Risk and Regulation Monthly

July 2021
Highlights

In July, sustainable finance (again) took centre stage. The EU Commission launched its new "Strategy for Financing the Transition to a Sustainable Economy", incorporating more than 80 policy actions that the EU plans to take over the next two and a half years. The new strategy builds on the EU sustainable finance action plan in 2019. It sets new objectives on financing the transition to sustainability, inclusiveness, financial sector resilience and contribution, and global ambition. The Commission also published a proposal for a European Green Bonds Regulation, intended to boost the EU green bond market and address "greenwashing".

In the UK, the FCA sent a letter to the chairs of authorised fund managers, setting out guiding principles to ensure that funds that present themselves as sustainable provide enough information and evidence to end-investors to support this claim. The principles span the design, delivery, and ongoing monitoring of funds. They reflect the FCA's general concerns about building trust in a growing sustainability market and the poor quality of fund authorisation applications.

At the international level, the FSB published a roadmap intended to support the international co-ordination of a large and growing number of global initiatives underway to address financial risks from climate change.

Illicit finance also continued to be a key area of regulatory and supervisory focus. Following its recent AML Action Plan, the EU Commission presented a package of legislative proposals to strengthen and create a single AML/CFT rulebook for the EU. The package includes a proposal to create a new EU anti-money laundering authority to fight money laundering.

Finally, the focus on diversity continued to grow. The BoE and FCA published a DP to engage financial firms and other stakeholders in discussing how regulators accelerate and support diversity to create a financial system that can meet the diverse needs of consumers. The FCA also set out proposals to change its Listing Rules to require companies to disclose annually - on a comply or explain basis - whether they meet specific board diversity targets and to publish diversity data on their boards and executive management.
### COVID-19

<table>
<thead>
<tr>
<th>UK</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PRA</td>
<td>- Speech by Victoria Saporta, Executive Director for Prudential Policy, on emerging prudential lessons from COVID-19. <a href="#">Link</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EU</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EIOPA</td>
<td>- Supervisory statement on the ORSA in the context of COVID-19. <a href="#">Link</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Int'l</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FSB</td>
<td>- Report on preliminary lessons for financial stability from the COVID-19 experience. <a href="#">Link</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BCBS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Report on early lessons from the COVID-19 pandemic on the Basel reforms. <a href="#">Link</a></td>
</tr>
</tbody>
</table>

### Brexit

<table>
<thead>
<tr>
<th>UK</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PRA</td>
<td>- Consultation on PRA’s proposed updates to its approach to insurance business transfers following the UK’s withdrawal from the EU. <a href="#">Link</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EU</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HMT</td>
<td>- Statutory Instrument amending retained EU law in relation to the non-discriminatory access regime for exchange traded derivatives, the low carbon benchmarks regime and the financial promotions regime for relevant markets to ensure that they apply to the UK following the UK’s departure from the EU. <a href="#">Link</a></td>
</tr>
</tbody>
</table>
### ECON
- Report on the main differences in the supervision of large banks in the UK and euro area, and the risks of regulatory divergence. [Link](#)

### Banking
#### Prudential

#### UK

#### BoE
- Financial Policy Committee's July 2021 financial stability report. [Link](#)
- CP on the BoE’s review of its approach to MREL and operational guide on bail-in execution. [Link](#) [Link](#)

#### PRA
- PS on implementation of Basel standards. [Link](#)
- PS on IRB UK mortgage risk weights and the management of deficiencies in model risk capture. [Link](#)
- Statement on PRA’s updated approach to shareholder distributions by large UK banks. [Link](#)
- PS on PRA’s approach to the supervision of international bank branches and subsidiaries. [Link](#)

#### EU

#### EBA
- Revised Decision confirming the quality of unsolicited credit assessments by certain External Credit Assessment Institutions for calculating banks' capital requirements. [Link](#)
- Final revised guidelines on sound remuneration policies taking into account the amendments introduced by CRD V. [Link](#)
- Staff paper on a universal stress scenario approach for capitalising non-modellable risk factors under the FRTB. [Link](#)
- Final guidelines for the use of data inputs in the expected shortfall risk measure under the Internal Model Approach for market risk. [Link](#)
- Annual report on asset encumbrance. [Link](#)
<table>
<thead>
<tr>
<th><strong>ECB-SSM</strong></th>
</tr>
</thead>
</table>
| - Andrea Enria, Chair of the Supervisory Board:  
  - Letter on the ECB’s general approach to assessing banks' management of non-performing loans.  
  - Speech on the outlook for the eurozone economy and emerging risks in the banking union. |
| **ECB Central Bank** |
| - Staff paper on the growth-at-risk perspective on the system-wide impact of Basel III finalisation in the euro area. |
| **Int’l** |
| - Finalised technical amendments for minimum haircut floors for securities financing transactions.  
  - Targeted consultation on an amendment to the process for reviewing the G-SIB assessment methodology. |
| **BCBS** |
| - Targeted consultation on an amendment to the process for reviewing the G-SIB assessment methodology. |

- **Consultation on draft RTS on the criteria for the identification of shadow banking entities for the purposes of reporting large exposures.**
- **Final guidelines on the monitoring of the threshold and other procedural aspects on the establishment of intermediate EU parent undertakings.**
- **Results of the EBA’s 2021 EU-wide stress test.**

- **Q1 2021 supervisory banking statistics.**
- **Annual report on the outcome of the 2020 SREP IT Risk Questionnaire, including feedback to the industry.**
- **Article by Elizabeth McCaul, Member of the Supervisory Board, on credit risk and how acting now paves the way for sound resilience later.**
- **Decision not to extend recommendation that all banks limit dividends beyond 30 September 2021.**
<table>
<thead>
<tr>
<th><strong>FCA</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Working paper on gender, age, and nationality diversity in UK banks.</td>
</tr>
<tr>
<td>• Dear CEO letter on expectations of firms in reporting BBLS fraudulent activity.</td>
</tr>
<tr>
<td><strong>EU</strong></td>
</tr>
<tr>
<td><strong>EBA</strong></td>
</tr>
<tr>
<td>• Final guidelines on internal governance under CRD.</td>
</tr>
<tr>
<td>• EBA and ESMA joint final guidance on fit and proper requirements following amendments to CRD V and IFD.</td>
</tr>
<tr>
<td><strong>Int’l</strong></td>
</tr>
<tr>
<td><strong>BIS</strong></td>
</tr>
<tr>
<td>• Working paper on limits of stress-test based bank regulation.</td>
</tr>
<tr>
<td>• Launch the Central Banks’ and Supervisors’ Climate Training Alliance ahead of COP26.</td>
</tr>
</tbody>
</table>

**Capital Markets**

**Prudential**

**EU**

**EC**

• Report on improving securities settlement and CSDR. | [Link](#) |
• Targeted consultation on the functioning of the EU securitisation framework. | [Link](#) |

**ESMA**

• Methodology for assessing third country CCPs’ systemic importance. | [Link](#) |
• Consultation on EMIR reporting guidelines. | [Link](#) |
<table>
<thead>
<tr>
<th>Conduct</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td></td>
</tr>
<tr>
<td>FCA</td>
<td></td>
</tr>
<tr>
<td>• Public statement on the prospectus disclosure and investor protection issues raised by special purpose acquisition companies (SPAC).</td>
<td>Link</td>
</tr>
<tr>
<td>• CP on the review of guidelines on delayed disclosure of inside information under MAR, in relation to its intersection with prudential supervision.</td>
<td>Link</td>
</tr>
<tr>
<td>• Annual review report on MiFID II/MiFIR and RTS 2.</td>
<td>Link</td>
</tr>
<tr>
<td><strong>• Speech by Edwin Schooling Latter, Director of Markets and Wholesale Policy, on the remaining six months before the end of the sterling LIBOR panel.</strong></td>
<td>Link</td>
</tr>
<tr>
<td>• Statement on supervision of commodity position limits.</td>
<td>Link</td>
</tr>
<tr>
<td>• CP on LIBOR transition and the derivatives trading obligation.</td>
<td>Link</td>
</tr>
<tr>
<td>• Statement from the FCA and the BoE encouraging market participants in a switch to risk-free-rates in the LIBOR cross-currency swaps market from 21 September.</td>
<td>Link</td>
</tr>
<tr>
<td>• PS on finalised changes to the Listing Rules to strengthen investor protections measures for special purpose acquisition companies.</td>
<td>Link</td>
</tr>
<tr>
<td>EU</td>
<td></td>
</tr>
<tr>
<td>ECB Central Bank</td>
<td></td>
</tr>
<tr>
<td>• Results of the June 2021 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets.</td>
<td>Link</td>
</tr>
<tr>
<td>ESMA</td>
<td></td>
</tr>
<tr>
<td>• CP on the clearing and derivative trading obligations in view of the benchmark transition.</td>
<td>Link</td>
</tr>
<tr>
<td>• CP on the review of RTS 1 (equity) and RTS 2 (non-equity) transparency requirements under MiFIR.</td>
<td>Link</td>
</tr>
<tr>
<td>• Public consultations on the implementation of ESMA’s CCP recovery mandates.</td>
<td>Link</td>
</tr>
<tr>
<td>• CSDR report on the provision of banking-type ancillary services by CSDs.</td>
<td>Link</td>
</tr>
<tr>
<td>• First consolidated tape provider data made available.</td>
<td>Link</td>
</tr>
</tbody>
</table>
Int’l

FSB

- Progress report to the G20 on LIBOR transition issues including recent developments, supervisory issues, and next steps.

Insurance

Prudential

UK

BoE

- Dear CEO letter launching the BoE’s Quantitative Impact Study to gather data for the Solvency II review.

EU

EIOPA

- Monthly report on technical information for Solvency II relevant risk free interest rate term structures.
- Paper on the impact of EU-wide insurance stress tests on equity prices and systemic risk.
- Report on key financial stability risks in the European insurance and pension sectors.
- SS on supervisory practices and expectations in case of breach of the Solvency Capital Requirement.
- CP on revision of the guidelines on Contract Boundaries.
- Consultation on amendments to supervisory reporting and disclosure requirements under Solvency II.
- Consultation on the approach to supervision of run-off undertakings.

Conduct

UK

FCA

- Dear CEO letter on maintaining adequate client money arrangements for general insurance intermediaries.
- Proposed changes to guidance on the FCA’s approach to the review of Part VII insurance business transfers. [Link]

### PRA
- CP on proposed changes to the Solvency II reporting requirements and expectations. [Link]

### EU

### EIOPA
- Opinion on the use of risk mitigation techniques by insurance undertakings. [Link]
- Paper setting out EIOPA’s strategic approach to a comprehensive, risk-based and preventive framework for conduct of business supervision. [Link]

### Pensions

### EU

### EIOPA
- Consultation on the development of pension tracking services and pension dashboards. [Link]

---

**Investment Management**

### Prudential

### UK

### FCA
- PS on the implementation of the IFPR. [Link]

### PRA
- CP on designating investment firms. [Link]

### EU

### EBA
| • Opinion on the implementation of the new prudential regime for investment firms. | Link |
| • Final draft technical standards to improve supervisory cooperation for investment firms. | Link | Link |

### Conduct

#### UK

#### BoE

• BoE and FCA report on assessing the resilience of market-based finance, including a joint review of liquidity in open ended funds. | Link |

#### FCA

• CP on reforms to improve the effectiveness of UK primary markets. | Link |
• Statement on its review of value assessments undertaken by authorised fund managers. | Link |
• Dear Chair letter containing guiding principles on the design, delivery, and disclosure of ESG and sustainable investment funds. | Link |
• Consultation on proposals to change disclosure documents provided to retail investors under the PRIIPs regulation. | Link |
• Information for firms who use certain exemptions to the Financial Promotions Order. | Link |
• Dear CEO letter on the platforms portfolio strategy update | Link |
• CP on diversity and inclusion on company boards and executive committees | Link |

#### EU

#### ESMA

• Report on national rules governing the marketing of investment funds under the Regulation on cross-border distribution of funds. | Link |
• Public statement warning firms and investors about risks arising from payment for order flow and from certain practices by zero commission brokers. | Link |
• CP on draft guidelines on the MiFID II remuneration requirements. | Link |
• Results of 2020 Common Supervisory Action on MiFID II suitability requirements. | Link |
• Data for the systematic internaliser calculations for equity, equity like instruments, bonds and for other non-equity instruments. | Link |
### Other

#### Conduct

**UK**

**BoE**

- DP on diversity and inclusion in the financial sector, in collaboration with the FCA. [Link](#)

**FCA**

- Business Plan 2021/22. [Link](#)
- Joint FCA and PSR:
  - updated assessment of the UK’s cash infrastructure and wider banking services [Link](#)
  - commissioned consumer research exploring the needs and preferences of people that view themselves as reliant on cash. [Link](#)
- Annual report and accounts 2020/21 and final 2021/22 regulated fees and levies. [Link](#) [Link](#)
- CP on changes to streamline the FCA's decision-making and governance procedures. [Link](#)

### FinTech

**UK**

**BoE**

- Speech by Christina Segal-Knowles, Executive Director for Financial Markets Infrastructure, on how stable-coins could be regulated if they are used as a form of payment. [Link](#)

### DCMS

- Updated UK digital identity and attributes trust framework. [Link](#)

### PSR

- Annual report and accounts 2020/21. [Link](#)
- PS and consultation on legal instrument to lower the risks to the delivery of the New Payments Architecture. [Link](#)
- Launch of Digital Payments initiative to understand potential barriers to the take-up of digital payments and identify potential solutions. [Link]

EU

EBA

- Consultation on draft guidelines on the application of limited network exclusion requirements under PSD2. [Link]
- Clarifications to the sixth set of issues raised by the industry working group on Application Programming Interfaces under PSD2. [Link]

ECB

- Launch of digital euro project 24 months investigation phase. [Link]
- Report on initiatives to build payments and market infrastructure two decades after the start of the ECB. [Link]

Int’l

BIS

- Report on regulating digital payment services and e-money. [Link]
- Report to the G20 on the use of CBDCs for cross-border payments. [Link]

Sustainable Finance

UK

TPR

- Consultation on the TPR's approach to new requirements for the governance and reporting of climate related risks and opportunities. [Link]

EU

EC

- Strategy to make the EU's financial system more sustainable, and the proposal for a new European Green Bond Standard. [Link]
- Platform on Sustainable Finance: 
  - draft reports on a social taxonomy, and [Link]
  - public consultation on taxonomy extension options linked to environmental objectives. [Link]
- Letter from the EU Commission to EP and Council on information regarding the adoption of regulatory technical standards under SFDR. [Link](#)

**EIOPA**

- Article on climate change, catastrophes, and the macroeconomic benefits of insurance. [Link](#)
- Report on non-life underwriting and pricing in light of climate change. [Link](#)
- Methodological paper on potential inclusion of climate change in the Nat Cat standard formula. [Link](#)

**ESRB**

- Joint ECB/ESRB report shows uneven impacts of climate change for the EU financial sector. [Link](#)

**Int’l**

**BIS**

- Report comparing supervisory practices for stress-testing banks for climate change. [Link](#)

**FSB**

- Roadmap for addressing climate-related financial risks. [Link](#)

**IOSCO**

- Consultation on ESG Ratings and Data Providers. [Link](#)

**Other**

**EU**

**EC**

- Launch of four AML/CFT legislative proposals:
  - a proposal for a new EU AML authority;
  - a new Regulation on AML/CFT;
  - sixth Directive on AML/CFT; and
  - a revision of the 2015 Regulation on information accompanying transfers of funds, including certain crypto-assets. [Link](#) [Link](#) [Link](#) [Link](#)
Glossary

AFMs = Authorised Fund Managers
AI = Artificial Intelligence
AIFMD = Alternative Investment Fund Managers Directive
ALMD = Anti Money Laundering Directive
AMF = Autorité des Marchés Financiers
AML = Anti-Money Laundering
APA = Approved Publication Arrangement
AUM = Assets under management
BBLS = Bounce Back Loan Scheme
BCBS = Basel Committee on Banking Supervision
BEAR = Banking Executive Accountability Regime
BEIS = Department for Business, Energy and Industrial Strategy
BIS = Bank for International Settlements
BMR = Benchmarks Regulation
BRRD = Bank Recovery and Resolution Directive
BTS = Binding Technical Standard
BoE = Bank of England
CBDC = Central Bank Digital Currency
CBI = Central Bank of Ireland
CCP = Central Counterparty
CP = Consultation Paper
CSDs = Central Securities Depositories
CSDR = Central Securities Depositories Regulation
CTF = Counter Terrorist Financing
CCFF = Covid Corporate Financing Facility
CBILS = Coronavirus Business Interruption Loan Scheme
CLBILS = Coronavirus Large Business Interruption Loan Scheme
CISO = Chief Information Security Officer
CMA = Competition and Markets Authority
CMU = Capital Markets Union
CNMV = Comisión Nacional del Mercado de Valores
CP = Consultation Paper
CPMI = Committee on Payments and Market Infrastructures
CQS = Credit Quality Step
CRD = Capital Requirements Directive
CRR = Capital Requirements Regulation
CROE = Cyber Resilience Oversight Expectations
CSA = Common Supervisory Action
CSSF = Commission de Surveillance du Secteur Financier
CTP = Consolidated Tape Provider
CTRF = Contingent Term Repo Facility
DB = Defined Benefit
DC = Defined Contribution
DCMS = Department for Digital, Culture, Media and Sport
DP = Discussion Paper
DPA = Data Protection Agency
DRR = Digital Regulatory Reporting
EBA = European Banking Authority
ECB = European Central Bank
ECOFIN = Economic and Financial Affairs Council
EDPB = European Data Protection Board
EIOPA = European Insurance & Occupational Pensions Authority
EMEA = Europe, Middle East and Africa
EMIR = European Market Infrastructure Regulation
EONIA = Euro Over Night Index Average
ESAs = European Supervisory Authorities
ESG = Environmental, Social, and Governance
ESMA = European Securities & Markets Authority
ESRB = European Systemic Risk Board
ESTER = Euro Short-Term Rate
EU = European Union
Euribor = Euro Interbank Offered Rate
FAMR = Financial Advice Market Review
FCA = Financial Conduct Authority
FinPro = Financial Protection
FGCA = Financial Guidance and Claims Act 2018
FMIs = Financial Market Infrastructures
FOS = Financial Ombudsman Service
FPC = Financial Policy Committee
FRTB = Fundamental Review of the Trading Book
FS = Financial Services
FSB = Financial Stability Board
GBP = British pound sterling
GDP = Gross Domestic Product
GDPR = General Data Protection Regulation
GSIBs = Global Systemically Important Banks
HMT = Her Majesty’s Treasury
IAIS = International Association of Insurance Supervisors
IASB = International Accounting Standards Board
IBA = ICE Benchmark Administration
IBOR = Interbank Offered Rate
ICAAP = Internal Capital Adequacy Assessment Process
ICO = Information Commissioners Office
ICS = Insurance Capital Standard
IDD = Insurance Distribution Directive
IFD = Investment Firms Directive
IFR = Investment Firms Regulation
IFPR = Investment Firms Prudential Regulation
IFRS = International Financial Reporting Standards
ILAAP = Internal Liquidity Adequacy Assessment Process
IM = Initial Margin
IOSCO = International Organization of Securities Commissions
SRF = Single Resolution Fund
SREP = Supervisory Review and Evaluation Process
SS = Supervisory Statement
SSM = Single Supervisory Mechanism
TCA = Total Capital Adequacy
TCFD = Task Force on Climate-related Financial Disclosures
TIBER = Threat Intelligence-based Ethical Red Teaming
TLAC = Total Loss-Absorbing Capital
TMTP = Transitional Measure on Technical Provisions
TPP = Third-Party Providers
TPR = Temporary Permissions Regime
TRIM = Targeted Review of Internal Models
TRR = Temporary Recognition Regime
UCITS = Undertakings for Collective Investments in Transferable Securities
Contacts

David Strachan  
Partner, Centre for Regulatory Strategy  
+44 20 7303 4791

Rod Hardcastle  
Head of Credit Risk Regulation, EMEA Centre for Regulatory Strategy  
+44 (0)20 7007 1640

This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (‘DTTL’). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2021 Deloitte LLP. All rights reserved.