



Risk and Regulation Monthly
January 2020

CENTRE *for*
**REGULATORY
STRATEGY**
EMEA

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Highlights

Welcome to the latest edition of Risk and Regulation Monthly.

January was an opportunity for supervisory and regulatory bodies to set out their future priorities, as well as a time for reflection on achievements.

The IOSCO Board agreed to continue its focus, in 2020, on crypto-assets; artificial intelligence and machine learning; market fragmentation; passive investing and index providers; and retail distribution and digitalization. In addition, it identified a further priority: rising levels of corporate debt and the potential resulting risks in capital markets.

In Europe, the Commission's 2020 work programme is focused on the delivery of six headline ambitions including a European Green Deal; ensuring that Europe is fit for the digital age; and a developing an "*economy that works for people*". The work programme includes a review of the economic governance framework and new Action Plan on Anti-Money Laundering.

In the UK, the FCA issued several Dear CEO letters outlining the key risks of harm in a number of sectors and its supervisory strategy in relation to these. Firms receiving the letters include personal and commercial lines insurers, financial advisors, asset managers, benchmark administrators and alternative investment firms.

Finally, as he prepares to leave his post as Chief Executive, Andrew Bailey took part in a final podcast reflecting on his time at the FCA and calling on large technology companies to work with the regulator to help protect consumers.

Brexit	
Other	
UK	
CMA	
<ul style="list-style-type: none"> Guidance on the functions of the CMA under the Withdrawal Agreement. 	Link
FCA	
<ul style="list-style-type: none"> Speech by Nausicaa Delfas, Executive Director of International at the FCA, on the approach to international regulation and next steps on Brexit. 	Link
<ul style="list-style-type: none"> Information for firms during the Brexit implementation period. 	Link
EU	
ESMA	
<ul style="list-style-type: none"> Update on governance and reporting obligations following the UK's withdrawal from the European Union. 	Link
EU	
ECB Central Bank	
<ul style="list-style-type: none"> Speech by Luis de Guindos, Vice-President of the ECB, on forging a new relationship between the UK and the EU. 	Link
SRB	
<ul style="list-style-type: none"> SRB statement on UK withdrawal from the EU. 	Link

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Banking	
Prudential	
UK	
PRA	
<ul style="list-style-type: none"> Dear CFO Letter on the liquidity positions of the largest and most systemically important banks and investment firms active in the UK. 	Link

<ul style="list-style-type: none"> Policy statement on updates to the Pillar 2 capital framework. 	Link
EU	
EBA	
<ul style="list-style-type: none"> Consultation paper on RTS on the treatment of non-trading book positions subject to foreign-exchange risk or commodity risk under the FRTB framework. 	Link
<ul style="list-style-type: none"> EBA Board of Supervisors select Gerry Cross as new EBA Executive Director. 	Link
<ul style="list-style-type: none"> Consultation on the future of the EU-wide stress test framework. 	Link
ECB - SSM	
<ul style="list-style-type: none"> Consultation on the draft ECB guideline on materiality threshold for credit obligations past due for less significant institutions. 	Link
<ul style="list-style-type: none"> Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on the results of the 2019 SREP. 	Link
<ul style="list-style-type: none"> Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on the need for deeper integration of the EU banking sector and some of the options the ECB is considering in order to achieve it. 	Link
<ul style="list-style-type: none"> 2019 SREP results, individual Pillar 2 Requirements, and methodology. 	Link
ECB Central Bank	
<ul style="list-style-type: none"> Recommendation on dividend distribution policies. 	Link
<ul style="list-style-type: none"> Press conference with Christine Lagarde, President of the ECB, and Luis de Guindos, Vice-President of the ECB, on the decision to keep ECB interest rates unchanged. 	Link
<ul style="list-style-type: none"> Speech by Christine Lagarde, President of the ECB, on how a united Europe can meet the challenges of a fast-paced global environment by demonstrating the sustainability of a political and economic integration; leveraging the single market; and addressing issues, such as climate change, that are beyond the remit of a single country. 	Link
SRB	
<ul style="list-style-type: none"> Article on resolution, from basics to readiness. 	Link
Int'l	
BIS	

<ul style="list-style-type: none"> Interview with Christine Lagarde, President of the ECB, on the outlook of the global economy and some of the work of the ECB. 	Link
<ul style="list-style-type: none"> Speech by Pablo Hernandez de Cos, Chair of the BCBS and Governor of the Bank of Spain, on the need to implement Basel III. 	Link
FSB	
<ul style="list-style-type: none"> Annual report on non-bank financial intermediation. 	Link
Conduct	
UK	
FCA	
<ul style="list-style-type: none"> FCA publishes data that demonstrates 7 out of 10 overdraft users will be better off or see no change as a result of changes introducing a simple annual interest rate on overdrafts. 	Link
<ul style="list-style-type: none"> Request for further information about how firms arrived at their new overdraft rates in response to upcoming rules requiring them to use a simple annual interest rate. 	Link
<ul style="list-style-type: none"> Consultation on the introduction of a Single Easy Access Rate for cash savings. 	Link
<ul style="list-style-type: none"> Publication of a performance scorecard to help customers compare metrics for personal current accounts. 	Link
HMT	
<ul style="list-style-type: none"> Letter from Sajid Javid to Lord Forsyth on the launch date of the upcoming joint consultation on the calculation of the Retail Prices Index. 	Link

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Capital Markets	
Prudential	
EU	
ESMA	
<ul style="list-style-type: none"> Strategic orientation document setting out key areas of focus for 2020 – 2022 including supervisory convergence and retail investor protection. 	Link
<ul style="list-style-type: none"> Consultation paper on guidelines on securitisation repository data completeness and consistency thresholds. 	Link
Conduct	

UK	
BoE	
<ul style="list-style-type: none"> BoE, FCA and Working Group on Sterling Risk-Free Reference Rates (RFRWG) publications on priorities and milestones for LIBOR transition in 2020. 	Link
FCA	
<ul style="list-style-type: none"> Statement on the requirement for firms annually to update or confirm their details. 	Link
EU	
ESMA	
<ul style="list-style-type: none"> Final Report on membership criteria and due diligence by central counterparties (CCPs) towards their clearing members. 	Link
<ul style="list-style-type: none"> Common Supervisory Action (CSA) on the supervision of UCITS managers' liquidity risk management. 	Link
<ul style="list-style-type: none"> Consultation on draft technical standards on the provision of investment services and activities in the EU by third-country firms under MiFID II/MiFIR. 	Link
Int'l	
IOSCO	
<ul style="list-style-type: none"> IOSCO published its annual work programme for 2020. 	Link

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Insurance	
Prudential	
UK	
PRA	
<ul style="list-style-type: none"> Policy Statement on Solvency II: Longevity risk transfers - simplification of PRA's pre-notification expectations. 	Link
<ul style="list-style-type: none"> Call for feedback on the content and format of regular, aggregated data relating to the UK Insurance market. 	Link
EU	
EIOPA	

<ul style="list-style-type: none"> Instructions and technical specifications for firms on completing the data request for the market and credit risk comparative study for year-end 2019. 	Link
Conduct	
UK	
CMA	
<ul style="list-style-type: none"> Report on the progress made in tackling the “loyalty penalty” in the mobile phone, broadband, household insurance, cash savings and mortgage markets. 	Link
FCA	
<ul style="list-style-type: none"> Dear CEO letter on non-financial misconduct in wholesale general insurance firms 	Link
<ul style="list-style-type: none"> Published data and analysis to help firms better understand the “mortgage prisoner” population and encourage them to offer modified affordability assessments based on a borrower’s track record of making mortgage payments. 	Link
<ul style="list-style-type: none"> Statement on intention to review the market for pensions and investment advice for a second time – the Assessing Suitability Review 2. 	Link

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Investment Management	
Prudential	
UK	
FCA	
<ul style="list-style-type: none"> Multi-firm review findings on how firms in the asset management sector select and use risk modelling and portfolio tools. 	Link
EU	
ESMA	
<ul style="list-style-type: none"> Final Report on guidelines on reporting under SFTR. 	Link
ESRB	
<ul style="list-style-type: none"> Report on mitigating the pro-cyclicality of margins and haircuts in derivatives markets and securities financing transactions. 	Link

Int'l	
IOSCO	
<ul style="list-style-type: none"> IOSCO recommends synchronising clocks used for timestamping with coordinated universal time. 	Link
Conduct	
UK	
FCA	
<ul style="list-style-type: none"> Occasional Paper on high-Frequency trading. 	Link

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Other	
Prudential	
UK	
PSR	
<ul style="list-style-type: none"> Call for input on competition and innovation in the UK's new payments architecture. 	Link
EU	
EBA	
<ul style="list-style-type: none"> Updated guidelines on fraud reporting under PSD2. 	Link
Conduct	
UK	
FCA	
<ul style="list-style-type: none"> A number of Dear CEO/Dear Board of Directors letters were published setting out the FCA's supervisory strategy for the following sectors: 	
<ul style="list-style-type: none"> i. Financial Advisers ii. Alternative Investment Firms iii. Asset Managers iv. Benchmark Administrators v. Personal and Commercial Lines Insurers 	Link Link Link Link Link

<ul style="list-style-type: none"> Andrew Bailey, CEO of the FCA, took part in a podcast calling on tech giants to collaborate with the FCA to help protect consumers. 	Link
HMT	
<ul style="list-style-type: none"> Technical consultation on the Fifth Money Laundering Directive and Trust Registration Service. 	Link
Int'l	
BIS	
<ul style="list-style-type: none"> Remarks by John C Williams, President and CEO of the Federal Reserve Bank of New York, on establishing a positive culture in financial services firms. 	Link
Fintech	
UK	
BoE	
<ul style="list-style-type: none"> Discussion paper on data collection from the UK financial sector. 	Link
FCA	
<ul style="list-style-type: none"> Updated data strategy setting out how the FCA will use data and advanced analytics to support its approach to regulation. 	Link
<ul style="list-style-type: none"> Viability assessment on digital regulatory reporting. 	Link
<ul style="list-style-type: none"> FCA/BoE Financial Services AI Public Private Forum (AIPPF) established to better understand the use and impact of AI. 	Link
PRA	
<ul style="list-style-type: none"> Blog post sharing internal analysis on banks' and insurers' reliance on Cloud outsourcing. 	Link
PSR	
<ul style="list-style-type: none"> Consultation paper on a proposal to vary the Specific Direction 10 on Confirmation of Payee. 	Link
EU	
EBA	
<ul style="list-style-type: none"> Report on trends of big data and advanced analytics. 	Link
Int'l	

BIS	
<ul style="list-style-type: none"> Central bank group to assess potential cases for central bank digital currencies in their home jurisdictions. 	Link
Sustainable Finance	
UK	
BoE	
<ul style="list-style-type: none"> Mark Carney appointed the Prime Minister's Finance Adviser for UN Conference of Parties 26. 	Link
EU	
ECOFIN	
<ul style="list-style-type: none"> Results from the Economic and Financial Affairs Council, 21 January 2020. Topics of conversation included digital taxation and the European green deal. 	Link
Other	
UK	
CMA	
<ul style="list-style-type: none"> Consultation on its 2020/21 annual plan. 	Link
PSR	
<ul style="list-style-type: none"> Speech by Chris Hemsley, Managing Director, on how the PSR is acting on feedback from stakeholders across its key projects including access to cash and the new payments architecture. 	Link
EU	
EC	
<ul style="list-style-type: none"> Published its 2020 work programme, including measures to ensure that Europe is fit for the digital age and the development of the European Green Deal. 	Link
ECB - SSM	
European Parliament	
<ul style="list-style-type: none"> Briefing on ECON-related priorities and programme of the Croatian Presidency, the EU Green Deal and the EU2020 strategy for growth. 	Link
Int'l	

IMF	
<ul style="list-style-type: none"> Opening remarks by Kristalina Georgieva, Managing Director, on the world economic outlook for 2020 and 2021 and the steps policymakers can take to manage <i>"tentative stabilisation and sluggish recovery"</i>. 	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 = 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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