

Risk and Regulation Monthly Cover Note

November 2016

So what happened in November?

Last month saw several major regulatory developments, both in the EU and UK.

As was widely expected, the European Commission unveiled its proposals for reviewing the current CRD IV package. The one unanticipated element in the CRD V/CRR II package was the proposal requiring non-EU bank groups with more than EUR30 billion in assets to set up an Intermediate Parent Undertaking for all their EU operations.

Among other expected publications were the release of the BoE stress test results and the EBA's discussion paper on the prudential regime for investment firms not deemed bank-like and systemic (so called Class 2 and 3 firms). The EBA will deliver its final proposals by end of June 2017.

As expected, the European Commission legislated on extending the compliance deadline for the Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs) till 2018.

A political agreement on the EU MMFs Regulation reached by the European Parliament and the Council of the EU marked an important milestone. The proposals will now be voted on by the European Parliament and adopted by the Council, which will happen over the next few months.

The FCA's interim report on its asset management market study highlighted weak price competition in actively managed retail investment funds. The FCA found that whilst competition had driven down charges for passive funds, charges for active funds had hardly changed over the past ten years.

The UK High Court's decision on Brexit added to uncertainty as it ruled that the UK Government would need the approval of the Parliament to formally launch the procedure of exiting the EU. At the moment, the Government's appeal against the ruling is being considered by the Supreme Court and we should see the final decision over the next weeks.

What's in the pipeline?

- Before the end of 2016, the FSB is set to publish its final recommendations to address structural vulnerabilities relating to asset managers. The FSB has also committed to publishing a number of documents relating to bank resolution, including guidance in relation to internal TLAC, and a consultation on maintaining continuity of access to financial market infrastructures in resolution.
- Other important publications set to be delivered by the end of this year include the EBA's report on consistency of MREL implementation, including recommendations for legislative revisions, and its review of LCR phase-in.



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