



Risk and Regulation Monthly
August 2019

CENTRE *for*
**REGULATORY
STRATEGY**
EMEA

Contents

BREXIT
BANKING
CAPITAL MARKETS
INSURANCE
INVESTMENT MANAGEMENT
OTHER
CONTACTS

Highlights

August, as always, is a relatively quiet month on the regulatory front, but we nevertheless saw a number of interesting developments across EMEA.

In the UK, the government **updated** its Guidance on banking, insurance and other financial services if there is a no-deal Brexit. It provides clarifications on the potential impact of a no-deal scenario on (i) financial services for UK residents, businesses and organisations; (ii) banking, insurance and other financial services for people living in the European Economic Area (EEA); and (iii) financial institutions. On the third item, the guidance reiterates the actions taken by the UK to minimise disruptions, including the Temporary Permissions Regime (TPR), as well as the Financial Services Contracts Regime, which provides for the orderly wind-down of contracts for firms not joining the TPR. On data transfers, the Guidance recommends firms mitigate any adverse effects by implementing alternative transfer mechanisms to send personal data from the EU to the UK wherever necessary.

The EBA **published** the first part of its impact assessment and recommendations on the EU implementation of the final Basel III framework. This came in five documents: its impact study and key recommendations; and its policy advice on securities financing transactions, operational risk, the output floor, and credit risk. The EBA also published a letter from Olivier Guersent, Director General of DG FISMA, to Jose Manuel Campa, EBA Chairman, regarding areas where DG FISMA has requested further analysis to be included in the second part of the Call for Advice. The EBA's quantitative impact analysis shows a projected 24.4% aggregate increase in minimum required capital (MRC) for all EU banks, with a 25% increase for large banks and a 28.6% increase for EU G-SIBs. The EBA analysis shows the main drivers of MRC increases to be the output floor and operational risk, although results vary across member states and banks' business models. The EBA is expected to publish a follow up report in September 2019 containing more detailed analysis of the market risk and CVA frameworks, as well as a macroeconomic assessment of the impact of the reforms.

The FCA **published** the results of its review into the embedding of SM&CR in the banking sector. The areas covered in the review included senior manager accountability, certification, regulatory references, conduct rules, impact on culture, any unintended consequences of the regime, and embedding and overcoming initial implementation issues. Overall, the FCA found that the

industry has made a concerted effort to implement the regime and that most firms are taking actions to move away from basic rules-based compliance towards embedding the regime in their organisations. The FCA also confirmed that it will increase its supervisory focus on the conduct rules.

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| Brexit |
| UK |
| HMT |
| <ul style="list-style-type: none"> Guidance on banking, insurance and other financial services if there is no Brexit deal Link |
| <ul style="list-style-type: none"> Guidance in the draft EU Exit legislation relating to the financial services framework between the UK and Gibraltar Link |
| <ul style="list-style-type: none"> Guidance on EMIR Pension Scheme Arrangements clearing exemption Link |
| FCA |
| <ul style="list-style-type: none"> Published consultation paper on draft technical standards on the content and format of STS notifications under the on-shored Securitisation Regulation Link |
| EU |
| EC |
| <ul style="list-style-type: none"> Communication on equivalence in financial services Link |
| ECB |
| <ul style="list-style-type: none"> Newsletter on "Stepping up preparations for Brexit" Link |

[Back to top](#)

| |
|--|
| Banking |
| Prudential |
| UK |
| BoE |
| <ul style="list-style-type: none"> Staff working paper - Machine learning explainability in finance: an application to default risk analysis Link |
| <ul style="list-style-type: none"> Final rules on resolution assessment and public disclosure by firms Link |
| PRA |
| <ul style="list-style-type: none"> Policy statement on Regulatory reporting: EBA Taxonomy 2.9 Link |
| EU |
| EBA |
| <ul style="list-style-type: none"> Reports on EU banks' funding plans and asset encumbrance Link Link |
| <ul style="list-style-type: none"> Publishes phase 2 of its technical package on reporting framework 2.9 Link |

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| <ul style="list-style-type: none"> Updated Guidelines on the identification of global systemically important institutions (G-SIIs) Link |
| <ul style="list-style-type: none"> Opinion on the implementation of the Deposit Guarantee Schemes Directive Link |
| <ul style="list-style-type: none"> Published feedback on a review of the use, usefulness and implementation of the Single Rulebook Q&A Link |
| <ul style="list-style-type: none"> Updates of the Single Rulebook Q&A tool to reflect publication in the OJEU of the revised CRD / CRR / BRRD texts Link |
| <ul style="list-style-type: none"> EBA response to Commission Call for Advice on the implementation of the final Basel III framework Link |
| EC |
| <ul style="list-style-type: none"> Memorandum of understanding between the European Commission and the Single Resolution Board in respect of certain elements of cooperation and information exchange pursuant to the single resolution mechanism regulation Link |
| ECB - SSM |
| <ul style="list-style-type: none"> Interview with Andrea Enria, Chair of the Supervisory Board of the ECB, on pan-European supervision Link |
| <ul style="list-style-type: none"> Revised supervisory expectations for prudential provisioning for new non-performing loans (NPLs) to account for new Pillar 1 requirements Link |
| <ul style="list-style-type: none"> Press release on assessment that AS PNB Banka in Latvia was failing or likely to fail Link |
| <ul style="list-style-type: none"> Speech by Margarita Delgado, Deputy Governor of the Banco de España and ECB Supervisory Board member, on banking supervision, progress made and challenges for European and Spanish banks Link |
| ECB Central Bank |
| <ul style="list-style-type: none"> Interview with Sabine Lautenschläger, member of the executive board of the ECB, by Market News, on monetary policy and interest rates Link |
| <ul style="list-style-type: none"> Response to the public consultation on draft ECB Decision under Article 21 of the revised SIPS Regulation Link |
| ESRB |
| <ul style="list-style-type: none"> EU Non-bank Financial Intermediation Risk Monitor 2019 Link |
| SRB |
| <ul style="list-style-type: none"> Decision that a resolution is not required for AS PNB Banka Link |
| <ul style="list-style-type: none"> Memorandum of Understanding between SRB and European Commission Link |
| International |
| BIS |
| <ul style="list-style-type: none"> Research paper on Bank failure management and the role of deposit insurance Link |

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| <ul style="list-style-type: none"> Updated frequently asked questions on the Basel III standardised approach for operational risk Link |
| FSB |
| <ul style="list-style-type: none"> Public responses to consultation on Public Disclosure of Resolution Planning and Resolvability Link |
| Conduct |
| UK |
| FCA |
| <ul style="list-style-type: none"> FCA mandated and voluntary information on current account services Link |
| <ul style="list-style-type: none"> Published Senior Managers and Certification Regime Banking Stocktake Report Link |

[Back to top](#)

| |
|---|
| Capital Markets |
| Prudential |
| UK |
| BoE |
| <ul style="list-style-type: none"> Article on whether the reliance of principal trading firms on banks poses a risk to UK financial stability Link |
| FCA |
| <ul style="list-style-type: none"> Research note on exchange-traded fund (ETF) primary market participation and liquidity resilience during stress events Link |
| EU |
| ECB - SSM |
| <ul style="list-style-type: none"> ECB and ECA agree Memorandum of Understanding that establishes practical information-sharing arrangements between the two institutions Link |
| International |
| FSB |
| <ul style="list-style-type: none"> Industry workshop on continuity of access to FMIs for firms in resolution Link |
| <ul style="list-style-type: none"> Public responses to consultation paper on Solvent Wind-down of Derivatives and Trading Portfolios Link |
| Conduct |
| UK |
| FCA |
| <ul style="list-style-type: none"> Transcript: Inside FCA interview with Jonathan Davidson and Jayne-Anne Gadhia on Culture and SMCR Link |
| EU |
| ESMA |
| <ul style="list-style-type: none"> Issued opinions on product intervention measures taken by Slovenia Link |
| <ul style="list-style-type: none"> Updated its public register with the latest set of double volume cap data under MiFID II Link |

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| <ul style="list-style-type: none"> Published new data for bonds subject to the pre- and post-trade requirements under MiFID II and MiFIR | Link |
| <ul style="list-style-type: none"> Published data for systematic internaliser calculations for equity, equity-like instruments and bonds under MiFID II and MiFIR | Link |
| <ul style="list-style-type: none"> Announced that it will not renew the temporary restriction on the marketing, distribution or sale of contracts for differences to retail clients in the European Union (EU) | Link |
| <ul style="list-style-type: none"> Information on contact points of national competent authorities to facilitate communication for the co-operation and exchange of information between NCAs, for e.g. consultations of other competent authorities prior to the authorisation of an investment firm | Link |

[Back to top](#)

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|--|
| Insurance |
| Prudential |
| EU |
| ECB |
| <ul style="list-style-type: none">Working paper no. 2299: Insurers' investment strategies: pro- or countercyclical? Link |

[Back to top](#)

| | |
|--|----------------------|
| Investment Management | |
| Prudential | |
| UK | |
| FCA | |
| <ul style="list-style-type: none">Information about the London Capital and Finance plc administration procedure | Link |
| Conduct | |
| UK | |
| FCA | |
| <ul style="list-style-type: none">Regulatory Policy Committee opinion on the FCA's final stage validation impact assessment of the Advising on pension transfers | Link |
| <ul style="list-style-type: none">Consultation on contingent charging in pension transfer advice | Link |
| <ul style="list-style-type: none">Feedback Statement on effective competition in non-workplace pensions | Link |
| <ul style="list-style-type: none">Policy Statement on the Retirement Outcomes Review | Link |

[Back to top](#)

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|--|
| Other |
| Prudential |
| UK |
| BoE |
| <ul style="list-style-type: none"> Speech by Miles Bake, Head of Legal, Enforcement & Litigation Division, on the PRA's approach to enforcement Link |
| EU |
| ESRB |
| <ul style="list-style-type: none"> ESRB Annual Report 2018 Link |
| Conduct |
| UK |
| FCA |
| <ul style="list-style-type: none"> Press release stating that claims management companies must raise advertising standards Link |
| <ul style="list-style-type: none"> Final guidance for registered social landlords to provide greater clarity about the activities for which they are likely to require authorisation as credit brokers Link |
| <ul style="list-style-type: none"> Results from survey of FCA-regulated firms of the FCA's performance as a regulator Link |
| <ul style="list-style-type: none"> Policy Statement on optimising the Senior Managers & Certification Regime (SMCR) Link |
| Sustainable Finance |
| UK |
| BoE |
| <ul style="list-style-type: none"> Second meeting of the PRA and FCA joint Climate Financial Risk Forum Link |
| Cyber |
| UK |
| FCA |
| <ul style="list-style-type: none"> Press release on key terms to help interpret metrics on speed of services and major incidents Link |
| EU |
| ECB Central Bank |
| <ul style="list-style-type: none"> Press release from the ECB on shutting down the BIRD website due to a cyber attack Link |
| Fintech |
| UK |
| FCA |
| <ul style="list-style-type: none"> Dear CEO letter on requirements for Strong Customer Authentication in card-not-present e-commerce transactions Link |
| <ul style="list-style-type: none"> Plan for a phased implementation of Strong Customer Authentication in the payments and e-commerce industry Link |
| <ul style="list-style-type: none"> Policy Statement: guidance on cryptoassets in relation to the regulatory perimeter Link |
| EU |

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| ECB Central Bank | |
| <ul style="list-style-type: none"> Paper on: "In search for stability in crypto-assets: are stablecoins the solution?" Link | |
| <ul style="list-style-type: none"> Paper on "Are instant payments becoming the new normal? A comparative study" Link | |
| ESMA | |
| <ul style="list-style-type: none"> Letter by José Manuel Campa, Chair of the EBA, and Steven Maijoor, Chair of ESMA on the Joint EBA ESMA response to the letter of 19 July on cryptoassets Link | |
| International | |
| BIS | |
| <ul style="list-style-type: none"> Suptech applications for anti-money laundering Link | |
| <ul style="list-style-type: none"> Speech by Governor Lael Brainard: "Delivering fast payments for all" Link | |
| <ul style="list-style-type: none"> Speech by Adnan Zaylani Mohamad Zahid on "Re-inventing payments - the future of financial services" Link | |
| Other | |
| UK | |
| CMA | |
| <ul style="list-style-type: none"> CMA orders RBS and Santander to fix PPI breaches Link | |
| <ul style="list-style-type: none"> Memorandums of understanding on consumer protection and competition powers Link | |
| FCA | |
| <ul style="list-style-type: none"> Transcript of Inside FCA Podcast: Using technology to fight financial crime Link | |
| HMT | |
| PSR | |
| <ul style="list-style-type: none"> Joint statement from the PSR, FCA, PRA and CMA about regulatory coordination Link | |
| UK Parliament | |
| <ul style="list-style-type: none"> Report on the work of the Financial Conduct Authority and the perimeter of regulation Link | |
| EU | |
| ECB - SSM | |
| <ul style="list-style-type: none"> Interview with Chair of Supervisory Board Andrea Enria with the Finnish newspaper Yle, on the economic slowdown and stress testing Link | |
| ECB Central Bank | |
| <ul style="list-style-type: none"> Letter from Andrea Enria, Chair of the Supervisory Board, to Ms Paus, Member of the German Bundestag, on the ECB Banking Supervision's involvement in mergers and acquisitions Link | |
| ESAs | |
| <ul style="list-style-type: none"> Response to the European Commission on the exclusion of performance scenarios options from PRIIPs consumer testing exercise Link | |
| European Parliament | |

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|--|----------------------|
| <ul style="list-style-type: none"> Minutes of the public hearing of Elke König before the Committee on Economic and Monetary Affairs | Link |
| International | |
| BIS | |
| <ul style="list-style-type: none"> Speech by Deputy Governor Nina Stoyanova: Upcoming changes in the area of payment services | Link |
| <ul style="list-style-type: none"> Speech by VP of Deutsche Bank Claudia Buch: Digitalization, competition, and financial stability | Link |
| FSB | |
| <ul style="list-style-type: none"> Public responses to the Evaluation of the effects of financial regulatory reforms on small and medium-sized enterprise (SME) financing | Link |

[Back to top](#)

Glossary

AFMs = Authorised Fund Managers
AI = Artificial Intelligence
AIFMD = Alternative Investment Fund Managers Directive
AMF = Autorité des Marchés Financiers
AML = Anti-Money Laundering
APA = Approved Publication Arrangement
AUM = Assets under management
BCBS = Basel Committee on Banking Supervision
BEAR = Banking Executive Accountability Regime
BIS = Bank for International Settlements
BMR = Benchmarks Regulation
BRRD = Bank Recovery and Resolution Directive
BTS = Binding Technical Standard
BoE = Bank of England
CBI = Central Bank of Ireland
CCP = Central Counterparty
CP= Consultation Paper
CTF = Counter Terrorist Financing
CISO = Chief Information Security Officer
CMA = Competition and Markets Authority
CMU = Capital Markets Union
CNMV = Comisión Nacional del Mercado de Valores
CQS = Credit Quality Step
CRD = Capital Requirements Directive
CRR = Capital Requirements Regulation
CROE = Cyber Resilience Oversight Expectations
CSSF = Commission de Surveillance du Secteur Financier
CTP = Consolidated Tape Provider
DB = Defined Benefit
DC = Defined Contribution
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
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
FSA = Financial Services Authority
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
IBOR = Interbank Offered Rate
ICAAP = Internal Capital Adequacy Assessment Process
ICO = Information Commissioners Office
ICS = Insurance Capital Standard
IDD = Insurance Distribution Directive
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
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
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
PRIF = Prudential Regime for Investment Firms
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
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

Contacts

Andrew Bulley

Partner, Centre for Regulatory Strategy
+44 (0)20 7303 8760

Rod Hardcastle

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



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