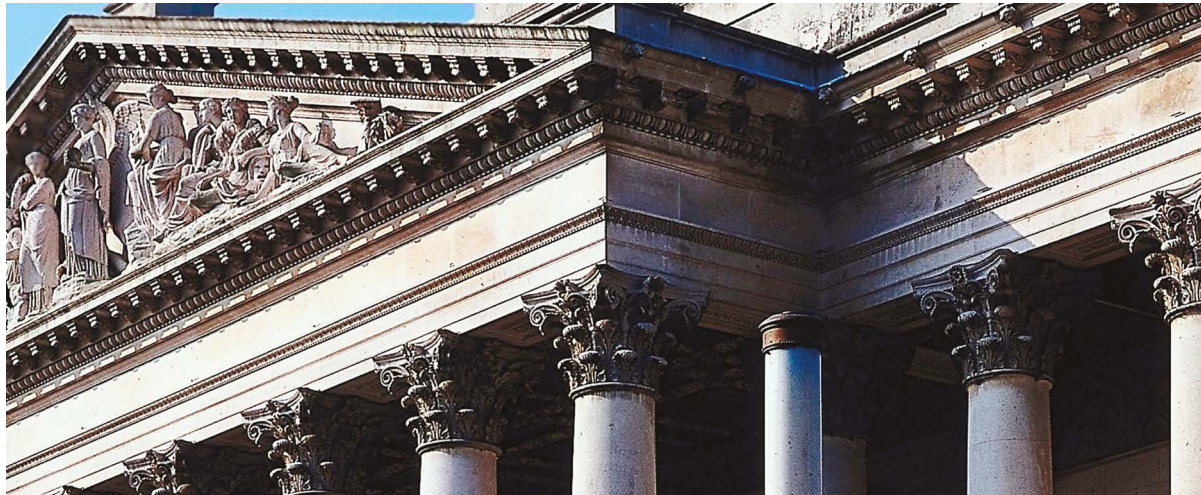


Risk and Regulation Monthly



Solvency II and **MiFID II** spawned multiple consultations in March, while work on the **Bank Recovery and Resolution Directive (BRRD)** continued, and the **Single Resolution Board (SRB)** held its first plenary meeting. On **stress testing** the Bank of England published details of its 2015 framework, though there will be no EU-wide test this year. **Asset management and market liquidity** issues also received regulatory attention.

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Capital (including stress testing)

The Bank of England (BoE) *published* details of the **2015 stress test** for the largest UK banks and building societies. Seven firms will be subject to the exercise (HSBC, Barclays, Lloyds Banking Group, RBS, Nationwide, Standard Chartered and Santander). The stress scenario includes a global downturn affecting Asia and the euro area, severe financial market stress with a reduction in global risk appetite, reductions in market liquidity and counterparty defaults, and a slowdown in the UK. Banks' performance in the stress scenario will be reviewed against a 4.5% Common Equity Tier 1 (CET1) risk-weighted capital ratio and a 3% Tier 1 leverage ratio, but in some circumstances firms may be required to raise capital even if they meet these minimum quantitative thresholds. The results will be published in December.

The European Banking Authority (EBA) *announced* it will not carry out an **EU-wide stress test** in 2015, given the progress made in strengthening capital positions following the 2014 asset quality review and stress test. The EBA will instead conduct a transparency exercise to provide detailed data on bank balance sheets, similar to that it carried out in 2013.

In its latest **Basel III monitoring report**, the Basel Committee on Banking Supervision (BCBS) *found* "fully-loaded" CET1 capital ratios of 10.8% for the largest banks and 11.8% for the smaller firms sampled. (The equivalent leverage ratios were 5% and 5.6%, with 17 of the 212 banks monitored at less than 3%). Liquidity coverage ratios and net stable funding ratios continued to improve. The report also contained findings from the second quantitative impact study of the Fundamental Review of the Trading Book, which indicated that market risk capital requirements would increase for both the internal-ratings-based and revised standardised approach.

The EBA *published* the results of its CRD IV/CRR monitoring exercise, which indicated that CET1 ratios of the largest cross-border banks in the EU had increased by 1.1% points since December 2013.

The BCBS *found* both Hong Kong and Mexico to be "**compliant**" with **Basel III**. Hong Kong was compliant in 12 out of 13 areas reviewed (and largely compliant in the remaining area, relating to Pillar 3) while Mexico was compliant in 12 out of 14 areas, and largely compliant on the countercyclical capital buffer, and on Pillar 3.

The Prudential Regulation Authority (PRA) *published* its final rules and supervisory statements on **Solvency II**. The document is broadly in line with the consultation proposals, although there were some changes in the transitional measures on technical provisions.

The PRA *provided* feedback on the **Solvency II** matching adjustment (MA) pre-application process. While many firms had made progress from their trial submissions, substantial work still needed to be done to provide sufficient information on how they intended to identify, organise and manage the MA portfolio separately from other assets and liabilities. The PRA also *consulted* on supervisory approval for the volatility adjustment (VA), and sought to clarify items that should be included in an application to use VA, as well as how the VA approval process would interact with other Solvency II processes. The PRA also *published* a draft supervisory statement that set out its expectations of insurers' treatment of sovereign debt in internal models.

The Financial Conduct Authority (FCA) *published* a policy statement on the main issues arising from previous consultation papers on **Solvency II**, and its final rules for the areas in which it has responsibility. The statement included changes to conduct of business rules for with-profits business.

The European Insurance and Occupational Pensions Authority (EIOPA) *reported* on progress made in 2014 on the pre-application process for internal models under **Solvency II**. The majority of recommendations made by national supervisors had been put into action, with the rest to be implemented in 2015. EIOPA concluded that national supervisors' approaches were converging, thereby mitigating the risks of supervisory arbitrage. EIOPA also *published* relevant risk free interest rate term structures, a key input for the assessment of firms' solvency and financial positions. These will be updated on a monthly basis.

David Rule, the BoE Executive Director for Prudential Policy, *spoke* about outstanding items in relation to **bank capital regulatory reform**, including the Financial Stability Board's (FSB) Total Loss-Absorbing Capacity (TLAC) proposals, and the framework for capital buffers. The BoE planned to consult on a framework for domestic significantly-important banks (D-SIBs) in the second half of 2015. More work was needed on the location of loss-absorbing capacity in international banking groups, and on the issue of simplicity versus risk-sensitivity in the measurement of capital adequacy, where he favoured using a range of measures.

The EBA *published* a discussion paper on regulatory measures to improve the framework for **Internal Ratings Based (IRB) models**. The approach focused on supervisory consistency and increasing transparency via standardised templates. The EBA said its plans may result in a "substantial burden" for industry and regulators, and so called for input as to how to prioritise its work. The EBA also *published* documents on benchmarking internal approaches for calculating own-funds requirements for credit and market risk exposures, *including final draft technical standards* detailing the framework for annual supervisory benchmarking, and technical advice for the European Commission.

The Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions (CPMI-IOSCO) *announced* a review of **stress testing by CCPs**. CCPs are required to carry out stress testing under the Principles for Financial Market Infrastructures to determine the resources they need in relation to credit and liquidity risk. The review was prompted by the substantial increase in systemic importance of CCPs due to new central-clearing obligations.

Liquidity

No new developments.

Governance and risk management (including remuneration)

The FCA *confirmed* its approach to "improving responsibility and accountability in the banking sector". It set out how it will implement the **Senior Managers Regime (SMR)**, and provided more information on the Certification Regime and new Conduct Rules. The PRA also *issued* its first set of rules to implement the SMR and the Certification Regime for UK deposit-takers and PRA-designated investment firms; and the **Senior Insurance Managers Regime (SIMR)** for insurers. The regulators jointly *consulted* on the Approved Persons' Regime for Solvency II firms, with the FCA consulting on proposed changes to governance arrangements. For non-Solvency II firms, the FCA and PRA consulted separately. Martin Wheatley *said* that neither the Senior Managers Regime, nor the presumption of responsibility, would correspond to a "heads on sticks" strategy and that "there's absolutely no prospect of institutional scalp hunting."

The PRA and the FCA *consulted* on the application of the **SMR to UK branches of foreign banks**. Amongst other requirements, the most senior individual within a branch must be approved as the "Head of Overseas Branch", and where a branch has Chief Finance, Chief Risk or Head of Internal Audit functions these persons must be approved as Senior Managers by the PRA. Non-executive directors will not be in scope.

The FCA *published* a thematic review and draft guidance on the risks to customers that can result from **performance management** practices at firms, following more evidence of poor practices in 2014. Firms should pay particular attention to practices that put undue pressure on staff and increased the risk of mis-selling.

The FCA *published* a thematic review on the **governance of mortgage-lending strategies**. Many firms did not sufficiently embed conduct risk management into this activity, with some too reliant on key individuals and with little succession planning. The FCA did not propose any new rules or guidance, but provided a list of questions firms should ask during the strategy development process.

The EBA *consulted* on guidelines on **sound remuneration policies**, including revisions to the application of the principle of proportionality, detail on the identification of Material Risk Takers, and clarification of the position on variable and fixed remuneration. Following legal advice from the European Commission, the EBA said the principle of proportionality should not be used to dis-apply provisions altogether for smaller firms, but to provide flexibility in how these were applied. The FCA subsequently *issued* a statement which warned smaller firms that the new guidelines would “effectively remove” the proportionality principle. The EBA guidelines also set out the criteria to be used to determine whether allowances should be considered as fixed or variable remuneration.

The PRA *published* a letter from Andrew Bailey, Deputy Governor, to **remuneration committee** chairs of level 1 and level 2 firms (dated December 2014) clarifying the PRA’s expectations on material risk takers, guaranteed variable remuneration, fixed remuneration, and clawback.

The FCA *consulted* on general guidance on the application of ex-post **risk adjustment to variable remuneration**. The proposals expanded the scope for adjustments to include all those with roles and responsibilities in areas where failures or poor performance contributed to the crystallisation of risk.

Conduct of Business (including MiFID)

The FCA published its **Business Plan for 2015-16**, which reiterated six of the seven forward-looking areas of focus from last year, with concerns over house prices replaced by financial crime. The FCA plans to undertake fewer, more in-depth, market-led investigations in 2015-16. New thematic reviews will look at culture change programmes in banks; inducements and conflicts of interest in retail investment advice; the role of Appointed Representatives; conflicts of interest inherent in the operation of dark pools; compliance of funds with their responsibilities to investors; retirement sales practices; the collection of unsecured debts; and remuneration and incentives in consumer credit firms. New market studies will focus on non-advised sales of investment and protection products; how insurance firms use Big Data; retirement sales practices and outcomes; investment and corporate banking; charges paid by investors in asset management; and the mortgage market.

HM Treasury (HMT) *consulted* on the transposition of **MiFID II**. In relation to third countries, it proposed to retain the current regime as far as possible, meaning that UK branches of third country firms would not have the benefit of the MiFIR third country passport for wholesale investment services or activities. In transposing other elements, the Government proposed to work within the existing regulatory framework and mirror as closely as possible the original wording of the Directive.

The FCA *published* a discussion paper on implementing **MiFID II** conduct of business and organisation requirements. Insurance-based investments and pensions “should be governed, in principle, by the same conduct of business rules as MiFID II investments”. It sought views on how far the MiFID II standard of independent investment advice differed from the standard under the Retail Distribution Review, adding that “an entirely separate standard for independent advice on derivatives” might be appropriate. MiFID II standards on remuneration of sales staff and advisers might be applied to some non-MiFID II industry sectors. The rules on complex products are “likely to significantly reduce” the types of products that can be considered ‘non-complex’.

The FCA *set out* the final rules for implementation of the **Mortgage Credit Directive** (MCD) and the new regime for second charge mortgages. Affordability assessments will in future be required for all consumers who re-mortgage with a new lender, and from 21 March 2016 the regulation of second charge mortgages will be brought into line with the first charge regime, including the application of interest rate stress tests.

The FCA *published* a market study on **retirement income**, saying it will proceed with the recommendations proposed in the interim report in December 2014, requiring firms to provide an annuity quotation ranking for consumers; redesigning and behaviourally trialling the information that consumers receive (such as wake-up packs) in the run up to their retirement; and in the longer term, creating a pensions dashboard to allow consumers to see all their pensions pots in one place.

The FCA *consulted* on its policy for making recommendations to designated guidance providers (i.e. firms appointed to create the Government-backed free guidance for retirement options, **Pension Wise**) and to HMT. It included further information on its approach to monitoring Pension Wise.

Martin Wheatley, FCA Chief Executive, *said* **new pension rules** are “uncharted territory” for the industry, regulators, politicians and those approaching retirement, and needed to be underpinned by an “equation of responsibility that we’ve never seen before.” He outlined risks from the reforms, including the possibility that the first wave of customers eligible for the new regime will be targeted by criminals, or that some firms could target consumers before they turn 55 in order to persuade them to access their money before the rules allow.

The FCA *consulted* on banning **opt-out selling of insurance add-on products**. It also proposed that firms give the annual price of add-ons rather than monthly figures, so that the overall price can be easily understood.

The FCA *published* its latest **complaints data**, which showed a 7% decrease compared to the previous six months, and a 12% fall year on year. Complaints relating to banking and credit cards had, however, risen. Payment Protection Insurance (PPI) accounted for less than half of the complaints for the first time in three years but remained the most complained about product.

Chris Woolard, FCA Director of Strategy & Competition, *said* much of the FCA’s work during its first year of **consumer credit regulation** had been aimed at raising standards – particularly in high-cost short-term credit and debt management. In future, the FCA will consider whether to ban or restrict cold-calling, and whether more can be done to facilitate the use of “quotation searches” across the sector. The FCA will also carry out reviews on the collection of unsecured debts and on remuneration and incentives in consumer credit firms. Legislative proposals are expected to address affordability (in both the payday lending and credit markets).

John Griffith-Jones, FCA Chairman, *wrote* to Andrea Leadsom MP on the Farnish review of the **Money Advice Service** (MAS). The FCA welcomed the recommendations on debt advice and reiterated its support for - and willingness to cooperate with – the MAS. Certain recommendations will require further examination, including the requirement that the FCA makes rules to require retail firms to promote the MAS website. The FCA will submit its conclusions and a proposed action plan to HMT in the Autumn.

The FCA *published* final guidance on its supervisory approach to **financial promotions on social media**, to help firms understand how they can use social media while complying with FCA rules. The rules aim to be “media-neutral”. The guidance clarified what is perceived as a financial promotion in relation to ‘re-tweets’, forwarding and sharing, and made clear that inducements and balancing statements or risk warnings needed to be within an inserted image.

The FCA *reported* that the **current account switch service** was working well for consumers who chose to use it. The vast majority of switches were completed within seven days and without error, and most consumers who had used it rated it positively. However, there was a lack of awareness and confidence in the service which could restrict its impact. The FCA found that a small number of operational issues needed to be tackled, the most significant being the risks arising when the redirection service ends.

The FCA *published* a thematic review on the development and governance of **structured products**, which suggested that firms’ senior management must do more to put customers at the forefront of their approach to product governance, by providing them with clear and balanced information on each product and its risks, and by strengthening product monitoring. Firms must explain to the FCA how they will ensure the fair treatment of customers when bringing new structured products to the market. The FCA will continue to monitor the structured product market and will consider whether further regulatory action is necessary.

The FCA *consulted* on proposed changes to its **pension transfer** rules and to its COBS pension transfer requirements, due to a proposed amendment to the Regulated Activities Order that will make advising on the conversion or transfer of safeguarded pension benefits into flexible benefits a regulated activity.

The FCA and the Department for Work and Pensions *published* a call for evidence on how the **disclosure of transaction cost information** submitted by Independent Governance Committees and pension scheme trustees for workplace pension schemes should be reported.

The FCA *published* final rules for charges in **workplace personal pension schemes**. The measures included: a cap on the charges within default funds equivalent to 0.75% per year of funds under management from 6 April 2015; preventing firms from paying or receiving consultancy charges from 6 April 2015; and preventing firms from using differential charges based on whether the member is currently contributing from 6 April 2016.

The FCA *issued* a policy statement on bringing additional **benchmarks** into the regulatory regime. Following the recommendations of the Fair and Effective Markets Review, the seven benchmarks brought into scope will be the Sterling Overnight Index Average (SONIA), Repurchase Overnight Index Average (RONIA), ISDAFIX (soon to be renamed the ICE Swap Rate), WM/Reuters London 4pm Closing Spot Rate, London Gold Fixing (soon to be replaced by the LBMA Gold Price), LBMA Silver Price, and ICE Brent Index.

The FCA *published* a thematic review on **arrears and forbearance in the high-cost, short-term credit market**. The review found evidence of serious non-compliance and unfair practices, with some firms engaging in misleading practices to obtain money from customers in arrears. Although many firms were implementing changes, none of the firms reviewed were sufficiently prepared for FCA regulation. Firms were also failing to recognise customers with financial difficulties or those who were vulnerable. While some firms did explore forbearance and sustainable repayment arrangements with customers, others pushed for immediate and unsustainable repayment, and communications with customers were sometimes unclear or misleading.

The European Securities and Markets Authority (ESMA) published a revised **Regulatory Work Programme** for 2015, reflecting its reduced budget. This will result in delays to the development of technical standards and advice on some regulations, including benchmarks and MiFID II / MiFIR.

ESMA *consulted* on guidelines on the assessment of **complex debt instruments and structured deposits** for the purposes of the **MiFID II** appropriateness regime. Products deemed 'complex' would not be permitted to be sold on an execution-only basis.

ESMA *conducted* a peer review of how national authorities across the EU implemented its guidelines on **automated trading** into their supervision of trading platforms. Most had done so in a way that increased the level of supervision of automated trading activity. The report identified various challenges for supervisors, including the speed of technological developments, market fragmentation, increasing variety and numbers of financial instruments admitted to trading, and limited supervisory resources.

Steven Maijoor, chair of ESMA, *spoke* on the aim of the **Capital Markets Union's (CMU)** initiative to increase capital availability and support economic growth in Europe. He specified four main building blocks of the CMU: greater diversity in funding; increasing the efficiency of capital markets; strengthening and harmonisation of supervision; and increasing the attractiveness of capital markets for EU investors.

Katja Würtz, Head of EIOPA's Cross-Sectoral and Consumer Protection Unit, *spoke* on the future of **conduct regulation** in the EU. She emphasised the need for "smart conduct regulation" going beyond a "tick-box approach" to rule-making, which took into account consumer behaviour and reviewed product oversight and governance throughout the product lifecycle.

The EBA *published* final guidelines on standardised fee terminology for **payment accounts** in the EU under the Payment Accounts Directive. The guidelines are intended to assist national authorities in the development of lists of the most representative payment accounts services that are subject to a fee, which will assist the EBA in developing standardised terminology. This will be the basis for the Fee Information Document and the Statement of Fees, which are expected to be consulted on by 2016.

The FCA *fined* Stephen Bell £33,800 for systemic weaknesses in the design and execution of **compliance systems and controls**, and banned him from performing the compliance oversight function in future.

The FCA banned Lloyd Pope and *Peter Legerton* from senior positions in financial services for failures relating to **suitability assessments** of investments made through self-invested personal pensions (SIPPs), **conflicts of interests**, and **oversight of compliance**. They were fined £93,800 and £84,000, respectively.

The FCA *banned* Paul Robson, a former Rabobank trader from the UK, for lacking honesty and integrity following a criminal conviction for **LIBOR manipulation** in the US in 2014.

The FCA *fined* Sam Kenny, the former chief executive of Gracechurch Investments, a stockbroking firm that is now dissolved, £450,000 and banned him from holding a position in financial services, for "**serious, repeated and at times deliberate misconduct**". Mr Kenny led Gracechurch when it mis-sold small-capitalised stocks, and withheld information and misled the FCA about how the firm handled a conflict of interest with its clients.

Following FCA prosecution, Phillip Boakes was *sentenced* to ten years' imprisonment for **defrauding investors** of at least £3.5mn, using false instruments and accepting deposits without authorisation. He claimed his company CurrencyTrader Ltd carried out foreign exchange spread betting.

The FCA *imposed* a £2.1mn fine on the Bank of Beirut (UK) Ltd for repeatedly **providing the regulator with misleading information** after it was required to address concerns over its financial crime systems and controls. The bank was also stopped from acquiring new customers from high-risk jurisdictions for 126 days. *Anthony Wills*, the former compliance officer, and *Michael Allin*, the internal auditor, were fined £19,600 and £9,900, respectively, for failing to deal with the regulator in an open and cooperative way.

The FCA *published* an occasional paper on the **impact of annual summaries, text alerts and mobile apps** on consumer banking behaviour. Annual summaries had “no effect” on consumer behaviour in terms of incurring overdraft charges, altering balance levels or switching to other current account providers. However, technological innovation had delivered “substantial benefits” to consumers, demonstrating the benefit of receiving timely information through automatic triggers. Signing up to text alerts or mobile banking apps reduced the unarranged overdraft charges incurred by 5% to 8%, and signing up to both services had an additional effect, resulting in a total reduction of 24%.

The Treasury Select Committee *reported* on the FCA’s pre-briefing of its **life insurance thematic review** last year. It concluded that by selectively releasing information to the press about its work, the FCA placed its own statutory objectives at risk and created a false market in life insurance shares. It recommended that the FCA executive committee examine its communication methods, and investigate whether it has a problem of inadequate sharing of expertise.

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

The **SRB** *had* its first plenary meeting in Brussels. The new agency adopted administrative decisions and discussed its priorities with national resolution authorities. It said it intended to operate transparently and follow a “no surprises” policy. The problem of ‘too big to fail’ banks was a “symptom of dysfunctional markets” and it was committed to making this a “problem of the past.”

The BoE *published* the independent review of the outage of its **real-time gross settlement (RTGS)** system in October 2014. The review found the Bank needed to consider further contingency arrangements for RTGS, and strengthen its crisis management framework. The Bank *said* it accepted all the recommendations of the report, and had instituted a compensation scheme, having settled nine claims so far.

The EBA *published* a variety of technical standards and guidelines under the **BRRD**. It published a *comparative report* on the treatment of critical functions and core business lines in the recovery plans of 27 banks, which found “substantial variation”, influencing the development of *technical advice* to the European Commission on the topic. It also published *technical standards* on the business reorganisation plans banks would be required to draw up in the event that they are resolved using the bail-in tool. There was additional *technical advice* to the European Commission on the circumstances in which discretionary exclusions from the bail-in tool are necessary, in which the EBA made clear that any such exclusions should be kept to an absolute minimum. Finally, the EBA published *technical advice* to the European Commission on the circumstances in which an institution’s ex-post contributions to resolution financing arrangements can be deferred.

HMT *revised* the code of practice for the **UK special resolution regime**, to reflect changes prompted by transposition of the BRRD.

EIOPA *published* its Technical Advice to the European Commission on the Regulatory Technical Standards (RTS) on the **recovery plans and finance schemes** to be provided by insurers in case of non-compliance with Solvency Capital Requirements and Minimum Capital Requirements under **Solvency II**.

Regulatory perimeter

The EBA *consulted* on draft guidelines on limits on **exposures to ‘shadow banking entities’** to help EU institutions implement effective processes to set such limits. The approach is intended to ensure that institutions have sufficient information about counterparties to make informed decisions about their exposures. Where institutions lack sufficient information on their exposures, or the capacity to use such information, they should set an aggregate limit of 25% of their eligible capital.

BCBS and IOSCO *finalised* the framework for **margin requirements for non-centrally cleared derivatives**. The revisions delayed the beginning of the phase-in period for collecting and posting initial margin on non-centrally cleared trades from 1 December 2015 to 1 September 2016, and the phase-in schedule was adjusted to reflect this delay. The revisions also instituted a phase-in of the requirement to exchange variation margin, beginning 1 September 2016.

The Payment Systems Regulator (PSR) *published* a policy statement on the new regulatory framework for **payment systems** in the UK. The statement outlined the PSR’s regulatory approach and listed the draft terms of reference for its market reviews into ownership and competition of payments infrastructure, and into the supply of indirect access to payment systems, as well as details of the PSR’s policy work programme.

IOSCO issued its final **Code of Conduct Fundamentals for Credit Rating Agencies**, which included enhanced provisions on the management of conflicts of interest, transparency and the safeguarding of non-public information. There were also additional measures on governance, training, and risk management.

ESMA clarified its **interest rate swaps clearing standards**, revising its opinion of 29 January 2015. ESMA backed amendments to the application date of the frontloading obligation and proposed to apply an €8bn threshold to investment funds for the definitions of types of counterparties at a fund level. ESMA also expressed concerns over a new tool proposed by the Commission effectively allowing that, for a period of three years, financial counterparties would be able to apply for an intragroup transactions exemption in respect of their transactions with any third-country entity in the absence of decisions on equivalence.

The FSB and IOSCO published a second consultation on assessment methodologies for identifying **non-bank non-insurer global systemically important financial institutions** (NBNI G-SIFIs). The proposals included near-final sector-specific methodologies for finance companies and market intermediaries, and a revised proposal for asset management entities and investment funds. Investment funds with US\$100bn in net assets under management and hedge funds with at least \$100bn in such assets or \$400-600bn in gross notional exposures would be selected for further assessment. The thresholds for asset managers would be set at \$100bn in balance sheet assets or \$1tn in assets under management.

HMT announced it would withdraw its remaining legal challenges over the **CCP location policy** of the European Central Bank (ECB) following an *agreement* between the BoE and the ECB on information exchange and cooperation in relation to CCP supervision. The announcements followed the decision of the EU General Court to annul the ECB's location policy in its oversight framework.

The BoE published details of the notification requirements in cases where persons dispose of or acquire **qualifying holdings in CCPs**. Notifications are required before disposal and acquisition, and before changes in holdings which would result in voting rights or capital being below/above certain thresholds.

The BoE published its annual report on the **supervision of financial market infrastructures (FMIs)**. The report highlighted "significant improvements" in risk management at CCPs resulting from the implementation of the European Market Infrastructure Regulation (EMIR). It also noted the creation of recovery plans by all UK FMIs, the introduction by CCPs of loss-allocation rules to cover the "highly unlikely and potentially catastrophic" possibility of incurring losses on their investments of cash collateral, and the movement of UK securities markets to a T+2 settlement cycle in October 2014.

Martin Stewart spoke about the PRA's approach to **authorising new banks**. An increased proportion of new banking licenses were being granted to new entrants (as opposed to new entities of existing banks) but the new landscape would not become clear until at least 2020, when ring-fenced banks are established and new entrants have matured. He also argued it would take "many years" for challenger banks to make significant inroads into the market shares of established players.

Alex Chisholm, Chief Executive of the **Competition and Markets Authority (CMA)**, provided a detailed account of the CMA's achievements in its first year. The CMA conducted three market investigations and proposed remedies to address competition problems in the private motor insurance, private healthcare and the payday lending markets. The CMA was also committed to "identifying online market developments and practices that might be causing consumer detriment" and launched a call for information into the commercial use of consumer data.

The CMA provided an *update* on its **review of personal current accounts and banking services for small and medium-sized enterprises**. It had made ten visits to banks and building societies, in addition to a range of information gathering processes. Various working papers are scheduled to be published from April onwards. Provisional findings will be published in September, while the final report is scheduled for April 2016.

Rethinking the domestic and international architecture for regulation

The FSB held a **Plenary session** in Frankfurt. In addition to reviewing ongoing work, it provided more details of its forthcoming work on conduct, indicating it would examine the incentives created by risk governance, compensation structures and benchmarks to assess whether additional measures were needed, for instance in fixed income, currency and commodities markets. The FSB would also undertake work in relation to market liquidity in fixed income and asset management, in order to identify potential systemic risks.

The Bank of England's **Financial Policy Committee (FPC)** published a statement from its March meeting. Major global risks to financial stability included low nominal growth in the euro area, slowdown in China and Greece's financing. To address market liquidity risks related to asset management, the FPC asked the BoE and FCA to work together to address data gaps and build an understanding of vulnerabilities in capital markets and asset management, including information on asset managers' strategies for managing the liquidity of their funds in normal and stressed scenarios. Interim findings are due in June, with a full report by September.

The BoE *published* a revised version of the “Codes of best market practice and shared global principles” for **foreign exchange**, approved and endorsed by the eight major foreign exchange committees. The document set out globally harmonised guidance for foreign exchange markets. Topics covered include personal conduct, confidentiality and market conduct; policies for execution practices; and various provisions which reflected the FSB’s Foreign Exchange Benchmark recommendations.

HMT *published* a memorandum of understanding outlining the relationship between the **PSR and the UK’s other financial regulators**. The document contained provisions on information exchange, confidentiality, cooperation in respect of regulated entities, coordinated exercise of functions and various veto powers.

Lord Hill, EU Commissioner, *spoke* about **work streams and priorities of the new Commission**, including the review of the leverage ratio (by the end of 2016); the alignment of the FSB’s proposals on TLAC and the BRRD; and the Capital Markets Union. Lord Hill also *warned* about new potential sources of risk. He urged agreement on legislation on Money Market Funds, benchmarks, and bank structural reform, and committed to bringing forward new proposals for effective resolution regimes for non-bank financial institutions and CCPs by the autumn. Cybercrime was also moving higher on the agenda. Lord Hill *stressed* the role of financial markets in boosting growth, and the importance of EU-US regulatory and supervisory cooperation. The Commissioner also *spoke* about a forthcoming consultation on the impact of bank capital rules on lending to corporates and long-term finance, planned for the summer.

EIOPA *consulted* on the draft implementing technical standards (ITS) on the procedures for the submission of information to group supervisors, and the exchange of information between supervisory authorities under **Solvency II**. EIOPA’s Board of Supervisors also *signed* coordination agreements for all colleges of supervisors of insurance groups with internal models.

EIOPA published final reports on advice to the European Commission on the third country equivalence assessments under Solvency II for *Bermuda, Japan and Switzerland*. All three jurisdictions were deemed equivalent, subject to certain caveats.

Disclosure, valuation and accounting

The EBA *published* a new Data Point Model DPM and XBRL taxonomy for remittance of supervisory reporting as of 30 June 2015, which will be used for the first reports on additional liquidity monitoring metrics and supervisory benchmarking.

ESMA *issued* a call for evidence on the approach to disclosure for **Structured Finance Instruments (SFIs)** originated and/or traded on a private and/or bilateral basis. ESMA sought information to define private and bilateral transactions in SFI, and will consider if the disclosure requirements could be used in their entirety for both types of transactions.

The FCA and HMT *consulted* on the implementation of the **Transparency Directive Amending Directive**. They set out changes including the extension of the deadline to publish half-yearly reports, and a requirement to disclose holdings of financial instruments that have similar economic effect to the holding of shares.

Information security and data privacy

The Information Commissioners Office (ICO), the UK’s **Data Protection** regulator, *urged* businesses to do more to inform consumers about the way their information is being shared. The ICO’s annual survey showed that 85% of people are concerned about how their personal information is passed or sold to other organisations, and that 77% are concerned about organisations not keeping personal details secure.

Changes to UK data privacy laws concerning **unsolicited direct marketing calls and text messages** will make it easier for the ICO to fine companies that break the law, the regulator *said*. The ICO can fine companies up to £500,000 for breaches of the Privacy and Electronic Communication Regulations, and need no longer prove that the calls or texts had caused “substantial damage or substantial distress”, but only that the company was committing a serious breach of the law. The ICO subsequently *warned* Help Direct UK, a financial services call centre, to stop sending unsolicited direct marketing text messages, after receiving 659 complaints from consumers relating to unsolicited messages regarding pension services.

Financial crime

The Financial Action Task Force (FATF) *issued* a statement on action taken on **terrorist financing** and *adopted* a report on the financing of Islamic State in Iraq and the Levant (ISIL). FATF also published lists of *jurisdictions* with deficiencies in relation to **anti-money laundering** and combating the financing of terrorism (AML/CFT), for which a call for action applies, and *discussed* mutual evaluation reports for Australia and Belgium. FATF was continuing its work on ‘de-risking’, and said it was planning to reach a decision on virtual currencies at the June 2015 Plenary.

Ryan Willmott, former group reporting and financial planning manager for Logica PLC, was *sentenced* to 10 months imprisonment on three counts of **insider dealing**. In a related case, Kenneth Carver was *fined* £35,212 for insider dealing. Mr Carver purchased 62,000 shares of Logica PLC on the basis of information provided by Mr Willmott.

A former senior execution trader at Moore Europe Capital Management, Julian Rifat, was *sentenced* to 19 months imprisonment, fined £100,000 and order to pay costs of £159,402 for **insider trading**. Mr Rifat passed inside information during the course of his employment to an associate who then traded for their joint benefit.

The UK Home Office *issued* a Call for Information as part of the **UK Anti-Corruption Plan** to improve ways to identify money laundering and terrorism financing, and prevent the movement and use of the proceeds of crime.

Other

The three European Supervisory Authorities updated their **risk dashboards**. The *EBA* noted the positive trend in EU banks' capital positions, although profitability was low and remained volatile. The quality of banks' loan portfolios had stabilised, albeit at a low level. *ESMA* reported that EU systemic stress increased slightly, and had become more volatile. Contagion risk was broadly stable, while liquidity and market risk displayed persistently high levels. *EIOPA* observed that market risks remain unchanged, with a slight improvement in the economic outlook but continuing profitability challenges, especially for life insurers.

The *PRA* *consulted* on **regulated fees and levies in 2015/16**. The proposals included £257.8mn for the Annual Funding Requirement, made up of the budgeted cost of ongoing regulatory activities and a proportion of transition costs arising from the establishment of the *PRA*. The *PRA* also proposed slightly higher special project fees for Solvency II and for structural reform, where the firms affected will be separately consulted. The *PRA* also *issued* a policy statement setting the management expenses levy limit (MELL) for the Financial Services Compensation Scheme (FSCS) at £74.4mn for 2015/16.

The *FCA* *consulted* on **2015/16 fees for regulated firms**. The annual funding requirement had increased by £35.2mn to £481.6mn. No changes were proposed to the fees and levy rates for consumer credit firms. The *FCA* said it planned to recover its costs related to setting up the Payment Systems Regulator and its ongoing regulatory activities (£28.1mn in total) from the operators of payment systems designated by HMT.

EIOPA *published* a discussion paper on **infrastructure investments** by insurers following a call for advice by the European Commission. It asked for comments on a definition of infrastructure investment that offered predictable long-term cash flows; a new category of infrastructure investment with standardisation and transparency; the appropriate prudential treatment of the identified investments within a risk-based supervisory system; and the effectiveness of the Solvency II risk management requirements for infrastructure investments.

The *FCA* *announced* that **David Harker**, a non-executive director, had died.

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