



Risk and Regulation Monthly

March 2019

CENTRE *for*
**REGULATORY
STRATEGY**
EMEA

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Highlights

March was another busy month for regulators, supervisors and politicians.

Preparations for Brexit continued, with regulators in both the UK and the EU publishing a number of agreements and plans intended to manage the risk and uncertainty in the event of a no-deal outcome. These included statements from ESMA that it would recognise the UK's CSD, Euroclear UK and Ireland, so that it could continue to provide its services in the EU. However, ESMA also published a statement on the trading obligation for shares, where it said that European banks and asset managers would have to trade some of the UK's biggest stocks on EU trading venues in the event of a no deal Brexit, despite the greater liquidity available on UK trading venues. This prompted the FCA to issue a statement in response to ESMA's approach, observing that it *"has the potential to cause disruption to market participants and issuers of shares based in both the UK and the EU in terms of access to liquidity and could result in detriment for client best execution."*

In the UK, the Bank of England published details of its forthcoming stress test for banks, while the FCA published the final report of its Mortgages Market Study. The study found that the mortgage market was working well overall, but also set out a series of remedies to tackle harm in the market, including a consultation on changes to affordability assessment, designed to help 'mortgage prisoners'.

In the EU, provisional political agreement was reached on a revision to EMIR, known as EMIR 2.2. This introduces a new, tiered approach to the recognition of third country CCPs, creating three new categories into which a CCP can be placed. Tier 1 CCPs are those deemed not to be systemically important. Tier 2 covers those that are systemically important, and Tier 3 applies to those that are of "substantial systemic importance", with ESMA reserving the power to deny Tier 3 CCPs recognition "as a measure of last resort." This provides powers, should the EU choose to exercise them, which could lead to the relocation of some euro-clearing to the EU.

Brexit

UK	
FCA	
<ul style="list-style-type: none"> • Consultation Paper on the Securitisation Regulations 2019 and Securitisation Regulations 2018 	Link
<ul style="list-style-type: none"> • Statement on the reporting of derivatives under the UK EMIR regime in a no-deal Brexit scenario 	Link
<ul style="list-style-type: none"> • Statement on various MiFID obligations and benchmarks regulation if the UK leaves the EU without an implementation period 	Link
<ul style="list-style-type: none"> • Supervisory Statement on the Operation of the MiFID Transparency Regime post-Brexit 	Link
<ul style="list-style-type: none"> • Technical communication on the Operation of the MiFID Transparency Regime post-Brexit 	Link
<ul style="list-style-type: none"> • Speech by Nausicaa Delfas, Executive Director of International at the FCA, on the FCA's preparations for Brexit, including their expectations of firms and implications for consumers 	Link
<ul style="list-style-type: none"> • Statement on the introduction of a UK Benchmarks Register 	Link
<ul style="list-style-type: none"> • Guidance on the FCA's approach to EU non-legislative materials 	Link
<ul style="list-style-type: none"> • Final requirements and guidance on recovering the costs of regulation from credit rating agencies, trade repositories and securitisation repositories after Brexit 	Link
<ul style="list-style-type: none"> • Updated supervisory cooperation arrangement between the FCA and the US Securities and Exchange Commission 	Link
<ul style="list-style-type: none"> • Policy Statements on the feedback received on Brexit consultations, near-final rules and Binding Technical Standards, and the use of the Temporary Transitional Power 	Link
<ul style="list-style-type: none"> • Statement on the endorsement of credit ratings from the EU for regulatory use in the UK in case of a no-deal Brexit 	Link
<ul style="list-style-type: none"> • Sector-specific notes to help firms prepare for Brexit, covering insurance (life and general), wholesale markets, retail investment, banking and payments 	Link

<ul style="list-style-type: none"> Statement in response to ESMA's statement on share trading obligations under MiFID II 	Link
<ul style="list-style-type: none"> Extension of the notification window for the Temporary Permissions Regime to the end of 11 April 2019 	Link
BoE	
<ul style="list-style-type: none"> Package of materials updating firms on the BoE's regulatory and supervisory approach regarding Brexit 	Link
<ul style="list-style-type: none"> Joint Statement with the FCA and the US Commodity Futures Trading Commission on derivatives trading and clearing activities between the UK and the US after Brexit 	Link
<ul style="list-style-type: none"> Further enhancements to the BoE's liquidity insurance facilities 	Link
<ul style="list-style-type: none"> Speech by Michael Saunders, External Member of the Monetary Policy Committee, on the "Pass-through of Bank Rate to household interest rates" 	Link
<ul style="list-style-type: none"> Extension of the notification window for the Temporary Permissions Regime to the end of 11 April 2019 	Link
HMT	
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<ul style="list-style-type: none"> Policy Statement on the onshoring of EU regulatory technical standards under the Interchange Fee Regulation 	Link
<ul style="list-style-type: none"> Letter to Nicky Morgan, Chair of the Treasury Committee, covering the scope of the on-shored Interchange Fee Regulation 	Link
EU	
European Payments Council	
<ul style="list-style-type: none"> Decision on Brexit and UK Payment Services Providers' participation in SEPA schemes 	Link
EU Commission	
<ul style="list-style-type: none"> Statement on technical adjustments to the financial services contingency measures to reflect the decision to extend Article 50 	Link

EBA	
<ul style="list-style-type: none"> Opinion on deposit protection issues in case of a no-deal Brexit 	Link
<ul style="list-style-type: none"> Template Memorandum of Understanding (MoU) to facilitate cooperation between EU and UK supervisors in case of a no-deal Brexit 	Link
EIOPA	
<ul style="list-style-type: none"> MoUs on (i) supervisory cooperation, enforcement and information exchange, and (ii) information exchange and mutual assistance in the field of insurance regulation and supervision. 	Link
ESMA	
<ul style="list-style-type: none"> Statement on the recognition of UK CSDs in the event of a no-deal Brexit 	Link
<ul style="list-style-type: none"> Statement on the impact of Brexit on MiFID II/MiFIR and the Benchmarks Regulation 	Link
<ul style="list-style-type: none"> Statement on ESMA's Data Operational Plan under a no-deal Brexit scenario 	Link
<ul style="list-style-type: none"> Statement on ESMA's preparations for a possible no-deal Brexit scenario on 12 April 	Link
<ul style="list-style-type: none"> Statement on the endorsement of credit ratings issued in the UK in case of a no-deal Brexit 	Link
<ul style="list-style-type: none"> Statement on the application of the trading obligation for shares in case of a no-deal Brexit 	Link
International	
<ul style="list-style-type: none"> Interim final rule to facilitate transfers of legacy swaps agreed between the US' Department of the Treasury, the Board of Governors of the Federal Reserve System, the FDIC, the Farm Credit Institution and the Federal Housing Finance Agency 	Link
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Banking

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<ul style="list-style-type: none"> Guidance for banks and building societies on 2019 stress test 	Link

<ul style="list-style-type: none"> Independent Review of the Supervision of the Co-operative ('Co-op') Bank published 	Link
PRA	
<ul style="list-style-type: none"> Supervisory statement on the use of Internal Ratings Based (IRB) approaches 	Link
<ul style="list-style-type: none"> Consultation Paper on updates to the Pillar 2 capital framework 	Link
<ul style="list-style-type: none"> Consultation Paper on updates to the Pillar 2 liquidity framework 	Link
<ul style="list-style-type: none"> Supervisory statement on the ICAAP and the SREP 	Link
<ul style="list-style-type: none"> Policy Statement on eligibility of guarantees as unfunded credit protection 	Link
UK Parliament	
EU	
EBA	
<ul style="list-style-type: none"> Consultation Paper to update guidelines on harmonised definitions and templates for funding plans of credit institutions 	Link
<ul style="list-style-type: none"> Report on Convergence of Supervisory Practices with respect to SREP and recovery and resolution 	Link
<ul style="list-style-type: none"> Updated list of Other Systemically Important Institutions (O-SIIs) 	Link
<ul style="list-style-type: none"> Report on updated impact of the final Basel III reforms using data as of 30 June 2018 	Link
<ul style="list-style-type: none"> Report on Liquidity Measures under Art. 509(1) CRR using data as of 30 June 2018 	Link
<ul style="list-style-type: none"> Methodological guidance on risk indicators and analysis tools 	Link
<ul style="list-style-type: none"> Final Report on Guidelines for the estimation of LGD appropriate for an economic downturn 	Link
<ul style="list-style-type: none"> Risk Dashboard summarising main risks and vulnerabilities in the EU banking sector using end-2018 data 	Link
ECB	
<ul style="list-style-type: none"> Review of recent countercyclical capital buffer (CCyB) decisions in countries participating in the SSM 	Link

<ul style="list-style-type: none"> Speech by Sabine Lautenschlager, Member of the Executive Board of the ECB, on the use of risk-sensitive capital requirements in the Basel III framework 	Link
<ul style="list-style-type: none"> Press release on the approval of the appointment of Philip Lane to the executive board of the ECB 	Link
<ul style="list-style-type: none"> Interview of Benoît Cœuré, Member of the Executive Board of the ECB, covering the economic slowdown in the Euro area, threats to European financial stability and future reforms 	Link
<ul style="list-style-type: none"> Speech by Benoît Cœuré, Member of the Executive Board of the ECB, on the economic outlook for young Europeans 	Link
ECB SSM	
<ul style="list-style-type: none"> Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on the principles and priorities of the SSM 	Link
<ul style="list-style-type: none"> Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on the supervisory role of the ECB 	Link
<ul style="list-style-type: none"> Presentation of the ECB Annual Report on supervisory activities 2018 	Link
<ul style="list-style-type: none"> Speech by Pentti Hakkarainen, Member of the Supervisory Board of the ECB, on central banking and banking supervision in today's financial markets 	Link
ECOFIN	
<ul style="list-style-type: none"> Press release by European Council encouraging secondary markets for non-performing loans 	Link
ESRB	
<ul style="list-style-type: none"> Report on the cyclical behaviour of the Expected Credit Loss model in IFRS 9 	Link
European Parliament	
<ul style="list-style-type: none"> Briefing on the threat to financial stability posed by leveraged finance 	Link
<ul style="list-style-type: none"> Report on the supervisory challenges ahead for the next SSM term 	Link
<ul style="list-style-type: none"> Report on current state European banking supervision and next steps 	Link

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BIS	
<ul style="list-style-type: none"> Follow-up reports on Basel III implementation assessments 	Link
<ul style="list-style-type: none"> Press release on the appointment of Pablo Hernández de Cos as Chairman of the Basel Committee on Banking Supervision 	Link
<ul style="list-style-type: none"> Report on the results of a survey of individual supervisory jurisdictions on their use of proportionality in bank regulation and supervision 	Link
<ul style="list-style-type: none"> Speech by Yves Mersch, Member of the Executive Board of the ECB, on central bank independence 	Link
<ul style="list-style-type: none"> Speech by François Villeroy de Galhau, Governor of the Bank of France, on the implications of different types of uncertainty on policymaking 	Link
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EC	
<ul style="list-style-type: none"> Political agreement reached by the European Parliament and Member States on new rules to improve access to capital markets for smaller businesses 	Link
ECB Central Bank	
<ul style="list-style-type: none"> Speech by Peter Praet, Member of the Executive Board of the ECB, on “providing monetary policy stimulus after the normalisation of instruments” 	Link
European Commission	
<ul style="list-style-type: none"> Political agreement reached on sustainable investment disclosure rules 	Link

<ul style="list-style-type: none"> • New rules adopted to make it easier for insurers to invest in the real economy 	Link
ECOFIN	
<ul style="list-style-type: none"> • Provisional agreement on how EU and third country clearing houses should be supervised (EMIR 2.2) 	Link
ESMA	
<ul style="list-style-type: none"> • Speech by Steven Maijoor, the Chair of ESMA, on ESMA's regulatory priorities for the asset management community 	Link
<ul style="list-style-type: none"> • Statistical annual report on EU Alternative Investment Funds 	Link
<ul style="list-style-type: none"> • Update to ESMA's interactive single rulebook; includes all L2 and L3 measures related to MiFID II and MiFIR 	Link
<ul style="list-style-type: none"> • Statement on the impact on the MiFIR trading obligation for shares (TO) in the event of a no-deal Brexit 	Link
<ul style="list-style-type: none"> • Opinion on position limits regarding commodity derivatives under MiFID and MiFIR 	Link
<ul style="list-style-type: none"> • Response to EC consultation on updated reporting guidelines to reflect climate-related disclosures 	Link
<ul style="list-style-type: none"> • Renewal of the restrictions on Contracts For Differences (CFDs) for a further three months, until 1 Aug 2019 	Link
<ul style="list-style-type: none"> • Statement on the implementation of the new EMIR Refit regime for the clearing obligation for financial and non-financial counterparties 	Link
<ul style="list-style-type: none"> • Consultation Paper on draft regulatory technical standards under Article 25 of the European Long-term Investment Fund (ELTIF) Regulation 	Link
<ul style="list-style-type: none"> • Results of the annual transparency calculations of the large in scale (LIS) and size specific to the instruments (SSTI) thresholds for bonds 	Link
<ul style="list-style-type: none"> • Technical advice on the minimum information content of documents describing a takeover, merger or division 	Link
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Insurance

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<ul style="list-style-type: none"> Policy Statement on group own fund availability 	Link
<ul style="list-style-type: none"> Updated Supervisory Statement on Solvency II group supervision 	Link
EU	
EIOPA	
<ul style="list-style-type: none"> Request to insurers to provide information in the context of its 4th Long-Term Guarantees Report and the 2020 Solvency II Review 	Link
<ul style="list-style-type: none"> Report to determine the principles for transparent, timely and clear information provision on pensions 	Link
<ul style="list-style-type: none"> Report on guidelines on outsourcing to the cloud 	Link
<ul style="list-style-type: none"> Report on best practises on licencing requirements for InsurTech firms 	Link

<ul style="list-style-type: none"> Elected Sergio Álvarez Camiña, Director General for Insurance and Pensions Funds at the Directorate General Insurance and Pensions Funds of the Spanish Ministry of Economy and Business, as new member of its Management Board 	Link
<ul style="list-style-type: none"> Discussion Paper on Systemic Risk and Macroprudential Policy in Insurance 	Link
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Prudential	
UK	
BoE	
<ul style="list-style-type: none"> Summary and Record of the Financial Policy Committee meeting on 26 February 2019 	Link
<ul style="list-style-type: none"> Speech by Sir Jon Cunliffe, Deputy Governor for Financial Stability, on "when expectations meet the future" 	Link
<ul style="list-style-type: none"> Article on the indicators of loan performance 	Link
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<ul style="list-style-type: none"> Statement of Policy on the PRA's approach to enforcement 	Link
<ul style="list-style-type: none"> Supervisory Statement on written reports by external auditors to the PRA 	Link
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ECB Central Bank	
<ul style="list-style-type: none"> Financial Stability Review, identifying main sources of systemic risk for the Euro area 	Link
<ul style="list-style-type: none"> Overview of Macroprudential policy measures in place in Euro area countries 	Link
<ul style="list-style-type: none"> Article on macroprudential analysis of residential real estate markets 	Link
ECOFIN	
<ul style="list-style-type: none"> Announcement of provisional deal reached by Council Presidency and Parliament on the improved supervisory framework for AML/CFT 	Link

EP	
<ul style="list-style-type: none"> Analysis of the Single Resolution Board by the ECON committee 	Link
ESRB	
<ul style="list-style-type: none"> March 2019 risk dashboard, overview note, Annex I, and Annex II 	Link Link Link Link
International	
BIS	
<ul style="list-style-type: none"> Results of the third-wave survey conducted by BIS's research task force on the role of multiple regulatory constraints in the Basel III framework 	Link
FSB	
<ul style="list-style-type: none"> Speech by Randal Quarles, Chair of the FSB, on the priorities of the Financial Stability Board in 2019 	Link
Conduct	
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<ul style="list-style-type: none"> Research on consumer vulnerability: challenges and potential solutions 	Link
<ul style="list-style-type: none"> Press release on the Furman Review, which was tasked with examining competition in digital markets 	Link
FCA	
<ul style="list-style-type: none"> Policy Statement on permanently prohibiting the sale, marketing and distribution of binary options to retail consumers 	Link
<ul style="list-style-type: none"> Final findings of its work on motor finance 	Link
<ul style="list-style-type: none"> Policy Statement on the rent-to-own price cap 	Link
<ul style="list-style-type: none"> Statements of Policy on the operation of the MiFID Transparency Regime 	Link
<ul style="list-style-type: none"> "Dear Firm" letter on credit card fees and charges 	Link
<ul style="list-style-type: none"> Statement welcoming the independent review into access to cash 	Link

<ul style="list-style-type: none"> • “Dear CEO” letter to Loan-based Peer-to-Peer crowdfunding platforms, on wind-down arrangements 	Link
<ul style="list-style-type: none"> • Investment Platforms Market Study Final Report, and accompanying CP on remedies 	Link Link
<ul style="list-style-type: none"> • Thematic Review on the debt management sector 	Link
<ul style="list-style-type: none"> • Speech by Jonathan Davidson, Executive Director of Supervision – Retail and Authorisations, on what the consumer credit sector can expect from the FCA 	Link
<ul style="list-style-type: none"> • Retirement Outcomes Review final report 	Link
<ul style="list-style-type: none"> • Mortgages market study final report, along with a CP on proposed changes to responsible lending rules and guidance 	Link Link
<ul style="list-style-type: none"> • The appointment of Richard Lloyd, as a NED on the Board of the FCA 	Link
<ul style="list-style-type: none"> • “Dear CEO” letter setting out its views of the key risks that High Cost Lenders pose to their consumers or the markets they operate in 	Link
<ul style="list-style-type: none"> • Policy Statement on applying the Senior Managers and Certification Regime to Claims Management Companies 	Link
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<ul style="list-style-type: none"> • Speech by Peter Praet, Member of the Executive Board of the ECB, on the complexities of diagnosing and quantifying market power 	Link
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<ul style="list-style-type: none"> • Documented feedback received on the effects of financial regulatory reforms on SME financing 	Link
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PRA	
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ICO	
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<ul style="list-style-type: none"> Announcement on the opening of the beta phase of the ICO's sandbox 	Link
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<ul style="list-style-type: none"> Launch of the central register of payment and electronic money institutions under PSD2 	Link
ECB SSM	
<ul style="list-style-type: none"> Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, on how digitalisation might change banking 	Link
ESMA	
<ul style="list-style-type: none"> Analysis of new regulatory (RegTech) and supervisory (SupTech) technologies and the challenges and risks they pose for markets and regulators 	Link
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<ul style="list-style-type: none"> Speech by John Iannis Mourmouras, Senior Deputy Governor of the Bank of Greece, on Fin-RegTech: regulatory challenges with emphasis on Europe 	Link
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Sustainable Finance	
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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

Risk and Regulation Monthly

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

Risk and Regulation Monthly

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

Felix Bungay

Manager, Centre for Regulatory Strategy
+44 (0)20 3741 2939

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