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EMEA

June saw the publication of some significant EU proposals on the treatment of central counterparties (CCPs) as part of the review of the European Markets Infrastructure Regulation (EMIR). The regulatory implications of IFRS 9 were also in focus, with both the Bank of England and the European Banking Authority (EBA) publishing materials on the incorporation of the new accounting standard into stress testing, and the European Council agreeing to fast-track legislation to introduce a transitional phase-in of the impact of IFRS 9 on capital requirements. The UK's Financial Conduct Authority (FCA) published a long-awaited study into the asset management industry, along with a consultation on remedies to what it described as "weak" price competition in the sector. The European Commission published a set of proposals which would create a pan-European Personal Pension Product, or "PEPP". The Single Resolution Board (SRB) undertook its first resolution in the Eurozone with the resolution of Spain's Banco Popular.

This note is produced for information only on a best effort basis, and does not constitute advice of any kind.

Brexit

The European Securities and Markets Authority (ESMA) published an [opinion](#) addressed to the EU27 national regulators setting out nine general principles aimed at fostering consistency in authorisation, supervision and enforcement related to **the relocation of entities, activities and functions from the United Kingdom**.

The opinion covered all legislation referred to in the ESMA Regulation, including the AIFMD, the UCITS Directive, MiFID I and MiFID II. ESMA said it will establish a new Supervisory Coordination Network to allow national authorities to discuss cases of relocating UK market participants and to help promote consistency in decisions taken. ESMA said it intended to develop further guidance in areas such as asset managers, investment firms and secondary markets.

The European Commission published **draft EU position papers on Article 50 negotiations**, outlining the main principles of the EU positions on [citizens' rights](#) and the [financial settlement](#). The latter stated that "the UK obligations should be fixed as a percentage of the EU obligations calculated at the date of withdrawal" in accordance with a methodology to be determined. Regarding citizens, the withdrawal agreement "should protect the rights of EU27 citizens, UK nationals and their (current and future) family members who, at the date of entry into force of the withdrawal agreement, have enjoyed rights relating to free movement under Union law, as well as rights which are in the process of being obtained and the rights the enjoyment of which will intervene at a later date".

Danièle Nouy, Chair of the Supervisory Board of the European Central Bank (ECB), [spoke](#) at the second **technical workshop on Brexit** organised by the ECB, focused on **banks operating from the euro area into the UK**. She urged banks with UK operations to plan and prepare ahead of time, particularly for the possibility that branches may have to be converted into subsidiaries. She also made clear that banks "should not count on transition periods that have not yet been agreed." Having analysed the strategies shared by the banks supervised by the ECB, she said that "most banks are not where they should be". On the subject of booking models, she said that the "no empty shell companies" principle will also be applied to European banks operating outside the euro area. Although the ECB's initial interest in booking models was triggered by Brexit, it "goes much further than that."

Capital (including stress testing and macro prudential)

The UK **Financial Policy Committee (FPC)** [published](#) its biannual Financial Stability Report (FSR), outlining changes including an increase to the UK countercyclical capital buffer (CCyB) rate to 0.5%, and a likely increase to 1% in November. The FPC also brought forward the assessment of stressed losses on consumer credit lending, and increased the minimum requirement for the UK leverage ratio from 3% to 3.25% of non-reserve exposures. The FSR also summarised recent work and future plans on cyber resilience.

The FPC and Prudential Regulation Authority (PRA) [consulted](#) on changes to the UK **leverage ratio** framework. The FPC recommended that the PRA exclude claims on central banks from the leverage exposure measure and compensate for the resulting reduction in capital by increasing the minimum requirement from 3% to 3.25%, and the PRA set out proposals for implementing the FPC's recommendation.

The PRA [published](#) a policy statement setting out changes to the calculation of **risk-weighted capital requirements for residential mortgage portfolios**. The deadline for meeting the new expectations was extended by one year to the end of 2020, and the PRA clarified the limitation of the procyclicality cap to historical modelling.

The PRA [updated](#) its supervisory statement on Internal Ratings-Based approaches, which included a new, modular, approach for assessing applications by firms for permission to use the Internal Ratings Based approaches for credit risk capital requirements.

The PRA [consulted](#) on the threshold and criteria to waive **counterparty credit risk disclosure requirements** related to the disclosure of the composition of collateral received and posted by banks. The PRA said the granularity of the disclosure had potential to reveal the existence of central bank liquidity assistance. It also proposed to remove and replace in due course the existing supervisory statement on the disclosure of unencumbered and encumbered assets in preparation for new EBA Guidelines.

The PRA [consulted](#) on their expectations for **insurers' reporting of sensitivities of solvency positions to market risks** by firms with material market risk exposures. The PRA proposed the introduction of half-year reporting of sensitivities, beginning six weeks after the final supervisory statement is published.

The FPC [published](#) the materials to be used by the seven major UK banks participating in the **IFRS 9 stress test**, which will run alongside the 2017 concurrent stress test (CST). The materials covered scenarios, data templates, and unstructured questions and guidance. The results of the IFRS 9 exercise will be used to inform the calibration of the 2018 CST and no individual bank results will be disclosed.

The EBA [consulted](#) on the draft methodology for the **2018 EU-wide stress test**, covering 49 EU banks. For the first time, the methodology will account for the implementation of IFRS 9. The final methodology will be published at the beginning of 2018.

The EBA [sought](#) views on the application of the **structural FX provision**, which allowed banks to exclude positions of a "non-trading or structural nature" for the calculation of capital requirements, provided the position had deliberately been taken to hedge against the impact of the exchange rate on the capital ratio. The EBA said it would provide guidance on the application of the structural FX provision, given the wide variety of interpretations of the provision among supervisors and banks, and that its Discussion Paper was a first step.

The ECB [published](#) its third biannual **macro prudential bulletin**, which described the ECB floor methodology for other systematically important institution (O-SII) capital buffers, the quantitative analysis of the European Deposit Insurance Scheme (EDIS) and summarised the macro-prudential measures implemented in euro area countries since October 2016.

Vitor Constâncio, Vice-President of the ECB, [gave](#) a speech on structural and cyclical factors affecting the **profitability of the euro area banking sector**. He highlighted the large stock of NPLs in some euro countries and remaining cost inefficiencies as reasons for the weak profitability of euro area banks. He said a sustainable target return on equity for euro area banks may be in the 8-10% range, but there remained challenges for meeting that target over the next 3-5 years, even in a cyclical upturn.

Sabine Lautenschläger, Vice Chair of the ECB's Supervisory Board, [spoke](#) about the importance of **harmonised rules for a stable European banking market**. She said recent proposals from the US Department of the Treasury were "worrying", particularly on the new rules on the trading book, and that it was important for the EU to implement Basel standards. She also [spoke](#) on **bank business models**, noting that "in the long run, only banks that make profits can be stable".

Valdis Dombrovskis, the Vice-President of the European Commission, [wrote](#) to Andrea Enria, Chair of the EBA, with respect to the **CRD IV/CRR review**. He indicated that the EBA could be allowed a monitoring role in relation to the Net Stable Funding Ratio (NSFR) and leverage ratio, subject to conditions and drafting. He also clarified that the definition of the leverage ratio would not be complemented through a technical standard and should be sufficiently clear to be implemented immediately.

The European Commission [published](#) an Implementing Regulation extending the **CRR transitional period for banks' exposure to third-country CCPs** in the Official Journal of the EU. The transitional period was extended from 15 June 2017 to 15 December 2017 to enable the European Commission to finalise the EMIR equivalence decisions for a number of outstanding jurisdictions.

The European Insurance and Occupational Pensions Authority (EIOPA) [published](#) its **financial stability report**, which for the first time provided analysis based on Solvency II data covering the whole year. The report explored risks facing the insurance and occupations pensions sector, including the lack of clarity on future yield developments and cyber-attacks. EIOPA concluded that the insurance sector was well-capitalised despite the challenging low yield macro-economic environment.

EIOPA [published](#) its first supervisory assessment of how (re)insurance companies have implemented Solvency II's **Own Risk and Solvency Assessment (ORSA)** process. It found that good progress had been made, but suggested further improvements were possible, particularly that increased board involvement could help better integrate the ORSA as a risk management tool into companies' business strategy.

The European Commission [amended](#) the Solvency II Delegated Regulation concerning the **calculation of regulatory capital requirements for assets such as investments in infrastructure companies**, with the aim of removing regulatory barriers by reducing capital charges.

The Basel Committee on Banking Supervision (BCBS) [reported](#) on the range of practices in implementing the **countercyclical capital buffer (CCyB)**. CCyB policy frameworks differ markedly with respect to governance structures, the number of indicators used to identify periods of excess credit and systemic risk, the degree of reliance on formal versus judgemental approaches in making CCyB decisions, and their communication and reciprocity practices.

The BCBS [consulted](#) on an alternative version of the Standardised Approach (SA) to **market risk capital requirements**. This approach would be a simplification of the current sensitivities-based method, by removing capital requirements for certain types of risks, simplifying the basis risk calculation, and reducing risk factor granularity. The BCBS also sought feedback on whether retaining a recalibrated version of the Basel II SA to market risk would better serve the purpose of a simplified method for calculating market risk capital requirements.

Liquidity

The BCBS [updated](#) for a second time a set of frequently asked questions (FAQs) on the **Liquidity Coverage Ratio (LCR)**. The additions covered a wide range of aspects of the LCR, including in relation to Level 2B eligible debt securities, the periodic monetisation of Higher Quality Liquid Assets, the treatment of secured funding and lending, and central bank facilities.

Governance and risk management (including remuneration)

The PRA [consulted](#) on strengthening accountability in insurance through the **Senior Insurance Managers Regime (SIMR)**. It set out proposed amendments and optimisations to the SIMR which included creating a new PRA Senior Insurance Management Function, a new PRA Prescribed Responsibility for a firm's performance of its obligations in respect of outsourced operational functions and activities, and a requirement that the Chairman and Chief Executive Officer function role may not be held by a single individual at large firms.

The EBA [launched](#) the **Credit Valuation Adjustment (CVA) risk monitoring exercise** using end-2016 data, and said that it would put on hold the work on its draft Guidelines on the treatment of CVA risk under the Supervisory Review and Evaluation Process (SREP) until revised international standards on CVA risk were made public.

The ECB [published](#) its second stocktake of national **supervisory practices and legal frameworks related to non-performing loans (NPLs)**. The update covered all euro area countries, including the remaining 11 SSM countries that were not part of the first stocktake. Progress had been made from a supervisory perspective, although some banks cannot resolve NPLs efficiently due to legal backlogs in some countries relating to insolvency and debt restructurings.

Sabine Lautenschläger [spoke](#) about **four priorities for supervisors of banks**: the global nature of the issue of banking regulation and the importance of focusing on the application of the rules of banking regulation; banks applying for a licence in the EU to respond to Brexit; developing ways of dealing with the issue of non-performing loans; and the complex nature of risk management models used by banks.

The FSB [consulted](#) on draft supplementary guidance regarding the **use of compensation tools to address misconduct**. The FSB outlined recommendations, which included that the board should oversee, and senior management should ensure, that the firm has a compensation system designed to promote ethical behavior.

Conduct of Business (including MiFID)

FCA published a [final report](#) on its **Asset Management Market Study** and a [consultation](#) on implementing remedies and changes to the Handbook. The FCA found “**weak price competition**” in some areas of the asset management industry, and it detailed new proposals on **governance arrangements** requiring that the Board oversees obligations imposed on fund managers prescribed through the Senior Managers Regime. The FCA also restated its support for the disclosure of a single all-in-charge inclusive of an estimate of transaction costs.

The FCA [set out](#) rules to **ban contractual clauses that restrict competition** without being clearly beneficial to investment and corporate banking clients. From 3 January 2018, firms will be banned from entering into agreements that give them a right to provide future primary market services to their clients (except in bridging loans).

The FCA [published](#) the names of the firms that had participated in the **Advice Unit**, and also announced that the Advice Unit will accept firms developing automated advice models, for both guidance and regulated advice, within the mortgage, general insurance and debt advice sectors.

The FCA [published](#) a **FAMR Baseline Report**, identifying three themes through which it will measure the development of the market: accessibility; affordability; and quality of advice. The report noted that 66% of firms surveyed indicated uncertainty around present and future regulatory requirements as a significant regulatory barrier to offering mass market advice; 47% cited the lack of regulatory clarity around what constitutes regulated advice/personal recommendation.

Andrew Bailey, Chief Executive of the FCA, [spoke](#) on **retail banking in the UK**: “a big agenda of work for the FCA”. In light of the FCA’s strategic review of retail banking business models, he focused his speech on the importance of understanding where banks earn their returns and how stable those returns are, the complexity of retail bank structures and the scope for cross-subsidy between products and different groups of consumers.

Jamie Symington, Director of Investigations at the FCA, [spoke](#) on the **FCA’s evolving approach to investigations**. In line with the FCA’s Mission, the approach set out that an investigation does not mean that a matter is “in enforcement”, but rather, “the point of an investigation is to find out what has happened”, and the FCA will subsequently evaluate the findings to inform its actions. Symington also said that where there are sufficient reasons for investigation, the senior management accountable for the conduct issues that arise will need to be investigated.

The FCA [published](#) the findings of its review of **life insurance companies’ pension lifestyle investment strategies** following the 2015 pension reforms and the resulting changes in consumer behaviour. The FCA was “pleased” with certain aspects of firms’ work, but was concerned by the timelines for reviews of business written before 2012 and business written before 2001. The FCA said it would hold a follow-up roundtable in Q2 2017.

The FCA [called](#) for input on **consumer access to insurance**, seeking in particular views and evidence of the challenges faced in providing travel insurance for consumers with pre-existing medical conditions, particularly cancer. The FCA said it wanted to understand the reasoning behind premiums, innovative practices in the market, and barriers to change so that it can improve outcomes for customers. A feedback statement is expected in late 2017. Christopher Woolard, Executive Director of Strategy and Competition at the FCA, also [spoke](#) on the subject, saying he wanted to see “meaningful change for vulnerable consumers”.

The FCA [consulted](#) on proposals regarding **advice provided on pension transfers** where consumers have safeguarded benefits, primarily for transfers from defined benefit to defined contribution schemes. The proposals included a rule requiring all advice on the conversion or transfer of safeguarded benefits to result in a personal recommendation, and guidance on the role and definition of a pensions transfer specialist. A final policy statement is expected in early 2018.

The FCA [said](#) firms needing to change their **regulatory permissions as a result of MiFID II** should submit applications “now”. The regulator could not guarantee that applications completed after 3 July 2017 would be determined by 3 January 2018.

The Financial Ombudsman Service (FOS) [published](#) a consultation paper setting out amendments to its standard terms affecting businesses subject to its voluntary jurisdiction. The amendments align the time limits by which consumers need to make their **Payment Protection Insurance (PPI) complaints** in the voluntary jurisdiction with the FCA's guidance for the compulsory jurisdiction, which has set the deadline at 29 August 2017.

The EBA [published](#) its 2017 **consumer trends report**. The issues covered included consumer indebtedness, banking fees and costs, selling practices, innovations in payments, foreign currency loans, alternative financial services providers and innovative uses of consumer data. In particular, the report found that in financial institutions' search for new revenues sources, consumers are vulnerable to a lack of transparency around fees, and an increase in fees and charges.

The European Parliament [called](#) on the European Commission to submit legislative proposals aimed at establishing a minimum level of **protection for whistle-blowers** and a comprehensive whistle-blower protection programme. It recommended that the Commission take a broad interpretation of the term "financial interests" and consider the adoption of sector-specific regulation, which could be fast-tracked and would not need to wait for the adoption of a general whistle-blower protection legislation.

Steven Majoor, Chair of ESMA, gave a wide-ranging [speech](#) about **Brexit, the European Supervisory Authorities (ESAs) review, MiFID II/MiFIR implementation**, and more. Notably, in regards to the ESAs review, he said that he believed ESMA should be "the central point for technical third country related issues" including equivalence assessments, and that ESMA stood ready to assume greater responsibility for supervisory tasks, such as in relation to critical benchmarks.

ESMA [consulted](#) on draft standards for the **trading obligation for derivatives under MiFIR**. Once a class of derivatives needs to be centrally cleared under EMIR, ESMA must determine whether these derivatives should be subject to the trading obligation. ESMA analysed liquidity for interest rate derivatives and Index Credit Default Swaps based on a dataset covering the second half of 2016, and discussed how to phase-in the trading obligation for derivatives.

The European Commission [published](#) a draft Delegated Regulation under MiFID II revising the scope of the definition of **systematic internalisers (SIs)**. The amended definition prohibits investment firms registered as SIs from participating in matching arrangements for back-to-back transactions outside a trading venue.

ESMA [issued](#) final guidelines on **trading halts under MiFID II**, which apply to trading venues that allow or enable algorithmic trading on their systems and to competent authorities. The guidelines specified the elements to be taken into account by trading venues when they develop their methodology to calibrate their circuit breakers – the mechanisms put in place to temporarily halt or constrain trading when there are significant price movements in a financial instrument.

ESMA [updated](#) the co-legislators on MiFID II implementation highlighting that the relevant **ESMA IT projects** are developing according to the planned time schedule ahead of the 3 January 2018 application date. These projects include, among others, setting up various IT infrastructures to allow the reception and publication of reference data, and the computation and publication of various liquidity assessments.

A number of **implementing technical standards (ITS) under MiFID II** were published in the Official Journal including the [ITS](#) setting out procedures for the authorisation of data reporting service providers and the [ITS](#) on format and timing of position reports by investment firms and market operators of trading venues.

ESMA [published](#) **final guidelines on product governance requirements under MiFID II**. The requirements aimed to ensure that product manufacturers and distributors act in clients' best interests during all stages of the life-cycle of products and services. ESMA's guidelines addressed and clarified the identification of potential target markets, distribution strategy and suitability assessment.

ESMA [announced](#) that it is considering the use of **product intervention powers under MiFIR in the retail market for Contract for Difference (CFD), Rolling Spot Forex and Binary Options**. As a consequence, the FCA [announced](#) a delay in the implementation of previously proposed conduct rules for UK firms providing CFDs to retail clients, pending the outcome of the ESMA discussions. If the ESMA review is delayed, the FCA said it would consider finalising its rules in the first half of 2018.

ESMA's Securities and Markets Stakeholder Group (SMSG) [published](#) an own initiative report on **ESMA's product intervention powers under MiFIR**.

The report gave the SMSG's opinion on the scope of application of the MiFIR product intervention measures, including a recommendation that pre-MiFIR national product intervention measures should not be automatically grandfathered upon entry into force of MiFIR.

The International Organisation of Securities Commissions (IOSCO) [reported](#) on **order routing incentives** as part of efforts to protect investors. It examined practices by intermediaries as well as planned reforms in a number of jurisdictions in relation to monetary incentives paid or received by brokers to or from third parties, the internalisation and use of affiliated venues that may have commercial benefits for a broker, and the provision of goods and services bundled with execution by brokers.

An IOSCO Task Force [reported](#) on the **regulation of wholesale market conduct**, identifying the tools and approaches that IOSCO members use to tackle misconduct. Among the findings detailed in the report were cases where market regulators used cultural or other conduct risk indicators to help identify and prevent misconduct. In particular, the report cited the Australian regulator's three compulsory questionnaires, including a "conduct calculator", issued to investment banks to determine their attitude, appetite and approach to managing conduct risk.

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

The SRB [resolved](#) **Banco Popular** following the ECB's decision that the bank was "failing or likely to fail", and all shares of were transferred to Santander Group. This means that Banco Popular will operate under normal business conditions as a solvent and liquid member of the Santander Group with immediate effect. Separately, the SRB [announced](#) that it would not take resolution action over two Italian banks, which were placed into national insolvency proceedings following the ECB's [determination](#) that they were "failing or likely to fail".

The PRA [consulted](#) on changes to **recovery planning** for UK banks. The revisions placed an increased focus on the usability of plans by senior management, and recommended that firms undertake fire drills to test plans and the associated governance arrangements, management information capabilities, and more.

Charlotte Gerken, the Bank of England's Director of Supervisory Risk Specialists, [spoke](#) on the Bank of England's approach to **operational resilience**. Gerken shared the Bank's objectives, the work underway and touched on how the approach incorporates cyber resilience.

James Proudman, the PRA's Executive Director for UK Deposit Takers Supervision, [spoke](#) on **UK bank ring-fencing**, which he said was "arguably the largest ever discrete change to the structure of the UK banking system". He said the PRA was working with firms to ensure that there were contingency plans in place to ensure that they complied with ring-fencing by 2019 "even if delays do occur" in related areas, but that responsibility for meeting the deadline lay "fairly and squarely with the banks themselves".

Regulatory perimeter

The FCA [consulted](#) on Handbook changes to reflect the application of the EU **Benchmarks Regulation**. It specified that it does not propose to apply the Certification Regime in relation to benchmark activities and detailed how it proposes to receive and deal with applications for authorisations.

The FCA [reviewed](#) the way in which it would use its compulsion powers for the **London Interbank Offered Rate (LIBOR)** and provided a proposed approach to using these powers. The FCA made clear that it would only seek to use compulsion powers where it would be appropriate to ensure market integrity or consumer protection. It did not propose to support LIBOR by using compulsion powers indefinitely.

The FCA [extended](#) its **regulatory Sandbox** by granting access to a second wave of 31 FinTech firms to develop towards testing. The range of firms spanned wholesale, general insurance, payments, retail banking and retail lending. Propositions included distributed ledger technology-based payment services, and artificial intelligence software to observe client behaviour and better determine client preferences before financial advice is given. The FCA is now accepting applications from firms to be part of the third phase.

The Payments Systems Regulator (PSR) [published](#) the **final remedies decision following its market review into ownership and competitiveness of the UK's payment infrastructure**. The remedies are: (1) mandatory competitive procurement exercises for Bacs, FPS and LINK when purchasing central infrastructure services and (2) introduction of ISO 20022 messaging standards for Bacs and FPS. The PSR will not impose a divestment remedy at this stage, as it believes that Mastercard's recent acquisition of Vocalink should address the competition issues around ownership.

The European Commission [proposed](#) a framework to allow pensions providers to offer a **pan-European personal pension product (PEPP)**, intended to complement national regimes. It would establish a European framework with harmonised rules on areas such as distribution, investment policy, provider switching, cross border provision and portability.

The European Commission [released](#) the second set of proposed amendments to EMIR on the **recognition and supervision of third-country CCPs**. The proposals represent a fundamental overhaul of the EU's approach to the recognition and supervision of third-country CCPs, and include extensive and intrusive supervisory and enforcement powers for ESMA, a significant new role for the ECB and an ability to require the most systemically significant third-country CCPs to establish themselves in the EU as a condition for providing their clearing services to EU clearing members and their EU clients.

The European Commission published a [delegated regulation](#) on **exempted entities from the clearing and reporting requirements under EMIR**.

The Commission concluded that central banks and public bodies charged with or intervening in the management of public debt in Australia, Canada, Hong Kong, Mexico, Singapore, and Switzerland should be exempted from the clearing and reporting requirements.

The European Commission [published](#) a Delegated Regulation and an accompanying [report](#) to the European Parliament and Council on the exemption for specific **third-country central banks from pre- and post-trade transparency requirements under MiFIR**. The Regulation included the list of central banks which are exempted.

ESMA [consulted](#) on **guidelines regarding the management and avoidance of conflicts of interests by CCPs**. The draft guidelines dealt with provisions around written arrangements to identify and manage any potential conflicts of interest between CCPs, clearing members and clients, disclosure of conflicts of interest to the clearing member or clients prior to new transactions, and taking into account possible conflicts with a CCP's parent undertaking or subsidiary.

ESMA published guidelines under the **Central Securities Depository Regulation (CSDR)** relating to [reporting data for relevant currencies](#) and the [determination of the substantial importance of a CSD](#). The guidelines, which apply to national competent authorities, explain the process for the collection, processing and aggregation of data necessary for the calculation of the indicators to determine the most relevant currencies in which settlement takes place and to determine the substantial importance of a CSD for a host Member State.

The EBA [published](#) the European Commission's proposed amendments to its **draft RTS on Strong Customer Authentication (SCA) and common and secure communication** under the revised Payment Services Directive (PSD2), as well as the Commission's accompanying [letter](#) setting out the main changes introduced. These included independent auditing of the security measures when the "transaction risk analysis" exemption is applied; introduction of a new exemption to SCA for certain corporate payment processes; fraud reporting by payment service providers directly to the EBA; and contingency measures in case of unavailability or inadequate performance of the dedicated communication interface.

The EBA [responded](#) to the European Commission's proposed amendments to the **technical standards on SCA and common and secure communication under PSD2**. While agreeing with the aims sought in the amendments, the EBA disagreed with three out of the four, and proposed alternative means through which the Commission's aims could be achieved.

The EBA published a report on **innovative uses of consumer data** by financial institutions. The EBA concluded that no additional industry-specific legislative interventions were needed at present, although it will continue to closely monitor the evolution of innovation. Given the cross-sectoral nature of the risks arising from Big Data, the EBA will carry out further work on the topic jointly with ESMA and EIOPA.

The Financial Stability Board (FSB) published three reports setting out **progress on reforms to over-the-counter (OTC) derivatives markets** looking at the [effectiveness of the reforms and their broader effects since the crisis, progress in implementation since June 2016](#), and [progress in addressing legal barriers to reporting and accessing OTC derivatives trade data](#). The reports found that the implementation of the reforms was well progressed, although this took longer than originally intended due to the scale and complexity of the reforms. More collateral is in place to reduce counterparty credit risks within the system and, to the extent implemented, platform trading improved transparency to market participants.

The FSB [published](#) a report on **financial stability implications from FinTech** which concluded that there were currently no compelling financial stability risks from emerging FinTech innovations. However, it identified ten issues that merited authorities' attention, three of which are seen as priorities for international collaboration: managing operational risks from third-party service providers; mitigating cyber risks; and monitoring macrofinancial risks that could emerge as FinTech activities increase.

IOSCO [consulted](#) on guidance on **supervisory stress tests for CCPs**. The proposed framework, which is advisory in nature, would enable authorities to evaluate the collective response of a set of CCPs to one or more financial stresses and "help authorities better understand the impact on the broader economy of a common stress event".

ISOCO [consulted](#) on the **harmonisation of critical OTC derivatives data elements**. This report is the third consultative report in response to the FSB and G20 requesting IOSCO to develop global guidance on the harmonisation of data elements reported to trade repositories and important for the aggregation of data by authorities.

Rethinking the domestic and international architecture for regulation

The European Commission [published](#) feedback from its consultation paper regarding the **future operations of the ESAs**, focusing on the ESAs' tasks and powers, governance, supervisory architecture and funding. The majority of respondents supported increasing the ESAs' responsibilities in monitoring and implementing equivalence decisions, and opposed the ESAs being fully funded by the industry.

The European Commission [published](#) the mid-term review of the **Capital Markets Union (CMU) Action Plan**, taking stock of the actions first set out in 2015 to strengthen investment in EU capital markets and reported that 20 of the 33 actions have been completed. With the remaining actions on track for completion by 2019, the Commission added nine new areas of priority, covering a potential passporting framework for FinTech activities, cross-border EU investment and the prudential review of investment firms.

Disclosure, valuation and accounting

The European Council agreed to fast-track [transitional provisions](#) to phase-in the **regulatory capital impact of the new impairment methodology under IFRS 9** as part of the CRDIV/CRR review. The Council also agreed to fast-track a [Directive](#) which would create a new class of "non-preferred" senior debt eligible to meet the subordination requirement for TLAC. Negotiations with the European Parliament and Commission will take place in the coming months.

Information security and data privacy

Sabine Lautenschläger, [spoke](#) on **cyber resilience**, saying it "has been a priority for ECB Banking Supervision from day one", and that the ECB was "taking a close look at our banks to see whether they are following the relevant standards and best practices". The ECB is also working with the EBA on how to supervise cyber risk in a harmonised manner across the EU. The ECB is expected to issue its supervisory expectations on how banks should approach IT risks soon.

Benoît Cœuré, Member of the Executive Board of the ECB, [spoke](#) at the ECB's High-Level Meeting on **cyber resilience for pan-European financial market infrastructures**. In response to the cyber threat landscape in Europe, he emphasised the importance of operational risk management and IT security frameworks as "the first line of defence". He advocated the creation of a high-level forum for pan-European financial market infrastructures, critical service providers and competent authorities.

Financial Crime

The Joint Committee of the ESAs [published](#) draft regulatory technical standards (RTS) under the fourth **Anti-Money Laundering Directive** (AMLD IV) to assist Member States in determining when payment service providers (PSPs) and electronic money issuers (EMIs) should appoint a central contact point (CCPt) to counter money laundering and terrorist financing, and the functions required of an effective CCPt.

The Joint Committee of ESAs [finalised](#) guidelines on **anti-money laundering and countering the financing of terrorism** (ML/TF) in accordance with the fourth AMLD IV. The guidelines were designed to equip firms with the tools they need to make informed, risk-based decisions when identifying, assessing and managing ML/TF risk. The report also detailed risk factors for certain sectors and guidance on the risk-sensitive application of customer due diligence measures by firms.

The European Commission [published](#) a supranational risk assessment report which identified 40 **products or services that it considered to be potentially vulnerable to ML/TF risks** affecting the internal market. ML risk remained significant for private banking and institutional investment (especially through brokers) owing to factors including higher exposure to product and customer risks. Electronic money or money value transfer services were considered highly exposed to ML/TF risks because of anonymity features under AMLD III and uneven monitoring capacities.

The BCBS [finalised](#) revisions to its **guidelines on sound management of risks related to ML/TF** in relation to correspondent banking and account opening, clarifying how banks should assess risks and setting out the relevant policies that firms should establish. The report noted that policies and procedures should not be designed merely to comply strictly with relevant laws and regulations but, more broadly, to identify, monitor and mitigate group-wide risks.

Other

The FCA's Chairman **John Griffith-Jones** [confirmed](#) he will step down from his role at the FCA and PSR on 31 March 2018.

Mark Carney, Governor of the Bank of England, [spoke](#) at the **Mansion House**, highlighting the work the Bank is undertaking to "transition to new trading arrangements with the EU", including setting **monetary policy** to "return inflation sustainably" and to help manage how "the hit to incomes is distributed between job losses and price rises". Cautious of the consequences of protectionism, Carney also suggested that "a new approach to trade policy" was necessary to achieve higher growth.

The Bank of England [welcomed](#) the National Audit Office's [review](#) of the **'One Bank' Strategic Plan**, launched in 2014. The NAO said the Bank had delivered "most of the actions" set out in the strategy, but noted that there had been delays to the delivery of the Bank's new data architecture.

The PRA [published](#) a **'Dear CEO' letter from David Rule to London market insurers**, offering observations from the monitoring-the-market questionnaire results. In aggregate, premium rates had reduced, but overall premium adequacy, as estimated by firms, was marginally higher. The letter also said that risk-adjusted rates continue to deteriorate, terms and conditions are widening, and new business continues to be viewed more favourably than renewed business.

EIOPA [published](#) its **2016 annual report**, outlining its main achievements against its strategic objectives. The report marks EIOPA's top achievements for 2016 as the implementation of Solvency II, the EU-wide thematic review of market conduct amongst life insurance companies operating in the unit-linked life insurance market, and the 2016 Insurance Stress Test.

The EBA [published](#) its **2016 annual report**, which included areas of focus in the coming years. Among other things, the EBA will focus on liquidity and leverage ratios, credit risk and credit risk modelling, recovery planning and early intervention, improving the framework for the protection of consumers, and the monitoring of financial innovation. The EBA expected that legislative reforms from the European Commission would affect its planned work, particularly the implementation of TLAC and the FRTB.

ESMA [published](#) its **2016 annual report**, setting out its achievements throughout 2016 against its objectives, including its work on supervisory convergence, giving clarity on MiFID II implementation matters, and data collection and management. The report highlighted that, looking ahead, ESMA intended to include a second stress test of CCPs, undertake stress test work in the asset management sector, and increase transparency on costs for fees and performance in the asset management sector.

The ECB [consulted](#) on the **methodology and criteria for calculating the annual supervisory fee**, which is levied on institutions according to their status as either significant or less significant. The consultation covered the determination of the variable fee component and the criteria that will be used to support the analysis, including the administrative impact on firms and limiting the volatility of the annual fee.

The European Systemic Risk Board (ESRB) [published](#) its **risk dashboard**, which indicated that market-based measures of systemic stress in the EU remain low. EU economic recovery continued in Q1 2017, unemployment remained high in many EU countries but continues its downward trend, and bank profitability remained weak but improved in Q1 2017.

ESMA [issued](#) its **risk dashboard** for Q1 2017. Its assessment of the individual risk categories did not change from Q4 2016, with market and credit risk remaining very high owing to the persisting low-interest rate environment, continued weaknesses in the EU banking sector and geopolitical developments. The dashboard highlighted that significant downside risks for EU economic growth outlook remained, owing to important forthcoming elections in certain EU member states, Article 50 negotiations and the US policy agenda.

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