climate change and must be mitigated by transitioning to a low-carbon economy and a greener financial system.

The Joint Committee of the ESAs **published** the August 2016 **Report on Risks and Vulnerabilities in the EU Financial System**. In the context of the UK referendum result, the report addressed concerns about the prolonged low interest rate environment, low growth and yield prospects, market liquidity, profitability of financial institutions and risk exposures from interconnectedness within the financial system.

The European Commission **published** an overview on **Level 2 legislative measures** in the area of financial services. The updated table summarised the status of the preparation of adoption of all European legislative measures including the Prospectus Directive, UCITS V, CRD IV, CRR, BRRD, MiFID II, EMIR and the application of international accounting standards.

The International Swaps and Derivatives Association (ISDA) **issued** a white paper entitled "**The Future of Derivatives Processing and Market Infrastructure**" in response to demand from the derivatives industry to automate and streamline the significant reporting, trading, clearing and collateral management requirements that have emerged as a result of regulatory changes following the financial crisis. The paper identified opportunities for technology and standardisation in the management of data and documentation.



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