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Highlights

As at the end of any year, regulators were keen to progress or finalise a number of important initiatives.

UK regulators published parallel consultation papers on their cross-sectoral approach to operational resilience in FS firms. Key features of the new approach are that firms must identify their important business services, identify ways that disruptions to those services could cause harm to consumers, their own viability, or to financial stability, and set 'impact tolerances' for those disruptions occurring. Firms will be expected to test their response and recovery capabilities to demonstrate that they can remain within the impact tolerances they set. The UK regulators expect to finalise their approach in mid-2021 and to give firms three years from that point to implement the new framework.

Also in the UK, the BoE and FCA published a statement on their joint review of open-ended funds. The regulators identified a number of principles to achieve greater consistency between the liquidity of a fund's assets and its redemption terms. The ongoing review will consider how these principles could be implemented in a proportionate and effective manner.

At the EU level, following the new Von der Leyen Commission's taking-office, European Council Finance Ministers set out their priorities for further work on the CMU. Among their priorities were a focus on SME financing and removing barriers to the efficient functioning of EU-wide capital markets and to well-informed investors making long-term investments in capital markets.

The EBA published its second report on the potential impact of Basel III implementation in the EU. This report followed the first in August 2019 and focused, in particular, on market risk, as well as providing a macroeconomic impact assessment. The EBA report found that Basel III revisions, if fully implemented, would lead to a 23.6% increase in minimum capital requirements for EU banks (excluding banks in the UK). The European Commission is expected to publish a legislative proposal in mid-2020 proposing its approach for implementing the final elements of the Basel bank capital framework.

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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
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
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
IFD = Investment Firms Directive
IFR = Investment Firms 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
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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