

## Risk and Regulation Monthly Cover Note

### October 2016

#### October wrap-up

While Brexit remains at the top of regulatory concerns, October saw several other significant developments and publications.

On Brexit, besides the latest developments around the High Court's ruling on a vote by Parliament being mandatory for triggering Art. 50, warnings continued to be voiced by the industry. The BBA CEO, Anthony Browne, said that some bankers could move out of London as a result of Brexit, with smaller banks starting relocations before Christmas.

As expected, the final BCBS standard on TLAC holdings requires banks (both G-SIBs and non-G-SIBs) to deduct TLAC holdings from their Tier 2 capital to limit the potential for bail-in to have contagion effects. The final standard, however, includes allowances granted in view of maintaining "a deep and liquid secondary market for TLAC instruments", which are somewhat broader than those initially consulted on in 2015.

The FCA's mission statement did not propose a step change in approach. Proportionate and targeted regulation takes centre stage, particularly for consumer protection, where there will be more focus on vulnerable customers and a recognition that "a market where consumers never make poor choices is not feasible".

Delivering his Mansion House speech, Sam Woods outlined initial priorities for his leadership of the PRA, characterising his approach as "more of the same".

The speech indicated an intention to maintain continuity, and a clear commitment to press on with the existing set of regulatory reforms in spite of the uncertainty generated by Brexit. Mr Woods also briefly spoke about the BCBS's work relating to the use of internal models, and the potential capital impact of its proposals, noting that firms that were "outliers" could see "significant" increases in capital requirements.

For investment firms, the EBA set out its view that only firms currently identified as O-SIFs should remain subject to the full CRD/CRR requirements.

The ESAs' work plans for next year indicated a shift in priorities for ESMA and EIOPA which have seen their single rulebook workstreams gradually shrinking, with the focus moving to supervisory convergence and consumer protection. Implementation of MiFID II and Solvency II will be key priorities for these two ESAs respectively. For the EBA, however, the ongoing reviews of the EU capital framework will continue to generate a significant amount of work in 2017.

#### What's in the pipeline?

- Latest indications are that we could expect the Commission to release its proposals on the forthcoming revisions to CRD IV and CRR as early as 22 November, but we believe they are more likely to come out in the following weeks.
- The final results of the UK concurrent stress tests will be published on 30 November.



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Fax: +44 (0) 20 7583 1198.

Designed and produced by The Creative Studio at Deloitte, London. J10367