

Risk and Regulation Monthly Cover Note

March 2016

Last month saw a series of important developments.

The Basel Committee on Banking Supervision (BCBS) continues to generate proposals. As anticipated, it proposed to **remove the Advanced Measurement Approach for operational risk**, and introduce a single Standardised Measurement Approach for all banks. It also proposed **significant changes to the internal ratings-based (IRB) approaches for credit risk, such as its removal for exposures to banks and financial institutions, as well as large corporates**. It is considering an overall capital floor for IRB “in the range of 60% to 90%” of the standardised approach. Meanwhile in the UK, the Financial Policy Committee announced a countercyclical capital buffer of 0.5% of UK risk exposures from next year, although for many firms this will be offset by a reduction in other buffers.

While a **one-year delay in the implementation of the MiFID II package is now almost certain**, the likelihood was boosted by the **European Commission’s rejection of three of ESMA’s MiFID II technical standards** on ‘ancillary services’, position limits for commodity derivatives, and transparency requirements. The Commission also finally adopted **an equivalence decision for CCPs regulated in the US**, although further work remains to be done on equivalence for US Swap Execution Facilities (SEFs).

Developments in the payments area have picked up as the **UK Payment Systems Regulator released its plans for the future regulatory landscape for payments** and set its sights on promoting technological change and innovation.

And as we noted last month, the Financial Advice Market Review was published. As part of it, HMT and the FCA **ruled out a 15 year limitation period on complaints relating to financial advice**.

So what is in the pipeline?

MiFID II will remain on the radar over the next few months. The official decision on the delay of implementation is likely to be made in the next weeks, but it does not mean that the regulatory work will slow down. Last week, the **first Delegated Act was published by the Commission**, but there are many other Delegated Acts and technical standards to be adopted.

On the resolution side, adoption of **technical standards on bail-inable debt** is overdue, while the date of publication of the resolution planning manual is still unclear.

In April, we also expect to see the **first prudential reporting by undertakings under Solvency II** and proposed changes to rules and guidance on UK pension reforms.