



Risk and Regulation Monthly

August 2021

CENTRE *for*
**REGULATORY
STRATEGY**
EMEA

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Highlights

The summer continued to be a busy time for financial regulators, with a number of important regulatory updates landing in August.

The ECB's preliminary findings from its work on banks' progress towards meeting its climate risk guidelines showed considerable variation in banks' progress. It was a timely reminder of just how much more work remains to be done before climate is fully incorporated into banks' risk governance frameworks. There is useful information in here for UK firms as well, given the PRA's own "Dear CEO" letter on managing climate-related financial risk, published last July but with an implementation deadline of the end of this year.

The ECB has also set out more transparently how it will determine banks' Pillar 2 Guidance (P2G). The ECB will use a 'bucketing' approach, based on the capital depletion of the bank according to the ECB stress test. Banks with higher capital depletion in the stress test will be placed in the highest buckets, with the highest baseline P2G add-on, and vice versa. Banks will then be subject to an institution-specific supervisory add-on, in order to maintain firm/supervisor discretion in terms of the final P2G. The revised approach was used to set banks' P2G this year.

There was also plenty of activity on the insurance front. The PRA is gearing up for the eagerly awaited review of Solvency II and wrote a Dear CFO letter to PRA-regulated Solvency II firms to gather information as an input into the review. The FCA also had a lot to say about insurance from a conduct perspective, setting out its concerns and how it expects insurers to react in a review of how general insurers have implemented its distribution chain and COVID-related value guidance.

With respect to investment management, the FCA published the third of its Investment Firms Prudential Regime (IFPR) consultations. This one covered disclosure of risk management and governance arrangements, and of own funds requirements and investment policies, disclosure of remuneration policies, excess drawings by partners and members, MIFIDPRU technical standards, requirements for depositaries and information related to the UK Resolution Regime. However, the consultation did not discuss ESG disclosures which will be covered in a subsequent consultation.

Before you carry on to the newsletter, we are conducting a 5-question survey to gather your thoughts and feedback on Risk and Regulation Monthly. This survey is anonymised and will inform us on how you use the publication. We would be grateful if you could click the following link to share your feedback: <https://surveyhub.deloitte.co.uk/wix/5/p103744650115.aspx>

COVID-19	
UK	
FCA	
<ul style="list-style-type: none"> Findings from multi-firm review assessing how firms have responded to FCA General Insurance distribution chain guidance and COVID-19 value guidance. 	Link
EU	
ECB	
<ul style="list-style-type: none"> Report finding that the ECB's recommendations on dividends proved effective. 	Link
<ul style="list-style-type: none"> Report on the heterogeneous economic impact of the pandemic across euro area countries. 	Link
Int'l	
BIS	
<ul style="list-style-type: none"> Mid-term review of the macroeconomic effects of COVID-19. 	Link
<ul style="list-style-type: none"> Report analysing whether corporate credit losses could turn out higher than expected. 	Link
<ul style="list-style-type: none"> Speech by Augustin Carstens, General Manager of the BIS, on lessons from the COVID-19 policy response. 	Link
IOSCO	
<ul style="list-style-type: none"> IOSCO publishes results of examination of ETF behaviour during COVID-19 induced market stresses. 	Link

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Banking	
Prudential	
UK	
BoE	
<ul style="list-style-type: none"> Working paper on mortgage pricing and monetary policy. 	Link
EU	

EBA	
<ul style="list-style-type: none"> Amended technical standards on resolution planning reporting. 	Link
<ul style="list-style-type: none"> Updated data to be used for the identification of global systemically important institutions (G-SIIs). 	Link
<ul style="list-style-type: none"> Peer review on the prudential assessment of qualifying holdings. 	Link
ECB SSM	
<ul style="list-style-type: none"> List of supervised entities (as of 1 July 2021). 	Link
<ul style="list-style-type: none"> Revised approach to setting Pillar 2 guidance. 	Link
<ul style="list-style-type: none"> Article on an ECB assessment of banks' capacity to recover from severe crises. 	Link
ECB Central Bank	
<ul style="list-style-type: none"> Occasional paper on the use of market information for the identification of G-SIBs. 	Link
<ul style="list-style-type: none"> Report on asset encumbrance in euro area banks, analysing trends, drivers and prediction properties for individual bank crises. 	Link
ESRB	
<ul style="list-style-type: none"> Working paper on risky mortgages, credit shocks and cross-border spillovers. 	Link
Int'l	
BIS	
<ul style="list-style-type: none"> Working paper considering whether 'window dressing' (i.e. adjustments to balance sheets around reporting periods) by banks is systemically important. 	Link
<ul style="list-style-type: none"> Speech by Carolyn Rogers, Secretary General of the BCBS, on the compelling case for completing Basel III implementation. 	Link
<ul style="list-style-type: none"> Working paper on global lending conditions and international coordination of financial regulation policies. 	Link
<ul style="list-style-type: none"> Executive summary of Step-in risk. 	Link
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Int'l	
FSB	
<ul style="list-style-type: none"> Framework for information from FMI intermediaries to support resolution planning. 	Link Link

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Capital Markets	
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<ul style="list-style-type: none">EU Non-bank Financial Intermediation Risk Monitor 2021.	Link
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FSB	
<ul style="list-style-type: none">Public responses to consultation on policy proposals to enhance money market fund resilience.	Link
Other	
UK	
FCA	
<ul style="list-style-type: none">MoU regarding the consultation, cooperation and exchange of information related to the supervision and oversight of certain cross-border Over-the-Counter derivatives entities.	Link
EU	
ECB SSM	
<ul style="list-style-type: none">MoU between the ECB and US SEC on security-based swap entities.	Link

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Insurance	
Prudential	
UK	
PRA	

<ul style="list-style-type: none"> Dear CEO letter to the largest PRA-regulated life and general insurers on the 2022 insurance stress test exercise. 	Link
<ul style="list-style-type: none"> Dear CFO letter to PRA-regulated Solvency II firms gathering information for the Solvency II review. 	Link
EU	
EIOPA	
<ul style="list-style-type: none"> Risk Dashboard (based on Q1 2021 Solvency II data) finding that European insurers' risk levels remain broadly stable. 	Link
<ul style="list-style-type: none"> Monthly update of the symmetric adjustment of the equity capital charge for Solvency II (end July 2021). 	Link
Int'l	
IAIS	
<ul style="list-style-type: none"> Application paper on macroprudential supervision. 	Link
Conduct	
FCA	
<ul style="list-style-type: none"> Portfolio Letter on the FCA's supervisory strategy for Life Insurers 	Link
<ul style="list-style-type: none"> Updated guidance on General Insurance product value and COVID-19. 	Link
EU	
EIOPA	
<ul style="list-style-type: none"> Follow-up report on the Peer review of key functions on the supervisory practices for the application of proportionality principle in governance requirements regarding key functions. 	Link Link
Other	
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ECB Central Bank	
<ul style="list-style-type: none"> Q2 2021 Euro area insurance corporation statistics. 	Link

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Investment Management	
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<ul style="list-style-type: none"> Third FCA consultation on a new prudential regime for UK MiFID investment firms. 	Link
Conduct	
UK	
FCA	
<ul style="list-style-type: none"> Primary Market Technical Note on cash shells and special purpose acquisition companies (SPACs). 	Link
<ul style="list-style-type: none"> Portfolio letter on the FCA's supervisory strategy for investment-based crowdfunding. 	Link
EU	
ESAs	
<ul style="list-style-type: none"> Call for advice to the Joint Committee of the European Supervisory Authorities (ESAs) regarding the PRIIPs Regulation. 	Link Link Link Link
ESMA	
<ul style="list-style-type: none"> Consultation on draft Regulatory Technical Standards under MiFIR regarding suitability assessments for management body members of data reporting services providers. 	Link
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FCA	
<ul style="list-style-type: none"> Dear Chair letter for remuneration committees of level one firms subject to the Dual-Regulated firms Remuneration Code. 	Link

EU	
EBA	
<ul style="list-style-type: none"> Consultation paper on Guidelines on the role of AML/CFT compliance officers. 	Link
Fintech	
UK	
BoE	
<ul style="list-style-type: none"> Working paper comparing the impact of human and artificial intelligence on financial stability. 	Link
ICO	
<ul style="list-style-type: none"> Consultation on draft international data transfer agreement (IDTA) and guidance. 	Link Link Link Link
EU	
Int'l	
BIS	
<ul style="list-style-type: none"> BIS Bulletin on regulating big technology firms (BigTechs) in finance. 	Link
<ul style="list-style-type: none"> FSI insights paper on emerging regulatory expectations on humans controlling artificial intelligence in the financial sector. 	Link
Sustainable Finance	
UK	
TPR	
<ul style="list-style-type: none"> Blog on the influence that trustees have on the shift to net zero in the UK. 	Link
EU	
EC	
<ul style="list-style-type: none"> Call for feedback by the Platform on Sustainable Finance on preliminary recommendations for technical screening criteria (TSC) for the EU taxonomy. 	Link

<ul style="list-style-type: none"> Final study on the development of tools and mechanisms for the integration of ESG factors into the EU banking prudential framework and into banks' business strategies and investment policies. 	Link
ECB SSM	
<ul style="list-style-type: none"> Preliminary analysis on banks' compliance with the ECB's Guide on climate and environmental risks. 	Link
ECB Central Bank	
<ul style="list-style-type: none"> Interview with Isabel Schnabel, Member of the Executive Board of the ECB, on the ECB's monetary response to climate change. 	Link
Int'l	
BIS	
<ul style="list-style-type: none"> Speech by Mr. Haruhiko Kuroda, Governor of the Bank of Japan on the Bank's strategy for climate change. 	Link
<ul style="list-style-type: none"> BIS Innovation Hub and Hong Kong Monetary Authority investigate how tokenized green bonds can improve sustainable investment. 	Link
IMF	
<ul style="list-style-type: none"> Blog on managing the Political Economy of Climate Change Policies. 	Link
Other	
UK	
FCA	
<ul style="list-style-type: none"> Dear Board of Directors letter to loan-based peer-to-peer (P2P) crowdfunding platforms 	Link
Pensions	
UK	
FCA	
<ul style="list-style-type: none"> Confirmation of intent to start a periodic review of pension transfers redress guidance by end-2021. 	Link
TPR	
<ul style="list-style-type: none"> Interim response to TPR's new code of practice consultation. 	Link
EU	
ECB Central Bank	

<ul style="list-style-type: none">• Report on the structural impact of the shift from defined benefits to defined contributions.	Link
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Glossary

AFMs = Authorised Fund Managers
AI = Artificial Intelligence
AIFMD = Alternative Investment Fund Managers Directive
ALMD = Anti Money Laundering Directive
AMF = Autorité des Marchés Financiers
AML = Anti-Money Laundering
APA = Approved Publication Arrangement
AUM = Assets under management
BBLS = Bounce Back Loan Scheme
BCBS = Basel Committee on Banking Supervision
BEAR = Banking Executive Accountability Regime
BEIS = Department for Business, Energy and Industrial Strategy
BIS = Bank for International Settlements
BMR = Benchmarks Regulation
BRRD = Bank Recovery and Resolution Directive
BTS = Binding Technical Standard
BoE = Bank of England
CBDC = Central Bank Digital Currency
CBI = Central Bank of Ireland
CCP = Central Counterparty
CP= Consultation Paper
CSDs = Central Securities Depositories
CSDR = Central Securities Depositories Regulation
CTF = Counter Terrorist Financing
CCFF = Covid Corporate Financing Facility
CBILS = Coronavirus Business Interruption Loan Scheme
CLBILS = Coronavirus Large Business Interruption Loan Scheme
CISO = Chief Information Security Officer
CMA = Competition and Markets Authority
CMU = Capital Markets Union
CNMV = Comisión Nacional del Mercado de Valores
CP = Consultation Paper
CPMI = Committee on Payments and Market Infrastructures
CQS = Credit Quality Step
CRD = Capital Requirements Directive
CRR = Capital Requirements Regulation
CROE = Cyber Resilience Oversight Expectations
CSA = Common Supervisory Action
CSSF = Commission de Surveillance du Secteur Financier
CTP = Consolidated Tape Provider
CTRF = Contingent Term Repo Facility
DB = Defined Benefit
DC = Defined Contribution
DCMS = Department for Digital, Culture, Media and Sport
DP = Discussion Paper

DPA = Data Protection Agency
DRR = Digital Regulatory Reporting
EBA = European Banking Authority
ECB = European Central Bank
ECOFIN = Economic and Financial Affairs Council
EDPB = European Data Protection Board
EIOPA = European Insurance & Occupational Pensions Authority
EMEA = Europe, Middle East and Africa
EMIR = European Market Infrastructure Regulation
EONIA = Euro Over Night Index Average
ESAs = European Supervisory Authorities
ESG = Environmental, Social, and Governance
ESMA = European Securities & Markets Authority
ESRB = European Systemic Risk Board
ESTER = Euro Short-Term Rate
EU = European Union
Euribor = Euro Interbank Offered Rate
FAMR = Financial Advice Market Review
FCA = Financial Conduct Authority
FinPro = Financial Protection
FGCA = Financial Guidance and Claims Act 2018
FMIs = Financial Market Infrastructures
FOS = Financial Ombudsman Service
FPC = Financial Policy Committee
FRTB = Fundamental Review of the Trading Book
FS = Financial Services
FSB = Financial Stability Board
GBP = British pound sterling
GDP = Gross Domestic Product
GDPR = General Data Protection Regulation
GSIBs = Global Systemically Important Banks
HMT = Her Majesty's Treasury
IAIS = International Association of Insurance Supervisors
IASB = International Accounting Standards Board
IBA = ICE Benchmark Administration
IBOR = Interbank Offered Rate
ICAAP = Internal Capital Adequacy Assessment Process
ICO = Information Commissioners Office
ICS = Insurance Capital Standard
IDD = Insurance Distribution Directive
IFD = Investment Firms Directive
IFR = Investment Firms Regulation
IFPR = Investment Firms Prudential Regulation
IFRS = International Financial Reporting Standards
ILAAP = Internal Liquidity Adequacy Assessment Process
IM = Initial Margin
IOSCO = International Organization of Securities Commissions

IPU = Intermediate Parent Undertaking
IRB = Internal Ratings Based
IRRBB = Interest Rate Risk in the Banking Book
ISAs = Individual Savings Accounts
IT = Information Technology
JST = Joint Supervisory Teams
KID = Key Information Document
LEI = Legal Entity Identifier
LIBOR = London Interbank Offered Rate
LTV = Loan to Value
M&A = Mergers and Acquisitions
MAR = Market Abuse Regulation
MI = Management Information
MiFID = Markets in Financial Instruments Directive
MiFIR = Markets in Financial Instruments Regulation
MLD = Money Laundering Directive
MoU = Memorandum of Understanding
MREL = Minimum requirement for own funds and eligible liabilities
MTF = Multilateral Trading Facility
NCA = National Competent Authority
NED = Non-Executive Director
NGFS = Network for Greening the Financial System
NPLs = Non-performing Loans
NSFR = Net Stable Funding Ratio
OCIR – Operational Continuity in Resolution
ORSA = Own Risk and Solvency Assessment
OTF = Organised Trading Facility
OTC = Over the counter
PPI = Payment Protection Insurance
PRA = Prudential Regulation Authority
PRIIPs = Packaged Retail Investment and Insurance Products
PS = Policy Statement
PSD2 = Revised (second) Payment Services Directive
RDR = Retail Distribution Review
RFRs = Risk-Free Rates
RRM = Risk Reduction Measures
RTGS = Real Time Gross Settlement
RTS = Regulatory Technical Standard
RW = Risk Weight
SA = Standardised Approach
SEC = Securities and Exchange Commission
SFDR = Sustainable Finance Disclosure Regulation
SFTR = Securities Financing Transactions Regulation
SI = Systematic Internaliser
SIPPs = Self Invested Personal Pensions
SM&CR = Senior Managers and Certification Regime
SONIA = Sterling Overnight Index Average

SRB = Single Resolution Board
SRF = Single Resolution Fund
SREP = Supervisory Review and Evaluation Process
SS = Supervisory Statement
SSM = Single Supervisory Mechanism
TCA = Total Capital Adequacy
TCFD = Task Force on Climate-related Financial Disclosures
TIBER = Threat Intelligence-based Ethical Red Teaming
TLAC = Total Loss-Absorbing Capital
TMTP = Transitional Measure on Technical Provisions
TPP = Third-Party Providers
TPR = Temporary Permissions Regime
TRIM = Targeted Review of Internal Models
TRR = Temporary Recognition Regime
UCITS = Undertakings for Collective Investments in Transferable Securities

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