

Risk and Regulation Monthly Cover Note

May 2016

So what happened in May?

The European Commission consulted on application and implementation of the revised framework for **market risk** and on aspects of the **Net Stable Funding Ratio (NSFR)** in anticipation of the review of CRD IV. It also published the overdue RTS for the **minimum requirement for own funds and eligible liabilities (MREL)**, which no longer requires MREL be fixed at 8% of total liabilities, and provides more flexibility for national authorities.

The FPC finalised the framework for the **Systemic Risk Buffer (SRB)** to be applied to ring-fenced banks and large building societies from January 2019, keeping the framework “broadly the same” as the previous consultation version. The PRA consulted on **Pillar 2 liquidity**, making proposals on the mitigation of intraday liquidity risks and two types of franchise viability risks.

Political agreement was reached to delay the application and transposition dates of **MiFID II/ MiFIR** by a year, and the European Commission adopted a number of level two measures, while ESMA published opinions on three controversial RTS that had been sent back to it by the European Commission for revisions. The European Commission held a public hearing on its **review of the EU regulatory framework** for financial services. The evidence gathered is likely to feed into ongoing review processes, rather than lead to an overhaul of the regulatory framework.

The UK Competition and Markets Authority (CMA) continued to rule out more extreme structural measures as part of its investigation into competition in the **personal current account market** and **banking services for small and medium-sized enterprises (SMEs)**, instead opting for a package of remedies.

Following a call for inputs, the FCA decided to undertake a market study on consumers’ ability to make choices about **mortgages**. It also proposed a **1% cap on early exit charges** for consumers exercising their pension freedoms, with new contracts prohibited from charging any exit fees. Finally, the FCA’s **regulatory sandbox**, aimed at promoting innovation, opened for applications.

What’s in the pipeline?

The UK **EU referendum vote** will dominate headlines for the next few days – or years, depending on the outcome.

Andrew Bailey will take up his role as the FCA’s Chief Executive in July and will no doubt look to put his stamp on the organisation.

MiFID II RTSs will continue to be issued apace in June and the legislative proposal to delay MiFID II is expected to enter into the Official Journal ahead of 3 July, followed by FCA consultations on MiFID II implementation. In the next months, we also anticipate a report on the **EMIR Review** and a report on progress of the **Fair and Effective Markets Review**.

We anticipate further work 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. Meanwhile, the Basel Committee continues to work on a number of proposals to amend the **calculation of risk-weighted assets**, most of which are expected to be finalised in the coming year and will eventually have to make their way into EU and national legislation.

Clifford Smout, who developed and issued Risk and Regulation Monthly for over 8 years, retired from Deloitte at the end of May. We wish him a long, happy and productive retirement, and thank him again for his guidance and good humour throughout the history of the Centre for Regulatory Strategy.

We are delighted to announce that **Andrew Bulley** (who is mentioned in this month’s note) will be joining the Centre for Regulatory Strategy from the Bank of England in October this year.



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