



Risk and Regulation Monthly
February 2020

CENTRE *for*
**REGULATORY
STRATEGY**
EMEA

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Highlights

Welcome to the latest edition of Risk and Regulation Monthly.

February was another eventful month which saw the launch of several major policy and regulatory initiatives.

In Europe, the Commission launched its new EU digital strategy, which sets out proposals to create a frictionless and resilient digital single market, boost and protect the competitiveness of EU companies through data-driven innovation, and ensure adequate safeguards for citizens, particularly in relation to AI.

The digital strategy is also designed to support other flagship EU initiatives such as sustainable finance and the Capital Markets Union. In this context the Commission also launched a review of the MiFID II/MiFIR legislative framework, which is intended to be an essential enabler to all three initiatives through the promotion of fair, transparent, efficient and integrated financial markets.

In the UK, the Information Commissioner's Office published its cross-sectoral draft guidance outlining how it will interpret the General Data Protection Regulation as it applies to AI, as well as its expectations in relation to the measures firms should put in place to mitigate AI-driven data protection risks.

Finally, the UK and EU have set out their official negotiating guidelines for the trade negotiations which began on 2 March, including their opening positions around equivalence and market access for financial services firms.

Brexit	
UK	
BoE	
<ul style="list-style-type: none"> Speech by Sir Jon Cunliffe, Deputy Governor for Financial Stability at the BoE, on governing the future relationship between the UK and EU's financial markets. 	Link
PRA	
<ul style="list-style-type: none"> Letter issued to insurance firms in relation to their contingency plans to ensure ongoing service continuity in respect of EU liabilities. 	Link
UK Parliament	
<ul style="list-style-type: none"> UK Government's official negotiating position for the upcoming trade negotiations with the EU. 	Link
<ul style="list-style-type: none"> Written statement to the House of Commons by the Prime Minister, Boris Johnson, setting out the UK's overarching approach to EU trade negotiations, accompanied by a speech in Greenwich. 	Link Link
<ul style="list-style-type: none"> Letter from Rishi Sunak, Chancellor of the Exchequer, to Executive Vice President Valdis Dombrovskis, on the UK's preparations for financial services equivalence assessments. 	Link
<ul style="list-style-type: none"> Letter from John Glen MP, Economic Secretary to the Treasury, to Lord Kinnoull, EU Committee Chair, on equivalence in financial services. 	Link
<ul style="list-style-type: none"> Speech by David Frost, the Prime Minister's Europe Adviser and Chief Negotiator of Task Force Europe, on the UK's opening position in trade negotiations with the EU." 	Link
EU	
Council of the EU	
<ul style="list-style-type: none"> Council of the EU's adopted negotiating directives for the upcoming trade negotiations with the UK, and authorises the Commission as EU negotiator. 	Link
EC	
<ul style="list-style-type: none"> Recommendation issued to the Council of the EU to authorise the opening of trade negotiations with the UK, accompanied by remarks from Michel Barnier, the Commission's Head of Task Force for Relations with the UK. 	Link Link
<ul style="list-style-type: none"> Speech by Michel Barnier, the Commission's Head of Task Force for Relations with the UK, on cooperation in the age of Brexit. 	Link

ESMA	
<ul style="list-style-type: none"> Corrigendum to the IFR published, bringing forward the deadline for ESMA to submit draft RTS and ITS outlining how third-country firms can apply for ESMA registration. 	Link

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Banking	
Prudential	
UK	
BoE	
<ul style="list-style-type: none"> Speech by Donald Kohn, external member of the FPC, on stress tests from a policymaker's perspective 	Link
PRA	
<ul style="list-style-type: none"> PS on the PRA's methodology for setting Pillar 2 capital requirements 	Link
<ul style="list-style-type: none"> Updates to SS strengthening individual accountability in banking. 	Link
<ul style="list-style-type: none"> CP on proposed updates to the UK Pillar 2A capital framework for banks to take account of the additional resilience associated with higher macroprudential buffer requirements in a standard risk environment. 	Link
EU	
EBA	
<ul style="list-style-type: none"> Opinion on the review of the implementation of Deposit Guarantee Scheme (DGS) Directive, DGS funding and uses of DGS funds. 	Link
<ul style="list-style-type: none"> CP on Guidelines on the pre-determined dimensions or components of exposures which competent authorities should use to define a subset of sectoral exposures in the application of a systemic risk buffer. 	Link
<ul style="list-style-type: none"> First quantitative report on MREL under a new methodology. 	Link
ECB - SSM	
<ul style="list-style-type: none"> CP on the ECB's guide to assess how banks calculate counterparty credit risk. 	Link
ESRB	

<ul style="list-style-type: none"> Report on the macro prudential implications of financial instruments that are measured at fair value and classified as Level 2 and 3 instruments for accounting purposes. 	Link
SRB	
<ul style="list-style-type: none"> Consultation on changes to the SRB's MREL policy under the 2019 Banking Package. 	Link
Other	
UK	
CMA	
<ul style="list-style-type: none"> Fourth set of current account customer satisfaction survey results published. 	Link
FCA	
<ul style="list-style-type: none"> Statement confirming that credit card firms have been asked to review their approach to persistent debt customers. 	Link
<ul style="list-style-type: none"> Review of basic retail bank accounts, including examples of good practice and areas for improvement. 	Link
EU	
EBA	
<ul style="list-style-type: none"> Benchmarking report on diversity practices in credit institutions and investment firms, and call for measures to ensure a more balanced composition of management bodies. 	Link
<ul style="list-style-type: none"> Updated list of validation rules and XBRL taxonomy related to its Implementing Technical Standards on supervisory reporting to improve data quality. 	Link

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Capital Markets	
Prudential	
EU	
ESMA	
<ul style="list-style-type: none"> Consultation on MiFIR report on Systematic Internalisers in non-equity instruments. 	Link
<ul style="list-style-type: none"> Report on the postponement of entry into force of the RTS on Settlement Discipline. 	Link

<ul style="list-style-type: none"> First Risks, Trends and Vulnerabilities (TRV) Report of 2020. 	Link
Conduct	
UK	
HMT	
<ul style="list-style-type: none"> Draft Statutory Instrument onshoring EMIR 2.2. 	Link
EU	
EC	
<ul style="list-style-type: none"> Consultation on the review of MiFID II and MiFIR. 	Link
ESMA	
<ul style="list-style-type: none"> Update on the progress by NCAs in ensuring a common supervisory approach to compliance with MiFIR pre-trade transparency requirements in commodity derivatives. 	Link
<ul style="list-style-type: none"> Final report on alignment of MiFIR with changes introduced by EMIR Refit. 	Link
<ul style="list-style-type: none"> Response to EC's consultation on the Benchmark Regulation review. 	Link
Other	
UK	
BoE	
<ul style="list-style-type: none"> Speech by Andrew Hauser, Executive Director for Markets, on "turbo-charging" sterling LIBOR transition in 2020 and the BoE is doing to help. 	Link

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Insurance	
Prudential	
EU	
EIOPA	
<ul style="list-style-type: none"> Final guidelines on outsourcing to cloud service providers. 	Link

<ul style="list-style-type: none"> DP addressing the ongoing changes to the new benchmark rates, the IBOR transitions, and the issues identified within the EIOPA Risk free rate environment. 	Link
<ul style="list-style-type: none"> 2020 supervisory convergence plan to ensure a high, effective and consistent level of supervision across jurisdictions. 	Link
<ul style="list-style-type: none"> Supervisory statement on ultra-low/negative interest rate environment, aimed at insurance supervisors and industry to raising awareness and ensuring that the insurance sector continues to be financially resilient. 	Link
EU	
ESRB	
<ul style="list-style-type: none"> Report on macroprudential policy for the insurance sector, which considers how the review of the Solvency II regulatory regime should result in a revised framework that better reflects macroprudential considerations. 	Link
Conduct	
UK	
FCA	
<ul style="list-style-type: none"> PS on publishing and disclosing costs and charges to workplace pension scheme members and amendments to COBS 19.8. 	Link
<ul style="list-style-type: none"> PS on travel insurance for consumers with pre-existing medical conditions, introducing new signposting rules and guidance to help these consumers better navigate the travel insurance market and get better outcomes. 	Link
EU	
EIOPA	
<ul style="list-style-type: none"> Consultation on the review of technical means for the purpose of Solvency 2 Supervisory Reporting and Public Disclosure. 	Link

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Investment Management	
Other	
UK	

FCA	
<ul style="list-style-type: none"> Dear CEO letter to firms providing a platform service, setting out key concerns and supervisory expectations. 	Link
<ul style="list-style-type: none"> Dear CEO letter to asset management firms on preparing now for the end of LIBOR. 	Link
EU	
ESMA	
<ul style="list-style-type: none"> CP on MiFID II/ MiFIR review report on the transparency regime for equity and equity-like instruments, the double volume cap mechanism and the trading obligations for shares. 	Link
<ul style="list-style-type: none"> ESMA Technical Advice to the EC on the effects of product intervention measures. 	Link
<ul style="list-style-type: none"> Launch of a common supervisory action with NCAs on MiFID II suitability rules. 	Link
<ul style="list-style-type: none"> Update to ESMA's public register with the latest set of double volume cap (DVC) data under MiFID II. 	Link

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Other	
Conduct	
UK	
FCA	
<ul style="list-style-type: none"> FCA, ICO and FSCS publish joint statement to insolvency practitioners and authorised firms regarding being responsible whilst dealing with personal data. 	Link
<ul style="list-style-type: none"> Occasional paper on using online experiments for behaviourally informed consumer policy. 	Link
<ul style="list-style-type: none"> Speech by Mark Steward, FCA Executive Director of Enforcement and Market Oversight on penalties, remediation and general principles. 	Link
<ul style="list-style-type: none"> FCA's Sector Views 2020. 	Link
Cyber	
EU	
ECB Central Bank	

<ul style="list-style-type: none"> Speech by Fabio Panetta, Member of the Executive Board of the ECB, on launching the Cyber Information and Intelligence Sharing Initiative. 	Link
ESRB	
<ul style="list-style-type: none"> Report on systemic cyberattacks. 	Link
Fintech	
EU	
EC	
<ul style="list-style-type: none"> EC plans on shaping Europe's digital future, including its data strategy, and a white paper setting out its approach to AI. 	Link
Int'l	
BIS	
<ul style="list-style-type: none"> Report on the economic forces driving FinTech adoption across countries. 	Link
IOSCO	
<ul style="list-style-type: none"> IOSCO report on issues and risks associated with crypto-asset trading platforms. 	Link
Sustainable Finance	
UK	
BoE	
<ul style="list-style-type: none"> Launch of the UN Climate Change Conference of the Parties (COP 26) to help private finance support the whole economy transition to net zero. 	Link
EU	
ECB Central Bank	
<ul style="list-style-type: none"> Speech by Christine Lagarde on climate change and the financial sector. 	Link
ESMA	
<ul style="list-style-type: none"> Strategy on sustainable finance. 	Link
Other	

UK	
CMA	
<ul style="list-style-type: none"> Speech by Andrea Coscelli, CMA Chief Executive, on competition and consumer protection for the 2020s. 	Link
HMT	
<ul style="list-style-type: none"> Advisory notice on money laundering and terrorist financing controls in overseas jurisdictions. 	Link
ICO	
<ul style="list-style-type: none"> Consultation of the draft AI auditing framework guidance for organisations. 	Link
EU	
EBA	
<ul style="list-style-type: none"> Report on competent authorities' approach to AML and CFT supervision of banks. 	Link
<ul style="list-style-type: none"> CP on revised guidelines under on customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions. 	Link
ESMA	
<ul style="list-style-type: none"> Guidelines on enforcement of financial information by national regulators under the Transparency Directive. 	Link
Int'l	
FSB	
<ul style="list-style-type: none"> Speech by Klaas Knot, President of the Dutch central bank, on the value of the LEI for identification in digital processes. 	Link

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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 = BoE
CBI = Central Bank of Ireland
CCP = Central Counterparty
CP= CP
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 = DP
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 = FCA
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 = PS
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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