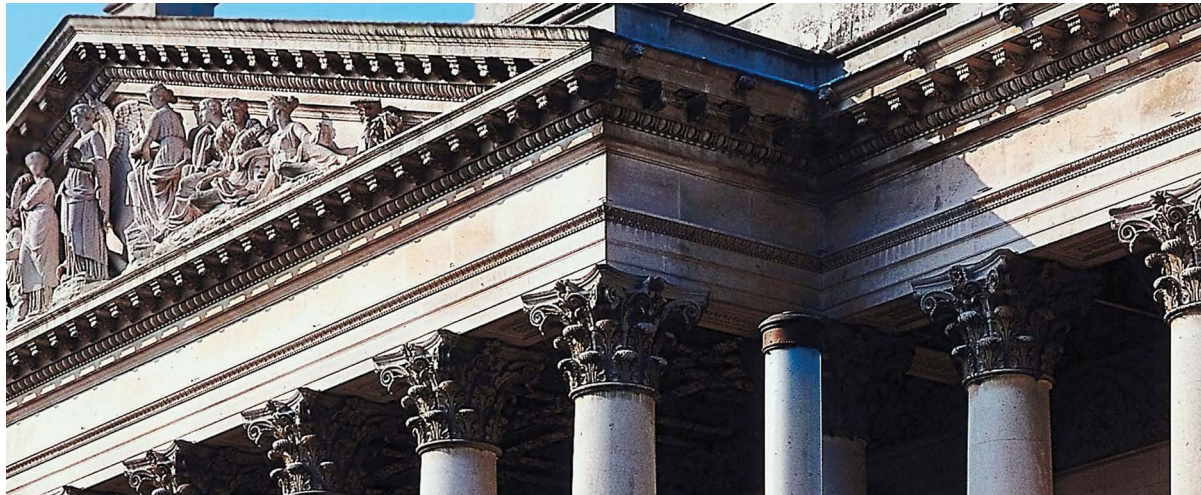


Risk and Regulation Monthly



In April the Basel Committee on Banking Supervision (BCBS) published its long-awaited final proposals on **interest rate risk in the banking book (IRRBB)**. A formal **delay to the MiFID II/MiFIR package** was brought one step closer as EU institutions agreed their negotiating positions. Elsewhere, the **Single Resolution Board (SRB)** held its first public conference at its new permanent premises in Brussels.

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Capital (including stress testing)

The BCBS *dropped* its proposals for a binding Pillar 1 approach to measuring IRRBB, opting instead to retain a Pillar 2 framework based on banks' internal measurement systems. However, the BCBS also put forward a standardised approach which "supervisors could mandate their banks to follow." The new framework provides more detailed guidance on supervisory expectations around banks' internal processes for IRRBB. The BCBS set a 2018 implementation deadline.

Global systemically important banks (G-SIBs) may face a **higher leverage ratio requirement** than the 3% minimum, according to new *proposals* from the BCBS. The consultation also introduced a variety of technical changes to the measurement of the ratio, which the BCBS said it intended to finalise before the end of 2016.

Bill Coen, Secretary General of the BCBS, *said* the **BCBS' ongoing work** on credit and operational risk does not amount to "Basel IV," and that although BCBS' intention was not to increase overall capital requirements significantly, this "does not mean avoiding any increase for any bank." Beyond capital requirements he emphasised the importance of corporate governance and culture, IT systems, and stress testing, and said there was a "considerable way to go" in relation to risk data aggregation.

The BCBS' latest **Basel III implementation progress report** noted that all 27 BCBS member jurisdictions have final capital rules, liquidity coverage ratio rules, and capital conservation buffers in force. Work was progressing in relation to countercyclical capital buffers, the net stable funding ratio (NSFR) and the leverage ratio. The BCBS also *reported on risk-weighted assets (RWAs) for credit risk in the banking book* for retail and small – and medium-sized enterprise (SME) exposures, highlighting policy changes to reduce variability, such as revised definitions of technical terms, and potential Pillar 3 publication of model back-testing results.

The UK Financial Policy Committee (FPC) *published* the detailed record of its March meeting at which it set the **countercyclical capital buffer (CCyB)** for UK banks above zero (0.5% of risk-weighted assets) for the first time. The Committee also *updated* its policy statement on the approach to setting the CCyB, and said its intention was to apply a CCyB rate of 1% of RWAs in a “standard risk environment”. The Financial Conduct Authority (FCA) also *published* its proposed approach to the CCyB for large investment firms which will need to factor in the CCyB into their CRD IV “combined buffer”.

The Treasury Select Committee (TSC) *announced* it would initiate further work on **bank capital requirements**, following criticisms made by Sir John Vickers regarding the Bank of England’s recent statements on the capital framework. The TSC published a *letter* from Mark Carney setting out the Bank’s views, and said details of the TSC inquiry “will be published shortly.”

The European Commission *asked* the European Banking Authority (EBA) for technical advice to inform the potential EU implementation of the BCBS’ **revised market risk framework**. The Commission asked for an assessment of whether “possible adjustments” to the BCBS framework would be appropriate, particularly in relation to small trading books.

The European Securities and Market Authority (ESMA)’s first EU-wide *stress test* of **central counterparties (CCPs)** found that CCPs would be resilient to multiple clearing member defaults and the associated market stresses, with only “small” uncovered losses, even assuming “unprecedented and rather implausible” scenarios. The test focused on counterparty credit risk; future exercises will examine areas such as liquidity and operational risk.

The Prudential Regulation Authority (PRA) *published* the results of the 2015 **General Insurance Stress Test**. The results indicated that general insurers and re-insurers were, in aggregate, resilient to the market-wide stress test, with only “a handful” likely to breach their Solvency Capital Requirement in the stress scenarios.

The European Commission *amended* one of its **Solvency II Delegated Regulations** on the calculation of capital requirements for several categories of assets held by insurance undertakings. The new Regulation introduced a number of provisions around qualifying **infrastructure investments** which include ‘investments in an infrastructure project entity’ whose sole function is to own, finance or operate infrastructure assets.

The European Insurance and Occupational Pensions Authority (EIOPA) *consulted* on the identification and calibration of other **infrastructure investment** risk categories (such as infrastructure corporates) under **Solvency II**, following a request for technical advice from the European Commission. EIOPA also *consulted* on the methodology to derive the **ultimate forward rate** referred to in Solvency II. It will decide on the outcome of the review in September 2016, while the current rates will not be changed before the end of 2016.

The PRA *consulted* on the recalculation of the **Solvency II** transitional measure on technical provisions, setting out its expectations in relation to when “material changes” to a firm’s risk profile may require a recalculation outside the usual two-yearly cycle. The PRA also *consulted* on the application of the matching adjustment for the purposes of calculating Solvency II technical provisions.

The EBA *proposed* adjustments to its technical standards for the **credit valuation adjustment (CVA) proxy spread**, following a data collection exercise which showed “persistent difficulties” in determining the appropriate spreads. The EBA said that in several cases the revisions would lead to a reduction in own funds requirements for CVA risk, “partially remedying” an “over-estimation” of own funds requirements under the existing rules.

The PRA *consulted* on changes to its supervisory statement **on building societies’ treasury and lending activities**. While most of the text was carried over from 2015 guidance, there were significant changes in relation to lending and financial risk management, particularly when there had been changes to building societies’ business activities.

Liquidity

The European Commission *requested* technical advice from the EBA on the **NSFR**. The letter asked the EBA to study ways that the Commission could implement the NSFR in a more proportional way so it did not undermine the creation of “jobs and growth” in Europe. It also asked the EBA to provide further advice for the treatment of derivatives under the NSFR.

Changes to the PRA’s **liquidity reporting rules** *came into force on 22 April*, such that legacy liquidity reporting requirements are no longer required, having been replaced by CRD IV requirements.

Governance and risk management (including remuneration)

The PRA *set out* its expectations of how firms should comply with the **Solvency II remuneration regime**. The rules clarified the process for identification of staff subject to the provisions, and made clear the PRA’s view that a minimum deferral of 40% of variable remuneration over a minimum of three years was appropriate.

Chris Moulder, director of general insurance at the PRA, *spoke* on current **regulatory issues and the PRA's expectations for insurers**. In the current "very difficult trading environment" the PRA expected non-executive directives "to pose tough questions to executive management, based on robust MI that explains what is really happening to the business".

More time should be devoted to "**the skill of supervision**," *according to* the Bank of England's Andrew Bailey. He emphasised the "high levels of technical skill" as well as "interpersonal skills" demanded by supervision, and distinguished between "doing things to firms" and "creating the conditions for firms to do [the] right thing in the first place." Part of supervision was about creating and overseeing the right incentives.

EIOPA *published* guidelines on **product oversight and governance arrangements** under the **Insurance Distribution Directive** (IDD). The guidelines related to both manufacturers and distributors, and covered the establishment of product oversight and governance arrangements, distribution strategy, and the provision of sale information to the manufacturer.

The PRA *imposed a fine of £1,384,950* on QIB (UK) Plc for failing to undertake a regular assessment of its capital requirements, not reporting its large exposures to the regulator, and failing to ensure that the total amount of its exposures to connected clients did not exceed the large exposure limit.

Conduct of Business (including MiFID)

On **MiFID II**, the *European Council* and the Parliament (in their *MiFID II* and *MiFIR* reports) agreed their respective negotiating stances on an **implementation delay**, paving the way for trilogue negotiations. Both proposed that the transposition deadline should be moved to 3 July 2017 and the application deadline to 3 January 2018. The proposed amendments also alter how certain rules will apply to trading on own account, package transactions, and securities financing transactions, and will have knock-on effects for the implementation timelines of parts of the Market Abuse Regulation (MAR) and the Central Securities Depositories Regulation (CSDR).

The European Commission adopted a **MiFID II Delegated Directive** and *Delegated Regulation*, with a supplementary *annex*, covering the safeguarding of financial instruments and funds belonging to clients, product governance obligations and inducement rules (including on the use of dealing commission), definitional issues (such as for spot FX contracts), and organisational requirements.

ESMA *wrote* to the Commission regarding amendments to three **MiFID II technical standards** which had been sent back for revision, to indicate that it would work on revised standards as swiftly as possible.

ESMA also *published* a final report on the **temporary exclusion of exchange-traded derivatives** from the scope of MiFIR's non-discriminatory access provisions to CCPs and trading venues.

ESMA *published* a peer review of how national supervisors monitor compliance with the **MiFID II** suitability requirements.

The **FCA's 2016-17 Business Plan** *highlighted* two new priority work streams – wholesale markets and the provision of advice – in addition to five other areas which were rolled over from last year. Consumer credit affordability and unfair contract terms dropped off the FCA's list of priority issues. The document was shorter and less detailed than in previous years, though it is possible that more detailed information will emerge once Andrew Bailey takes up his new role as Chief Executive in July.

Two Level 2 measures under the **MAR** – a *Delegated Regulation* and an *Implementing Regulation* – were published in the EU's Official Journal. The new regulations covered a number of exemptions under MAR, relating to indicators of market manipulation, disclosure thresholds, types of notifiable managers' transactions, and the template for notification of managers' transactions.

The FCA *published* a policy statement on the **UK implementation of MAR**, which confirmed that it will adopt a stricter disclosure threshold of managers' transactions, such that managers within firms that issue securities or Emission Allowance Market Participants must disclose personal transactions in certain financial instruments above a €5,000 annual threshold, rather than €20,000. The FCA also *consulted* on extensions to the Decision Procedures and Penalties Manual and the Enforcement Guide to cover MAR.

The Joint Committee of the European Supervisory Authorities (ESAs) published *final draft technical standards* supplementing the **Packaged Retail and Insurance-based Investment Products** (PRIIPs) Regulation, setting out detailed rules on the Key Information Document (KID) which must be provided to retail investors buying investment products, including on the methodologies for calculating risk, reward and cost.

ESMA *published* a discussion paper on share-classes for **Undertakings for Collective Investments in Transferable Securities** (UCITS). ESMA identified diverging national practices as to the types of permitted share-classes, and sought views on the development of a harmonised EU framework.

The FCA *published* a thematic review on whether UK authorised **investment funds and segregated mandates** are operated in line with investors' expectations as set by marketing, disclosure material and investment mandates. Most funds invested in line with their stated strategy, but the FCA identified examples of poor practice, including a lack of clear product descriptions in some key investor information documents (KIIDs), inadequate governance or oversight arrangements, and failings in ensuring appropriate fund distribution.

The FCA *published* the interim results of its **corporate and investment banking market study**, which set out steps to reduce "artificial incumbency advantages" in the sector. It proposed to prevent large banks from using contractual clauses to restrict clients' choices over future suppliers of services, and also put forward measures to change the Initial Public Offering (IPO) process in order to provide better access to information for independent researchers and other buy-side participants. The FCA also *published* a discussion paper on the **IPO process** and a *report* proposing a series of measures aimed at enhancing the UK's **debt listing regime**.

The FCA published *guidance* on **conflicts of interest and inducements**, encouraging life insurers, advisory firms and other providers of retail investment products to review and, if necessary, revise their service and distribution agreements. The guidance included commentary on hospitality and elaborated on the FCA's "reasonable value" test; in general, hospitality "should enhance the quality of the service provided to the client."

Tracy McDermott, the FCA's acting chief executive, *announced* that the **FCA's Advice Unit** would be open for business from May, and would support the development of automated advice tools for mass-market consumers. She also said that the FCA is starting work on the Financial Services Compensation Scheme funding review, and will engage with firms over the summer.

The FCA *published* its latest Market Watch newsletter on **market conduct and transaction reporting issues**, presenting its observations from its suspicious transaction reporting supervisory visits to 38 firms in 2015, including to a variety of 'near-shore' and offshore surveillance teams. The FCA made clear that suspicious transaction reporting will continue to be a priority area, and that it would work with firms to establish effective surveillance operating models.

The FCA *set out* the findings of its **survey of firms providing retail investment advice**, including financial advisers, networks, banks and life insurance companies. The survey covered the size of customer pension pots and investible assets, charging structures, transfers from defined benefit to defined contribution pension schemes, the use of technology, and barriers to providing mass-market advice.

Following the Government's **pension reforms**, the FCA *finalised* changes to its pension and retirement income rules and guidance. Firms will face restrictions on the distribution of high-risk investments, and the FCA said firms should encourage customers to explore available options and make informed choices about accessing their pension savings in a sustainable way.

HM Treasury (HMT) and the FCA proposed new rules to govern the buying and intermediation of annuities as part of the UK Government's plan to create a **secondary market for annuities** in line with its new pension regime. The FCA's rules focused on consumer protection in light of "a significant risk of poor outcomes for consumers" given the challenges associated with annuity valuations.

The FCA *amended* its Handbook to apply the FCA's redress rules to **European long-term investment funds** (ELTIFs) such that all managers and depositaries of UK-domiciled ELTIFs – with the exception of ELTIFs set up as investment trusts – will be brought within the scope of the Financial Ombudsman Service and the Financial Services Compensation Scheme (FSCS) when funds are offered to eligible retail investors.

The FCA *commissioned* a survey of 17 retail banks and building societies to review **how firms ensure their customers understand the products they have bought**, finding that firms generally demonstrated good practice, including using customer survey findings and group discussions as the basis for producing better and simple products, and providing one-to-one calls with complainants. However, the FCA also urged firms to ensure they distinguished between customer understanding and customer satisfaction, and to ensure that customer outcomes were considered over the entire life cycle of a product.

The FCA's Tracey McDermott *said* there had been "significant progress in driving up standards" in the **consumer credit** sector. "The first feature of a 'steady state' future under FCA regulation" will be that firms will be expected to "promote, embed and enforce the right culture" in their organisations, as well as to "focus on delivering the right outcomes, not just meeting regulatory requirements". She also indicated that the final report of the market study into UK credit cards will be published this summer.

The FCA **banned** *Arif Hussein*, a former UBS LIBOR trader, and *Paul White*, a former RBS LIBOR submitter, from performing any regulated activity for misconduct in relation to LIBOR.

The FCA imposed a **fine of £450,000** on *Timothy Alan Roberts*, of Catalyst Investment Group Limited, and banned Mr Roberts from performing regulated activities for his role in permitting Catalyst to collect funds from potential investors without adequately disclosing the full regulatory position.

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

The SRB held its **first public conference** with speakers covering issues from the consistency of bail-in-able debt requirements, to liquidity, cross-border cooperation, and broader completion of the Banking Union. The Bank of England's Jon Cunliffe *spoke* about the UK approach, emphasising proportionality, gradualism, and clarity, particularly in relation to bail-in. A report on the conference will be published in May.

The EBA *published* its first consolidated list of "**other systemically important institutions**" (O-SIIs) as identified under CRD IV. Many O-SIIs will be required to build up an O-SII capital buffer of up to 2% of RWAs and may face heightened supervisory expectations.

The FCA *finalised* its policy statement in relation to its compensation sourcebook, increasing **FSCS protection** for certain general and pure protection insurance mediation claims from 90% to 100%, and making trustees of certain occupational pension schemes eligible to claim on the FSCS.

The EBA *finalised* its guidelines on the **disclosure of confidential information for the purposes of the Bank Recovery and Resolution Directive (BRRD)**, whereby such information should not be disclosed unless it is necessary in the exercise of functions under the BRRD, or without the express consent of the relevant institutions, or where it is presented in such a way that individual institutions cannot be identified from summaries and collective statements.

Austria *became* the first country to make use of the BRRD's **bail-in tool**, bailing-in 100% of subordinated liabilities, and over half of the remaining bail-in-able senior liabilities, at Heta Asset Resolution AG – the 'bad bank' vehicle created from the 2009 failure of Hypo Alpe Adria.

Regulatory perimeter

The European Parliament *adopted* the **Benchmarks regulation**, a new framework requiring benchmark administrators to be authorised or registered, and publish a "benchmark statement" disclosing information about the data used, calculation methodologies, definitions, and more. The Regulation will also affect submitters of data to benchmarks, and may have knock-on effects for benchmark users.

The Bank of England *became* the administrator of the **Sterling Overnight Index Average (SONIA) interest rate benchmark**. The Wholesale Markets Brokers' Association will continue to calculate and publish SONIA for the Bank on an agency basis. The Bank plans to broaden the range of transactions underpinning SONIA to include bilaterally negotiated, as well as brokered, transactions, and will transition to its new basis in Q2 2017, with a further consultation on its plans for the benchmark to follow in late summer 2016.

ESMA *said* there is still "significant room for improvement" in relation to the usability and comparability of **trade repository (TR) data**.

Since derivatives reporting went live under the European Market Infrastructure Regulation (EMIR) in February 2014, there had been more than 27 billion submissions to six TRs, but ESMA said inconsistencies in how the data was reported and maintained by TRs meant the effectiveness of the whole reporting framework was "put at stake". As such, ESMA set out revised technical standards on operational standards for TRs to facilitate more effective aggregation and comparison of TR data.

Following *publication* of the relevant technical standards in the EU's Official Journal, two types of credit default swap (CDS) contracts will be subject to the **EMIR clearing obligation** from February 2017. The requirements will be phased in between 2017 and May 2019, depending on the types of counterparties involved.

ESMA *proposed* amendments to its **EMIR technical standards** to reduce EU-based CCPs' minimum liquidation period from two days to one for gross omnibus accounts and individual segregated accounts for exchange-traded derivatives and securities. The European Commission *amended* the relevant Delegated Regulation to reflect ESMA's proposals.

The **Payment Systems Regulator (PSR)** *announced its decision* not to apply any new access or governance requirements to card payment schemes based on the evidence it had gathered, which suggests that new rules would not improve access and innovation. Caroline Begent, head of the PSR's legal department, *spoke* about the PSR's role in monitoring the smooth functioning of the market, and said there would be a stocktake of the market in 12 months' time in order to assess how concerns about indirect access have been addressed.

The European Commission published details of two **reviews of EU legislation**, covering the *Financial Conglomerates Directive* (FICOD) and the *Consumer Rights Directive*, as part of its 'regulatory fitness and performance' (REFIT) programme. Both reviews are scheduled to be completed by early 2017, and will assess whether the legislation is fit for purpose and adding value.

Harriet Baldwin, Economic Secretary to HMT, *announced* a new set of government measures designed to maintain the UK's position as the "**global capital for FinTech**", including the creation of an industry-led FinTech panel, the implementation of an Open Banking Standard, and the establishment of "FinTech bridges" to facilitate international expansion and to attract international companies and investors to the UK.

Christopher Woolard, FCA Director of Strategy and Competition, *announced* that applications to the FCA's **regulatory sandbox** would open on 9 May. Successful applicants will be able to use the sandbox to test innovative ideas without immediately incurring the full regulatory consequences. To be eligible, firms will need to demonstrate genuine innovation, clear consumer benefit, relevance of their proposition to the UK market, a clear need for testing in the sandbox, and readiness to test. Firms will also need to have a clear exit strategy for customers after the testing phase. The FCA separately published documents on *sandbox testing parameters* and *eligibility criteria* providing more detailed guidance.

HMT *consulted* on its **innovation plan for financial services**, asking whether the regulatory environment effectively supports innovation and whether regulators understand innovation and potential areas of business model disruption. The government also sought views on whether regulators could better utilise new technologies to deliver their own work more effectively.

The FCA *published* guidance on the SME **Credit Information Regulations**. If given permission from the relevant SME, designated banks are required to share credit information with designated Credit Rating Agencies, which then must provide this information to finance providers on request.

The FCA *published* an occasional paper on **high frequency trading (HFT) in the UK** as part of work to understand whether HFTs "prey" on other market participants. The FCA did not find evidence that HFTs are able to systematically anticipate orders across venues.

Rethinking the domestic and international architecture for regulation

As the European Commission *unveiled* its **first Capital Markets Union (CMU) status report** taking stock of the first six months since the adoption of the Action Plan, Lord Hill *outlined* the next steps for CMU. These included consultations on the cross-border distribution of investment funds and the development of a European private pensions market, proposals to strengthen Europe's venture capital markets, and further work on insolvency regimes. There will also be work in relation to corporate bond markets, covered bonds and retail investment products. The Commission also *published* a **review of European financial stability and integration** that focused on CMU developments and identified the latest trends in European capital markets.

Regulatory reform is "coming to an end," *according* to the European Central Bank (ECB)'s Danièle Nouy. She discussed the benefits of more and better quality capital, but re-iterated the regulatory view that there will no "significant further increases" in capital requirements, and that regulators "are not discussing Basel IV."

The FCA and PRA jointly *consulted* on proposals to enhance **enforcement decision-making processes**. The consultation focused on establishing an ongoing dialogue between enforcement and supervision during an investigation, and the subjects' understanding and representations in relation to such investigations.

Disclosure, valuation and accounting

The BCBS *consulted* on **harmonised definitions for non-performing exposures** and forbearance that will eventually be part of its disclosure requirements under Pillar 3, although the definitions are not intended to replace existing accounting definitions for impairment provisions or those in banks' internal models.

The EBA *consulted* on **disclosure of encumbered and unencumbered assets** under CRR. It set out three disclosure templates, to be supplemented with narrative information about the importance of encumbrance in the relevant firm's funding model.

The PRA *consulted* on proposals on future reporting of balance sheet, statement of profit and loss and forecast capital data as part of the execution of its **data strategy**. It also proposed provisions for reporting profit and loss data by non-EEA banks which are authorised to accept deposits through UK branches.

The PSR *consulted* on changes to **reporting requirements** which would require payment system operators that are subject to its directions on both direct access and governance to combine the reporting processes. Reporting deadlines were also changed, from end-July to end-October.

Information security and data privacy

The International Organisation of Securities Commissions (IOSCO) *published* a report on efforts to address **cyber risk in securities markets**, following nearly two years of study. The report emphasised the emerging threat from cyber risk for market participants and market infrastructures, and highlighted measures that could be considered by market participants and regulators to mitigate cyber risk.

The International Association of Insurance Supervisors (IAIS) *consulted* on **cyber risk management in the insurance sector**, with an issues paper which articulated particular risks for the industry and highlighted the measures already being taken in IAIS member jurisdictions to address these threats.

Yves Mersch, a Member of the ECB's Executive Board, *announced* that the ECB has launched some experimental work with **distributed ledger technology (DLT)**. He discussed the potential implications of the use of DLT as a financial market infrastructure for central banks, the impact on supervised entities and their business models, as well as on accounting and reporting.

The European Parliament *announced* that reforms of **data protection law** had been approved by MEPs, following over four years of work. Implementation of the General Data Protection Regulation (GDPR) will commence in 2018, and will apply across all sectors, including financial services. The GDPR contains a raft of new rules, including enhanced transparency and explicit consent requirements, breach notification, additional rights for data subjects, and increased financial penalties of up to 4% of a firm's annual global turnover.

Financial crime

HMT *published* an updated advisory notice on **anti-money laundering and terrorist financing controls**, advising firms to apply enhanced due diligence measures in relation to a number of overseas jurisdictions. HMT also *published* a call for information on the **AML/Counter-Terrorism Financing supervisory regime**, focusing on the system by which it appoints supervisory bodies, supervisors' powers to incentivise compliance, and the interaction between supervisors and supervised businesses.

The UK Government *published* its findings from the call for information on the **suspicious activity reports regime**. The review found that although the current reporting system fulfils its purpose there is scope for improvement, and that a more efficient information sharing model could support greater collaboration between law enforcement agencies, regulators and the private sector.

John Griffith-Jones and Tracey McDermott of the FCA *spoke* at the TSC about **money laundering**. Tracey McDermott suggested that more work could be done to fight money laundering, even though London already was already a "hostile" environment. She said that figures relating to the scale of money laundering in the UK were scarce, but that it was "likely to be quite a large number."

HMT's Office of Financial Sanctions *published* guidance on the **implementation of financial sanctions**. The guidance focused on the individuals, entities and countries subject to sanctions, the types of prohibitions (mainly asset freezes and financial markets restrictions), and the licensing regime in relation to exempted transactions.

Other

The Bank of England *announced* that **Sam Woods** will succeed Andrew Bailey as Deputy Governor of the Bank of England and new Head of the PRA, effective from 1 July 2016.

The Bank for International Settlements *published* a report on **seven guiding principles to boost financial inclusion** through aspects of payments. The report said that regulatory frameworks underpin financial inclusion, provided they address all relevant risks and protect consumers, while fostering innovation and competition.

The ESAs *published* their latest report on **risks and vulnerabilities in the EU financial system**, pointing to low profitability, increasing interconnectedness of bank and non-bank entities and potential contagion from China and other emerging markets as the three main risks to the European financial system. The suggested actions to tackle those risks included cost reduction and supervisory scrutiny of business model sustainability, monitoring of concentration risks, and the inclusion of emerging markets risks in stress testing scenarios.

The Chancellor George Osborne *wrote* to the TSC on the **process for appointing the CEO of the FCA**. He welcomed scrutiny by the TSC during the appointment process, and announced the introduction of statutory legislation to make the CEO's appointment subject to a renewable, 5-year term.

Tracey McDermott *announced* she was leaving the FCA, having been in the role of Acting CEO since September 2015. She will leave the organisation on 1 July.

The total amount of **supervisory fees paid to the ECB** in 2016 in its role as the Banking Union's prudential supervisory authority will be €405mn, almost 90% of which will be paid by significant entities and groups, according to the decision *published* in the Official Journal of the EU.

The FCA *consulted* on **regulatory fees and levies for 2016/17**, including those for the Financial Ombudsman Service, and the Money Advice Service. Excluding consumer credit, the annual funding requirement of £481.6mn remained unchanged from last year, although inclusion of consumer credit resulted in an increase of £37.7mn to £519.3mn. The FCA said it intended to recoup the costs of setting up the consumer credit regime, **£62mn overall, over a ten year period**.

In line with its December 2015 consultation, the UK **PSR** *published* its decision on its **regulatory fees for 2016/17**. It also consulted on how the fees for its different functions will be allocated, calculated and collected, and how it intends to deal with an anticipated 2015/16 underspend.

The **FSCS** *announced* its **levy for 2016/17**, which will be £337mn in this financial year, £26mn less than forecast in its 2016/17 budget, but £18mn more than last year. Most industries will be asked to contribute less than forecast, except life and pensions intermediaries who will pay £10mn more than expected, due to increased costs of claims arising from advice about investments in self-invested personal pensions (SIPPs).

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