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Risk and Regulation Monthly

June 2016

The **UK's referendum decision to leave the EU** in June sent shockwaves around the financial sector and raised a number of fundamental regulatory questions for UK, European and foreign firms. Regulators, however, continued to have a busy month and June saw the first **clearing obligations for interest rate derivatives** begin to be implemented on a staggered basis and the final text delaying the implementation date of Markets in Financial Instruments Directive and Regulation **(MiFID II/MiFIR)** by one year being published in the Official Journal of the EU.

Brexit

The Bank of England **advised** that it had **undertaken extensive contingency planning** and confirmed that it would take all necessary steps in regard to its responsibilities for monetary and financial stability. The Governor **expanded** on these statements, emphasising that the Bank had stress tested the capital requirements of UK banks against 'scenarios more severe' than Brexit and that considerable contingency plans have already been implemented to mitigate the risks to economic instability and market volatility.

The Economic Secretary to the Treasury, Harriett Baldwin, **declared** that 'financial markets are capable of weathering challenges' and that **British banks are well placed to weather any challenges posed by Brexit**. Pointing to the success of the Bank of England's stress testing and echoing the sentiments of the Chancellor, Baldwin stressed the importance of not allowing the high levels of confidence in Britain's financial system and institutions to be shaken.

CENTRE *for* REGULATORY STRATEGY EMEA

The Financial Conduct Authority (FCA) **confirmed** that **EU regulation**, along with existing UK legislation, **will remain applicable until any changes are agreed** by Government and Parliament. It advised that the future regulatory environment will depend on the renegotiated relationship with the EU, but that implementation of EU legislation currently in process will continue.

John Griffith-Jones, Chairman of the FCA, **spoke** about regulation in a post-crisis, post-Brexit world. He said nothing had changed in the FCA's objectives and the regulatory landscape until the UK withdraws from the EU. He said it would be **important for financial services firms to inform the Government of where risks and opportunities lie** after the EU referendum vote.

The Treasury Select Committee (TSC) **announced** it will, before the summer recess, be taking further evidence into the **UK's future economic relationship with the EU**, the trade-offs between market access and control that are likely to be involved, and the practical consequences for people and businesses.

Following the Brexit vote, **Lord Jonathan Hill**, the UK's European Commissioner and EU Commissioner for Financial Services, announced his intention to resign in mid-July. In response, Valdis Dombrovskis, European Commission Vice-President for the Euro, was given political responsibility for Lord Hill's financial services portfolio on a permanent basis.

The European Council, meeting informally as 27 EU Member States without the UK, made a **statement** on the results of the Brexit referendum and its **plans to negotiate a withdrawal agreement** with the UK. In the statement, the EU 27 re-iterated their position that access to the Single Market requires the acceptance of the EU's 'four freedoms'; the free movement of goods, workers, services and capital.

Following the Global Economy Meeting, the Bank for International Settlements (BIS) **published** a statement on the **implications of the EU referendum in the UK** endorsing the contingency measures put in place by the Bank of England and emphasising the preparedness of central banks to support the proper functioning of financial markets.

Capital (including stress testing)

The Economic and Monetary Affairs (ECON) Committee of the European Parliament **published** a report setting out draft amendments to the EU's proposal for a common framework for **single, transparent and standardised (STS) securitisation**. It included a ban on re-securitisation and amendments to risk retention requirements. The ECON Committee also **published** draft recommendations for the capital treatment of STS securitisations, which suggested the removal of the External Ratings-Based Approach.

Benoît Cœuré, Member of the Executive Board of the European Central Bank (ECB), **spoke** about developing a **macro-prudential approach for central counterparties (CCPs)**. He said the rise of central clearing makes it increasingly important to consider CCPs from a macro-prudential perspective, although rules developed for the banking sector should not apply "blindly" to CCPs.

The Basel Committee on Banking Supervision (BCBS) **issued** a statement warning firms not to engage in transactions that have the purpose of offsetting **regulatory adjustments**. Committee members noted that they had found numerous requests to approve or review such transactions.

The European Banking Authority (EBA) **published** final draft Regulatory Technical Standards (RTS) specifying assessment criteria for assigning risk-weights to **specialised lending exposures**. The RTS, which would apply to firms using the 'supervisory slotting criteria' under the Basel framework, requires that banks set out the weights they apply to each of the factors in the slotting criteria (financial strength, political and legal environment, transaction and/or asset characteristics, strength of the sponsor and developer and security package), where the individual weights must fall between 5% and 60%.

Verena Ross, Executive Director of the European Securities and Markets Authority (ESMA), gave a **statement** to the ECON Committee of the European Parliament on the **EU securitisation market**. She said investor protection would be a core concern, with ESMA focusing on both transparency and cross-sectoral consistency. However, she acknowledged that ESMA had encountered difficulties in increasing transparency, for example the failure to set up a website to publish information on Structured Finance Instruments by January 2016.

The Regulation amending the Capital Requirements Regulation (CRR) regarding **exemptions for commodity dealers from the CRR's prudential requirements** was **published** in the Official Journal of the EU (OJEU). The Regulation extended the existing exemptions to 31 December 2020.

The European Commission **published** a report to the European Parliament and Council on the appropriateness of Article 3(1) of the **Financial Collateral Directive**, which grants Member States the option to require formal acts, such as registration and notification, relating to credit claims used as collateral in evidence against debtors or third parties. The Commission concluded that the option remains appropriate.

The European Insurance and Occupational Pensions Authority (EIOPA) **published** the final Technical Advice given to the European Commission on the **identification and calibration of infrastructure investment risk categories**. Among other things, EIOPA recommended the extension of the infrastructure corporates asset class and a differentiated treatment of equity investments in high quality infrastructure corporates.

The ECB published **guidance** for banks on how it will assess whether capital instruments qualify as **Additional Tier 1 (AT1) or Tier 2 (T2)** instruments. To facilitate the ECB's assessments, banks need to submit a variety of information about instruments that are included in their capital calculations as AT1 or T2.

During a hearing at ECON, Danièle Nouy, Chair of the ECB Supervisory Board, **indicated** that the **Single Supervisory Mechanism (SSM)** could move towards a **Pillar 2 approach** that splits into formal capital requirements and "Pillar 2 guidance".

Liquidity

ESMA **published** a report on **order duplication and liquidity measurement in EU equity markets**. It found that order duplication was higher for high-frequency trading and that multi-venue trading increased liquidity. ESMA said duplication and immediate cancellation contributed positively to liquidity and did not lead to an overestimation of market liquidity.

The EBA **wrote** to Olivier Guersent, European Commission Director General for Financial Stability, Financial Services and Capital Markets Union, on the discrepancy between the **Liquidity Coverage Ratio (LCR)** requirements that entered into force in October 2015 and the reporting templates that would apply from September 2016. The original timetable for the corrected templates to enter into force in September 2017 would not be realistic, according to the EBA, which would result in a repeated discrepancy.

Governance and risk management (including remuneration)

The ECB **reported** on its thematic review of **governance and risk appetite frameworks (RAFs)**. It found that the majority of firms need to improve the quality of debate and boards' capacity to independently challenge management, oversee control functions and provide a risk perspective. Among one-third of supervised banks, RAFs were fairly recent and still under development, which affected the quality of their governance and deployment.

The European Commission **published** a Delegated Regulation setting out RTS on the **clearing obligation under the European Market Infrastructure Regulation (EMIR)**. It specified classes of over-the-counter (OTC) interest rates derivatives denominated in the Norwegian Krone, Polish Zloty and Swedish Krona, and four different categories of counterparty for which different phase-in periods apply (between six months and three years after entry into force of the RTS).

The European Council **reached** an agreement with the European Parliament on **institutions for occupational retirement provision (IORPs)**. The draft directive was designed to facilitate the development of IORPs, protect scheme members and beneficiaries by improving governance and transparency of IORPs and promote their cross-border activity.

The Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) **published** its third update to its Level 1 assessments of implementation monitoring of the **Principles for Financial Market Infrastructures (PFMI)**. The results showed that further progress was made among the jurisdictions that had not completed their implementation measures in 2015. 19 of the 28 jurisdictions have completed their implementation measures for all FMI types, compared to 15 jurisdictions previously.

Conduct of Business (including MiFID)

The text **delaying the transposition and implementation** dates of **MiFID II/MiFIR** by a year, to 3 July 2017 and 3 January 2018 respectively, was published in the Official Journal of the EU. This followed the adoption of the revised text by the **European Parliament** and the **Council** earlier in the month.

The UK Competition and Markets Authority (CMA) **published** its **annual audit** into whether eight leading UK banks are complying with a previous agreement not to bundle loans and accounts. The CMA found that all eight banks had complied with the bundling undertakings.

The TSC held the **first hearing** of its new inquiry into the CMA's **retail banking market review**. The witnesses, who included Professor Diane Coyle (formerly of the UK Competition Commission), Paul Lynam (CEO of Secure Trust Bank), and Caroline Barr (of the Financial Services Consumer Panel), described the CMA's review as a 'missed opportunity.' Andrew Tyrie, the Committee's Chair, indicated that the CMA would be invited to speak to the TSC in due course.

The Prudential Regulation Authority (PRA) **published** its first **annual competition report** setting out the steps it is taking to drive more competition and innovation in financial services markets and to help ensure that the right incentives exist for new banks to enter the market. The PRA explained how it has interpreted its secondary competition objective and set out examples of the ways it is delivering against this objective.

The FCA **responded** to the CMA's provisional decision on remedies from its **retail banking market investigation**. The regulator welcomed the CMA's efforts to increase competition in retail banking and its provisional decision to make recommendations to the FCA to take forward a range of remedies, including on service quality information, prompts and overdraft measures.

The Financial Markets Law Committee **responded** to a discussion paper published by the PRA on **Equity Release Mortgages**. The Committee noted that the appropriate level of expertise an insurer requires in order to safely engage in lending activity, and how this varies across lending types, is not clear. This is particularly the case for medium-sized insurers that may not have the infrastructure of a larger insurer.

The FCA **consulted** on minor **Handbook changes** related to mortgage borrowers with a payment shortfall. The regulator suggested amending the definition of 'payment shortfall' to ensure that payments are allocated in a way that minimises the time taken to pay off any arrears and thus reduces the amount paid in related fees and charges.

A Financial Advice Working Group was **established** in response to the recommendations of the **Financial Advice Market Review (FAMR)** report published in March 2016. The group will include consumer and industry experts and will have three workstreams: working with employer groups to develop a guide on how to support employees' financial health; publishing a shortlist of potential new terms to describe 'guidance' and 'advice'; and leading a task force with the aim of increasing consumer engagement.

The Council of the EU **agreed** a negotiating stance on new rules on **prospectuses for issuing and offering of securities**. The draft Regulation is part of the Capital Markets Union initiative and is aimed at alleviating the administrative burden regarding the publication of prospectuses.

ESMA **published** its draft RTS for **European long-term investment funds (ELTIFs)**. The proposals included the criteria to determine the circumstances in which financial derivatives are used solely for hedging purposes, a non-exhaustive list of the types of market risk for assessing the market for potential buyers ahead of the disposal of the ELTIF's assets, and the criteria for the valuation of the ELTIF's assets ahead of their divestment.

ESMA **published** a statement reminding banks and investment firms of their responsibility to **act in their clients' best interests** when selling instruments subject to the bail-in obligation under the Bank Recovery and Resolution Directive (BRRD). It highlighted that firms have to provide investors with complete information, manage conflicts of interest, and ensure the product is suitable and appropriate for the investor.

The FCA **published** a policy statement on changes to the decision procedure and penalties manual and the enforcement guide for the implementation of the **Market Abuse Regulation (MAR)**, introducing new sanction and disciplinary prohibition powers and a new decision-making process.

ESMA and the US Commodities Futures Trading Commission (CFTC) **established** a **memorandum of understanding (MoU)** under EMIR, setting out cooperation arrangements, including the exchange of information regarding US CCPs authorised or recognised by the CFTC and which have applied for EU recognition under EMIR.

EIOPA **issued** preparatory guidelines on **product oversight and governance arrangements** for manufacturers and distributors of insurance products to assist with the consistent implementation of the requirements in the Insurance Distribution Directive (IDD).

The EBA **published** its decision on **data for supervisory benchmarking**. This decision followed the publication of the amended technical standards on benchmarking of internal approaches and requires competent authorities to submit data for the 2016 benchmarking exercise with a focus on High Default Portfolios and with reference to end-2015 data.

The European Commission **informed** ESMA that it intends to endorse the draft ITS on **appropriate public disclosure of inside information under MAR** with some exemptions to avoid the duplication of disclosure requirements. ESMA **issued** an opinion on the Commission's proposed changes on inside information disclosure suggesting that these amendments would slightly reduce the costs of the disclosing companies, while putting investors at a disadvantage.

Several **standards under MAR** were published in the OJEU, relating to the **prevention and detection** of abusive practices or suspicious transactions, the **presentation** of investment recommendations and disclosures of conflicts of interest, **notification templates** and the format of records, and **standards** for the conduct of 'market soundings' by disclosing market participants.

ESMA **published** a peer review on the efficiency and effectiveness of **EU national securities markets regulators' approval of prospectuses**. ESMA found that national regulators have different interpretations of certain disclosure requirements, and approval times vary substantially among different regulators although most driving factors fall outside national regulators' responsibilities.

The **EU Benchmarks Regulation** was **published** in the OJEU, triggering the implementation timeline. The transitional period started on 30 June and will end on 31 December 2019, with the exception of the critical benchmarks regime, which is now fully applicable.

The European Commission **adopted** the RTS specifying the content and underlying methodology of the **Key Information Document (KID)** introduced by PRIIPs. The KID presents the main features of an investment product in a standard and simple manner.

Steven Maijoor, Chair of ESMA, **made** a statement to ECON setting out the rationale for ESMA's Opinions on the three RTS **under MiFID II** (on transparency, position limits and ancillary activity) which the Commission intends to endorse with amendments. He highlighted that the introduction of a capital-based test in relation to the ancillary activity has significant drawbacks but mentioned that ESMA has identified some metrics to help the Commission construct the test.

ESMA **published** an updated version of its Q&A on the **application of MiFID** to the marketing and sale of financial contracts for difference (CFDs) and other speculative products to retail clients. The new Q&A addresses the issue of conflicts of interest arising from business models adopted by firms offering speculative products to retail investors.

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

The PRA **finalised** its framework for exempting certain liabilities from the scope of the **BRRD's contractual recognition regime**. Although the BRRD stipulates that contracts issued under non-EU law should recognise the bail-in tool, the PRA determined that in some cases this is impracticable.

Technical standards under the BRRD were published in the OJEU specifying the **information** authorities must submit to the EBA regarding banks' **recovery plans**, and **disclosures** relating to **group financial support arrangements**. The European Commission also **adopted** technical standards setting out the **minimum information on financial contracts** that institutions or entities may need to collect pursuant to their resolution plans.

In a **speech** Yves Mersch, member of the executive board at the ECB, described the "new normal of the banking industry" as not only based on strengthened **regulation and supervision**, but on frameworks of deposit insurance and effective resolution tools to ensure financial stability.

In its **report** on financial stability in the (re)insurance and occupational pension fund sectors in the European Economic Area (EEA), EIOPA found that prolonged low interest rates and low asset prices have created a **low yield environment in which a "double hit" scenario** – where the value of assets decrease while the value of liabilities is sustained – could not be ruled out.

Steven Maijoor, Chair of ESMA, **spoke** at the International Securities Lending Association's (ISLA) 25th Annual Securities Finance and Collateral Management Conference on ESMA's work around implementing the **EU Securities Financing Transactions Regulation** (SFTR).

The BCBS published assessment reports on the implementation of its frameworks for **globally (G-SIB) and domestically systemically important banks (D-SIB)** in **China**, the **EU, Japan, Switzerland** and the **United States**. They found the implementation of the BCBS G-SIB frameworks were compliant and, where applicable, D-SIB frameworks were aligned with the BCBS principles.

Christine Lagarde, Managing Director of the International Monetary Fund (IMF), **spoke** on "Managing Spillovers", arguing that monetary policy "can no longer be the only game in town" to contain spillover risks from an economic slowdown in China and the drop in oil prices. Instead, she argued, it must be **complemented by fiscal and structural policies**.

The Financial Stability Board (FSB) **consulted** on policy recommendations for addressing **structural vulnerabilities** from asset management activities, particularly in relation to liquidity stress testing, liquidity profiles and redemption terms, and the use of liquidity management tools. The paper also looked at measures of leverage.

The International Association of Insurance Supervisors (IAIS) **updated** its **assessment methodology** for globally systemically important insurers (G-SIIs), introducing a five-phase assessment process and based on the modification of certain indicators.

The FSB **published** guidance on **resolution planning** for systemically important insurers (G-SIIs), dealing largely with how regulators should develop resolution strategies for G-SIIs, based on analyses of business models and structures, the criticality of the functions provided by insurers, and a variety of other factors.

ESMA **added** the US Chicago Mercantile Exchange Inc. (CME) to the list of recognised **third-country CCPs**.

François Villeroy de Galhau, Governor of the Bank of France, **spoke** on **recovery and resolution of CCPs**. He said their growing importance, due to regulatory changes and market developments such as disintermediation, required stronger resilience, which should be ensured by a joint effort of both the industry and regulators.

BACS Payments Scheme Ltd, the operator of the Current Account Switching Service (CASS), **applied** to the Payment Systems Operator to have CASS designated as an **alternative switching service** under the Payment Accounts Regulations (PARs). It was the **only** application for designation under PARs.

Regulatory perimeter

The UK Treasury **issued** the Bank of England and Financial Services Act 2016 (Commencement No. 3) Regulations 2016, bringing into force certain provisions relating to the Bank's function as the **prudential regulator**.

TSC chair Andrew Tyrie wrote to Tracey McDermott, Chief Executive of the FCA, and Andrew Bailey, Deputy Governor of the Bank of England for Prudential Regulation, about whether consumers would benefit from further regulation of the **peer-to-peer lending** market.

The UK Treasury **published** a **post-implementation review** of the latest Undertakings for Collective Investment in Transferable Securities Directive (**UCITS V**), which provides background information on the initiative and assesses its implementation in the UK. The Treasury made suggestions for improving the framework, such as the removal of inconsistencies between UCITS and related EU legislation.

The **speech** Mark Carney was to deliver at the Mansion House (which was cancelled in light of the death of Jo Cox, MP) announced the launch of a **FinTech Accelerator** and set out the Bank's intention to **extend direct access to the UK's sterling settlement infrastructure**, the Real Time Gross Settlement System (RTGS), to non-bank payment service providers. In an **update** on the progress of a blueprint for a new RTGS, the Bank affirmed the extension of direct access and outlined a timeline for publishing the blueprint.

ESMA issued a **discussion paper** that made clear that firms using **distributed ledger technologies** should be aware of the relevant EU legal and regulatory requirements and illustrated how the current rules apply in **securities post-trading**. ESMA said it was not considering taking any regulatory steps for now.

The European Commission **consulted** on barriers to the **cross-border distribution of investment funds** across the EU. While not proposing any regulatory measures, it asked for feedback on potential barriers, such as distribution costs or regulatory fees.

The Council of the EU **called** on the EU Commission to submit legislative proposals on banking by the end of this year. It agreed not to address **sovereign risk** before the BCBS has finalised its work, and that **risk reduction** needs to progress further before a European Deposit Insurance Scheme (EDIS) will be negotiated.

In its **annual report on consumer trends** the EBA **indicated** some of the areas it will look into over the next year, such as virtual currencies, the use of consumer data and innovation in payments. It will also begin to develop an approach for consistent supervision of the measures under its consumer protection mandate.

CPMI-IOSCO **published** guidance on **cyber resilience for financial market infrastructures** (FMIs), supplementing existing standards. FMIs should not only establish a culture of risk awareness internally, but also promote cyber resilience among their participants, while continuously re-evaluating cyber threats.

In its **annual report**, the BIS reviewed global economic developments, with particular regard to financial markets, and monetary policy. It called for a **rebalancing of policy** in order to enhance global growth and address vulnerabilities, calling instead for **prudential, fiscal and structural policies** to play a greater role.

Disclosure, valuation and accounting

The PRA **published** a Policy Statement setting out final rules and providing feedback on the consultation on **reporting requirements for non-Solvency II firms**. There was only one change from the consultation paper, namely to remove the requirement for friendly societies to appoint an actuarial function holder and a with-profits actuary.

Andrew Tyrie MP, Chairman of the TSC, **wrote** to Andrew Bailey, Chief Executive of the PRA, about a range of issues, including the workability of resolution regimes, the "intrusiveness" of regulation and the "competitive distortions" between the standardised approach and the internal modelling approaches for credit risk. He also **suggested that more information about the communications between supervisors and banks should be made available to the public.**

The EBA **launched** a consultation on revisions to its guidelines for **Pillar 3 disclosures**. The EBA required different disclosures on an annual, semi-annual and quarterly basis, and the majority of the requirements were intended to be applied for year-end 2017 disclosures, although G-SIBs are recommended to implement a limited subset of the changes by end 2016. The revised guidelines did not substantially alter the current disclosure requirements but instead provided guidance "from a presentation aspect" to make them consistent with the recent BCBS revisions to the template for disclosures.

EIOPA **submitted** draft Implementing Technical Standards (ITS) to the European Commission proposing amendments to the templates for the submission of information to supervisory authorities under **Solvency II and the EIOPA Guidelines on reporting and disclosure**. The amendments relate to the introduction of tailored treatments to insurers' investments in infrastructure, in ELTIFs and in equities traded through multi-lateral trading platforms.

The ECB's latest **AnaCredit regulation** requires Eurozone banks to **report detailed information** on parts of their loan books. Loans over €25,000 to corporations and other legal entities – but not to private households – must be reported, while from 2018 national authorities may request partial data on counterparties.

IOSCO **issued** a statement on its priorities regarding **data gaps in the asset management industry**. It agreed that data should be obtained on a priority basis for open-ended regulated Collective Investment Schemes (CIS), separated managed accounts, and alternative funds. IOSCO said it would consult with industry.

IOSCO **published** a statement on **non-GAAP financial measures**, in response to concerns about lack of consistency and comparability of how issuers present them. It set out a reference framework for disclosure, covering matters such as the definition, purpose, presentation and comparability of non-GAAP financial measures.

IOSCO and the International Financial Reporting Standards (IFRS) Foundation **published** a joint statement setting out a work programme to promote and facilitate transparency within capital markets through the development and consistent application of the **IFRS Standards**. The programme involves strategic discussions and the sharing of information.

Information security and data privacy

A **survey** commissioned by the Information Commissioner's Office (ICO) has found that less than one in four people trust businesses with their **personal information**. The Information Commissioner, Christopher Graham, noted that the results should be a 'real wake up call to some sectors'. The survey also found that only 20% of respondents agree that existing laws and regulations sufficiently protect their personal data.

Separately, Christopher Graham has published his final **Annual Report** as the Information Commissioner. The report highlights a 15% increase in the number of **data protection complaints** received by the ICO and a 17% increase in the number of self-reported data loss incidents. At the launch of the report, Mr Graham **addressed** the result of the UK's EU referendum, confirming that its implications for data protection reform in the UK would be discussed with the government in the coming weeks.

Financial crime

After pleading guilty to **insider trading** between October 2003 and November 2012, a former equities trader at Schroders Investment Management was **sentenced** to two years' imprisonment.

The FCA **fined** CT Capital Ltd £2,360,900, including a settlement discount of 20%, for failings in its handling of **PPI-related complaints**.

Other

Andrew Bailey was **appointed** by the FCA Board as Non-Executive Director of the Board of the **Payment Systems Regulator (PSR)**.

In its **annual report**, the **UK Treasury** discusses its core activities and use of resources during the past year and describes its performance and achievements against the Treasury's single departmental plan.

The **Bank of England** and the **PRA** published their **annual report and accounts**, mainly providing a review of the institutions' performance over the last year. They also indicate their forward agendas, such as the Bank's research priorities, the PRA's business aims and its plans for upcoming supervisory publications.

The TSC **commissioned** a **review of Maxwellisation** – the process whereby those who stand to be criticised in a public report are given an opportunity to respond to such criticisms prior to publication – and its use in public inquiries, focusing on financial inquiries.

The European Commission adopted a **proposal** to incorporate the **European Supervisory Authorities** (ESAs) Regulation and 31 other EU Directives and Regulations relating to financial services regulation, including related secondary legislation, into the EEA Agreement.

The Joint Committee of the ESAs **announced** the launch of its own **website**.

The European Commission opened a **consultation** to evaluate the performance of the **financial conglomerates directive** (FICOD) and to assess whether the current framework is proportionate, fit for purpose and delivering against its objective to identify and manage risks inherent to financial conglomerates and support financial stability.

EIOPA's **annual report** sets out in detail projects that EIOPA undertook after the Solvency II regime entered into force early this year, and the subsequent shift in EIOPA's focus from regulation to supervision, particularly by pursuing **supervisory convergence** as one of its key objectives.

The EBA's **annual report** was largely an assessment of its activities during the past year, but also highlighted areas of **continuing work**, such as technical standards under the revised Payment Services Directive (PSD2), internal models for credit risk, the calibration of the leverage ratio, proportionality, and facilitation of IFRS 9 implementation.

ESMA's **annual report** provides an overview on **activities during 2015 and the areas it will focus on in 2016.** They include CCP stress testing, the ongoing implementation of MiFIDII, developing standards under the Central Securities Depositories Regulation (CSDR), and the supervision of credit rating agencies.

Contacts

David Strachan
Partner, EMEA Centre for Regulatory Strategy
+44 (0)20 7303 4791

Rod Hardcastle
Director, EMEA Centre for Regulatory Strategy
+44 (0)20 7007 1640

Scott Martin
Manager, EMEA Centre for Regulatory Strategy
+44 (0)20 7303 8132

Georgia Mantalara
Senior Associate, EMEA Centre for Regulatory Strategy
+44 (0)20 7303 8979

Notes

Deloitte.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000
Fax: +44 (0) 20 7583 1198.

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