

Risk and Regulation Monthly Cover Note

June 2016

The most significant event of the month, and most likely of the years to come, was the **UK Referendum vote to leave the EU**.

Putting aside the impact of the result on politics and the economy, it generated a number of regulatory responses and raised a number of fundamental regulatory questions. In particular, the Governor of the Bank of England made statements to reassure markets regarding its **Brexit contingency planning**, the **capital and liquidity resources of UK banks**, and the **availability of liquidity support**. The European Central Bank (ECB) also stated that it stood ready to provide additional liquidity support if necessary. The Financial Conduct Authority (FCA) confirmed that firms must continue to abide by their obligations derived under EU law and **continue with implementation plans** for EU legislation still to come into effect. Finally, **Lord Hill**, the EU Commissioner for Financial Stability, Financial Services and Capital Markets Union stepped down, replaced by Valdis Dombrovskis.

But it wasn't all about Brexit. The first **clearing obligation** for interest rate derivatives started to apply on a staggered basis and the legislation delaying the application date of **MiFID II** and the **Benchmarks Regulation** were both published in the Official Journal of the EU (OJEU).

The Financial Stability Board (FSB) consulted on policy recommendations for addressing **structural vulnerabilities from asset management activities**, particularly in relation to liquidity risk. It also published guidance on **resolution planning** for global systemically important insurers (G-SIIs).

What's in the pipeline?

The UK's **exit from the EU** will continue to influence the regulatory agenda for the months and years to come.

The remaining **MiFID II** RTS will continue to be adopted and the level two implementing measures will start to be published in the OJEU over the coming months, followed by FCA consultations on MiFID II implementation. We also anticipate reports on the **EMIR Review** and on progress of the **Fair and Effective Markets Review** shortly.

Further work is expected in the months ahead on a European Commission legislative proposal **amending CRD IV/CRR** to complete the Basel III agenda and implement Total Loss Absorbing Capacity (TLAC) in the EU, although the disruption from Brexit may cause a slight delay to the timetable. Meanwhile, the Basel Committee continues to work through a large number of proposals to amend the **calculation of risk-weighted assets** and ultimately to reach a decision on the overall calibration of the capital framework, including risk-weighted asset floors.



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