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Risk and Regulation Monthly

The **G20 Summit** resulted in an agreement on a number of issues, including the **final standards on total loss absorbing capacity** (TLAC) for global systemically important banks ("G-SIBs") as part of the programme to end "Too Big To Fail". In the EU, there was talk of a potential **delay in the implementation of the revised Markets in Financial Instruments Directive and Regulation** (MiFID II and MiFIR).

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Capital (including stress testing)

The Basel Committee on Banking Supervision (BCBS) *published* the results from its interim impact analysis of the **Fundamental Review of the Trading Book**. This showed a 74% increase in market risk capital charges, but an increase of less than 5% in the overall capital requirement (since market risk is typically a small proportion of the total). Based on a sample of nine banks, capital requirements under the revised standardised approach are expected to be two to three times higher than with internal models.

The European Banking Authority (EBA) *consulted* on guidelines on the **treatment of credit valuation adjustment risk under the Supervisory Review and Evaluation Process (SREP)** with the aim of achieving a more harmonised approach across the EU. It also *launched* a data collection exercise for a Quantitative Impact Study to calibrate the threshold values used in the guidelines.

The EBA *published* the draft methodology for the **2016 EU-wide stress test**. In contrast to the 2014 exercise, only 53 banks are in scope and no hurdle rates or capital thresholds have been defined. The impact on regulatory ratios will be reported on both a transitional basis (i.e. based on current rules) and a "fully loaded" basis (as if future rules were implemented already), including for the first time the leverage ratio on a fully loaded basis and explicit treatment of conduct risk and foreign exchange lending.

The EBA *reported* on the results of its **2015 EU-wide transparency exercise**, providing bank-by-bank data on financial statements, own funds, and risk exposure. The results indicated improved resilience in the European banking sector, especially with regard to capital positions, although non-performing loans remain a concern.

The Prudential Regulation Authority (PRA) *published* its **H2 2015 stress scenario**. This is designed to complement firms' own calibration of scenarios for Pillar 2 capital planning stress tests and thereby encourage the engagement of senior management, prevent the underestimation of adverse outcomes and benchmark the results and approaches.

The BCBS *consulted* on the **capital treatment for simple, transparent and comparable (STC) securitisations**, following the publication of its revised securitisation framework and the final STC criteria. For the purpose of differentiating the capital treatment between STC and other securitisation transactions, the BCBS decided to supplement the STC criteria with additional tests. Exposures not meeting the expanded STC criteria will continue to be subject to the treatment detailed in the revised securitisation framework.

The European Central Bank (ECB) published two documents on **harmonising national options and discretions (O&Ds) under EU banking law**. The draft *Regulation* set out the proposed framework for the exercise of O&Ds and suggested particular ways of interpretation, methodology and timelines that should be taken into account by national authorities in the eurozone. The draft *Guide* set out the criteria to be taken into account by the supervisory teams in determining the prudential requirements for significant firms.

The EBA *published* its Q3 2015 **Risk Dashboard** (based on Q2 data). EU banks' capital ratios strengthened, reflecting both higher capital and a decrease in risk-weighted assets (RWAs). Profitability remained weak but had increased compared to Q2 2014 and Q2 2013.

The European Supervisory Authorities (ESAs) consulted on draft implementing technical standards (ITS) on the **mapping between risk weights and credit ratings** under the *Capital Requirements Regulation (CRR)* and *Solvency II*. The mapping covered ratings from all credit rating agencies that are registered or certified and from central banks issuing credit ratings which are subject to an exemption.

The PRA *updated* its supervisory statement on **internal ratings-based approaches under the Capital Requirements Directive (CRD) IV**. The update reflected decisions and technical standards adopted by the European Commission and incorporated recent guidance issued by the EBA on matters such as recognition of third country equivalence and notification of changes to rating systems.

The European Insurance and Occupational Pensions Authority (EIOPA) *published* a call for evidence regarding the treatment of **infrastructure corporates** under Solvency II, seeking information on these bodies and their risk profile. This will inform EIOPA's technical advice to the Commission on the identification and calibration of Solvency II infrastructure investment risk categories.

EIOPA *published* draft ITS on the application of the **transitional measure for the calculation of the Solvency II equity risk sub-module**. This relates to the seven-year transitional measure in Solvency II which applies to firms calculating their Solvency Capital Requirement using the standard formula.

The European Commission announced it had adopted **third-country equivalence decisions** for *Bermuda* and *Japan* under Solvency II. Previously, Bermuda had been granted provisional equivalence for group solvency calculations but has now been granted full equivalence. Japan has been granted temporary equivalence for reinsurance purposes and provisional equivalence for group solvency purposes. A provisional equivalence decision lasts for 10 years and is renewable; temporary equivalence lasts until 2020 and is non-renewable.

The PRA *published* a **Solvency II directors' update** from Andrew Bulley, Director, Life Insurance, and Chris Moulder, Director, General Insurance. The letter included an announcement by the PRA of its intention to undertake an industry review of equity release mortgage valuations and capital treatment, and the results of a review by external auditors of firms' risk margin methodologies.

The PRA *published* a supervisory statement on **non-EEA insurance and pure reinsurance branches** under Solvency II. This sets out the PRA's expectations on compliance with the EIOPA branch guidelines, adequacy of worldwide financial resources, applications for variations of permissions, and reporting requirements.

The PRA *consulted* on an updated supervisory statement on the factors that senior managers of **general insurance firms in run-off** should consider when making a request to the PRA to extract capital from the firm during a run-off. The updates reflect changes to the PRA's Handbook that come into force on 1 January 2016.

Sam Woods, Executive Director of Insurance Supervision, PRA, *spoke* on the countdown to **Solvency II and its current implementation status**. The PRA was reviewing 300 Solvency II applications, including around 20 internal model applications. He also discussed the role of the risk margin in the new regime, the use of transitional measures by firms and the implementation of the volatility adjustment.

Liquidity

The EBA *consulted* on draft regulatory technical standards (RTS) specifying additional criteria for preferential treatment in the calculation of the **Liquidity Coverage Ratio** for intra-group financial support. These clarified that both the liquidity provider and receiver must present a low liquidity risk profile, there must be legally binding agreements and commitments between group entities covering the credit or liquidity line, and the liquidity risk profile of the receiver must be adequately taken into account in the liquidity risk management of the provider.

Governance and risk management (including remuneration)

Andrew Bailey, CEO of the PRA, *spoke* about the role of **governance and boards**. He talked about the risk that Non-Executive Directors would drown in the complexity of the business and said it was the role of the Executive to be able to explain the key issues in simple and transparent terms so that Non-Executive Directors could exercise good judgement without detailed technical knowledge.

Mark Steward, Director of Enforcement and Market Oversight, Financial Conduct Authority (FCA), *spoke* about **culture and governance**. He talked about the importance of a firm's ability to nip misconduct in the bud through having a culture where problems are appropriately escalated and effectively dealt with.

The Financial Stability Board (FSB) *published* its fourth annual report on implementing the **FSB principles for sound compensation practices and their implementation standards** which seek to reduce incentives for excessive risk-taking. The report concluded that most FSB jurisdictions had fully implemented the standards for banks but implementation for insurers was less advanced.

The EBA published a *follow-up report* to its Opinion on the application of **CRD IV** regarding the principles on remuneration policies of credit institutions and investment firms and the use of allowances. The EBA reported that national supervisors had taken steps to ensure compliance with the EBA opinion.

The EBA *published* a report benchmarking the use of **approved higher ratios of variable to fixed remuneration** under CRD IV, which allows ratios of between 100% and 200% with shareholder approval. Most Member States allow firms this option but firms had used it in only 15 Member States.

The PRA *published* a policy statement on the prudential regime, and the implementation of the **senior insurance managers' regime** (SIMR), for non-Solvency II firms. The rules on the SIMR cover the appointment of actuaries, transitional arrangements, forms, and the retention of records.

The PRA and FCA *published* a review of the **failure of the HBOS Group**, which concluded that the ultimate responsibility rested with the HBOS board and senior management. The Treasury Committee *released* an independent report from its specialist advisers, which considered the PRA/FCA's findings to be a fair and balanced reflection of the available evidence, but said some findings needed further independent scrutiny.

Conduct of Business (including MiFID)

Steven Maijoor, Chair of the European Securities and Markets Authority (ESMA), *spoke* to the Economic and Monetary Affairs Committee of the European Parliament (ECON) suggesting that a **delay in certain parts of MiFID II/MiFIR** might be necessary given the challenges in building the necessary IT systems. Following the speech, ESMA published a *letter* and a *note* addressed to the European Commission expressing concerns about the feasibility of firms and regulators being ready in time. In response, the European Parliament *said* it was open to a delay in the application of the whole regime provided the Commission adopted the Level 2 measures as soon as possible and reported regularly to the Parliament on implementation progress.

The FCA *published* terms of reference for its **asset management market study**. The study will focus on how asset managers compete to deliver value for money, whether asset managers are willing and able to control costs along the value chain, the effect of investment consultants on competition for institutional asset management, and barriers to innovation or technological improvements. Please see our *blog*.

ESMA *published* its final **guidelines on complex debt instruments and structured deposits under MiFID II** to clarify which will be deemed 'complex' for the purposes of the MiFID II appropriateness test. It decided the following instruments should not automatically be considered complex: inflation-linked notes, instruments denominated in a currency different from that of the jurisdiction where the service or product is offered, and packaged products under the Packaged Retail and Insurance-Based Investment Products Regulation (PRIIPS).

The FCA *published* the minutes of its implementation **roundtable on MiFID II**. It will launch a consultation on market issues in December 2015 followed by a second consultation covering conduct issues, client assets, systems and controls and enforcement in March 2016.

The European Parliament and the Council of the EU *reached* political agreement on the **Financial Benchmarks Regulation**. This aims to reduce the risk of manipulation by regulating benchmark administrators and critical benchmarks, such as the London and Euro Interbank Offered Rates (LIBOR and EURIBOR).

The FSB *published* a progress report on its work on addressing **misconduct in the financial sector**. The FSB will establish a working group on best practice in the use of governance frameworks, and encourage international coordination on improving standards of conduct in fixed income, currencies and commodities markets, including further work on interest rate benchmarks.

The FCA *consulted* on policy proposals and handbook changes in relation to the **Market Abuse Regulation** (MAR). The FCA plans to replace existing rules with signposts to the relevant MAR articles, while retaining existing guidance compatible with EU regulation. It also said it will not exercise its discretion under MAR to increase the de minimis threshold for managers' transactions from €5,000 to €20,000.

ESMA *published* updated Questions and Answers (Q&As) on the common operation of the **Market Abuse Directive**, and in particular the rules governing disclosure of information in relation to Pillar II requirements.

The FCA *published* an interim report on its **credit card market study**. Though competition was working fairly well for consumers in most of the market, the FCA was concerned about levels of debt (about 2mn people are in arrears or have defaulted) and proposed a number of remedies, for example helping consumers find the best deal and providing pro-active warnings to customers.

The FCA *called* for inputs on the **use of big data in the retail general insurance sector**. The FCA will look at how the use of big data affects consumer outcomes and competition and how the FCA's regulatory framework affects developments in this area.

The FCA *published* a consultation paper on changes to the **complaint handling rules relating to payment protection insurance** (PPI). It proposed a deadline for new PPI complaints two years after the start date of the rule; an FCA-led communications campaign to inform consumers of the deadline; fees to fund the campaign; and new rules and guidance on the handling of PPI complaints in light of a recent Supreme Court case (Plevin vs Paragon Personal Finance).

Jamie Symington, Director in Enforcement at the FCA, *spoke* about **internal investigations** conducted by firms when things have gone wrong. He said that where there are conduct concerns that the FCA may want to investigate, firms should discuss any internal investigation with the FCA at an early stage.

The FCA *announced* that payday firm CashEuroNet UK LLC, trading as Quick Quid and Pounds to Pocket, had agreed to pay £1.7mn in redress to customers following the FCA's concerns about the firm's **lending criteria**.

The PRA *fined* R. Raphael & Sons £1.3mn for **outsourcing failures**, which led to improperly transferred funds going undetected for a significant period of time.

The FCA *published* a discussion paper on the treatment of **small and medium-sized enterprises (SMEs) as users of financial services** under the FCA's rules. The FCA will review whether the current regime provides adequate protection for SMEs, including whether more SMEs should be treated as individual consumers and whether the jurisdiction of the Financial Ombudsman Service should be extended to cover larger SMEs.

The Hedge Fund Standards Board *issued* revised standards to **strengthen compliance procedures and improve disclosure of conflicts of interest**, specifically in the areas of parallel funds, including employee funds and the aggregate size of employee and partner co-investment in those funds.

The FCA *warned* financial advisers about **improper delegation of authorised activities**. Firms delegating regulated advice to an unauthorised third party cannot avoid liability or regulatory action for unsuitable advice.

Crisis management (including special resolution, systemically important firms, and business continuity)

G20 Leaders *published* a communiqué following their **summit** in which they endorsed the final TLAC standards for G-SIBs and higher loss absorbency requirements for globally systemically important insurers (G-SIIs) as part of the efforts to end "Too Big To Fail". The FSB published the finalised *TLAC Principles and Term Sheet, a summary of the post-consultation revisions to the TLAC Principles and Term Sheet, a Summary of Findings from the various TLAC Impact Assessment Studies, full versions of the TLAC Quantitative Impact Study Report, a report assessing the economic costs and benefits of TLAC implementation, and a report on Historical Losses and Recapitalisation Needs*.

TLAC should be at least 16% of RWAs and 6% of the leverage ratio exposure measure by 1 Jan 2019, rising to 18% of RWAs and 6.75% of the leverage measure by 2022. Resolution authorities had discretion to fix higher firm-specific requirements. The BCBS also *consulted* on the prudential treatment of banks' investments in other banks' TLAC holdings. For more information about the TLAC regime, please refer to our *blog*.

Mark Carney, Chair of the FSB, *published* a letter to G20 Leaders ahead of the **summit** reporting on the progress of the FSB's work. The FSB also *published* its first annual report to G20 Leaders on the implementation and effects of the **G20 financial regulatory reforms**. The FSB found banks were on track to meet Basel III capital and liquidity standards, but substantial work remained in implementing effective resolution regimes and reforming derivatives markets and shadow banking.

The FSB published **updated lists** of *G-SIBs* and *G-SIIs*. The G-SIB list contains 30 banks, with China Construction Bank being added and BBVA removed. The G-SII list contains nine insurers, with Aegon added and Generali removed.

The International Association of Insurance Supervisors (IAIS) *consulted* on updates to the **assessment methodology** for G-SIIs. The new methodology uses a five-phase approach which includes both qualitative and quantitative elements. The IAIS also *consulted* on the assessment of non-traditional non-insurance activities and products, which is one of the phases in the assessment methodology for G-SIIs.

The FSB *published* two finalised guidance papers and three consultations as part of its policy agenda to promote the **resolvability of all financial institutions** that could be systemic. This included a consultation on arrangements to support operational continuity in resolution. This set out three service delivery models that can be used to house critical services for a firm.

The Council of the EU *published* a press release which confirmed the go-live date of the **Single Resolution Mechanism** as 1 January 2016, after a sufficient number of member states ratified an intergovernmental agreement on the transfer and mutualisation of contributions to a single resolution fund.

The European Commission *published* a proposed Regulation to amend the Single Resolution Mechanism Regulation and to establish a **European deposit insurance scheme** as part of the EU Banking Union. It proposed to establish a gradual three-stage system of mutual deposit insurance (over a seven year period) and provide insurance-based funding to national deposit guarantee schemes in Banking Union countries.

The EBA *consulted* on draft guidelines on **stress tests of deposit guarantee schemes** (DGSs) under the DGS Directive. The guidelines will require DGSs to establish a programme of tests over a cycle of two to five years. DGSs should test various possible uses of funds, including pay-out, contribution to resolution funding, and where allowed, contribution to failure prevention.

The BCBS *published* a working paper which argued that authorities should develop a **macroprudential approach to supervisory stress testing**. The paper stated that stress testing conducted in a microprudential manner could miss key tail risks as it focused on idiosyncratic risk.

Jon Cunliffe, Deputy Governor, Financial Stability, Bank of England, *spoke* about the outlook for **countercyclical macro-prudential policy**. The Bank of England is developing a countercyclical approach to the annual stress testing of banks. It will also use countercyclical measures outside the banking system.

The PRA *published* a policy statement on **contractual stays** in financial contracts governed by third-country law, setting out final rules to ensure that financial arrangements governed by third-country law are not terminated once a firm enters resolution, but stayed in the same way as agreements governed by UK or EEA law. The PRA also *issued* a **modification by consent of contractual recognition of the PRA's bail-in rules**. This allows disapplication of certain rules in circumstances where compliance with them is impracticable.

The FSB *welcomed* the announcement by the International Swaps and Derivatives Association (ISDA) and others of the execution by 21 G-SIBs of a **revised ISDA Resolution Stay Protocol**. This is intended to improve the effectiveness of cross-border resolution actions by extending the scope of master agreements from OTC bilateral derivatives to securities finance transactions.

The FCA *consulted* on changes to the rules governing the **Financial Services Compensation Scheme** (FSCS). The proposals included changes to the compensation limits for non-investment insurance mediation, changes to the eligibility of occupational pension scheme trustees for FSCS claims, clarification of the application of the rules to successor firms in default, and changes to assist the FSCS in handling claims.

Regulatory perimeter

The FSB published a *progress report on transforming shadow banking into resilient market-based finance, a global shadow banking monitoring report* and the *regulatory framework for haircuts on non-centrally cleared securities financing transactions*. Following these publications, it *reported* on standards and processes for global securities financing data collection and aggregation. The finalised standards and processes defined the data elements for repos, securities lending and margin lending that national/regional authorities will be asked to report as aggregates to the FSB.

The BCBS *consulted* on **haircut floors for non-centrally cleared securities financing transactions**, following the FSB's policy recommendations to strengthen oversight and regulation of shadow banking. The proposal aims to incentivise banks to set their collateral haircuts above the floors rather than hold more capital.

The FSB published two reports on the **implementation of the G20's reforms to the over-the-counter (OTC) derivatives market**: a *thematic peer review of OTC derivatives trade reporting and an implementation progress report*. Most FSB jurisdictions had comprehensive reporting regimes, but several legal and regulatory challenges still impeded the reporting of complete data to trade repositories. There had been progress in implementing central clearing requirements but concerns remained on the availability of and access to central clearing. Most jurisdictions were in the early phases of implementing the BCBS / International Organization of Securities Commissions (IOSCO) framework for margin requirements for non-centrally cleared derivatives.

Building on experience so far from the implementation of the European Market Infrastructure Regulation (EMIR), ESMA *published* proposals for revised RTS and ITS on **transaction reporting under EMIR**.

ESMA *consulted* on **indirect clearing arrangements** for OTC derivatives under EMIR and exchange traded derivatives under MiFIR, aiming to provide consistency between these two. The proposed requirements concerned accounts structure and segregation models, default management, and longer clearing chains.

The European Commission determined that *Canada, Mexico, South Africa, South Korea* and *Switzerland* have an **equivalent regulatory framework for central counterparties (CCPs)** and can be recognised in the EU. This followed equivalence decisions made in October 2014 for Australia, Singapore, Japan and Hong Kong.

The Committee on Payments and Market Infrastructures (CPMI) and IOSCO *issued* a joint assessment of the authorities' responsibilities under the **principles for financial market infrastructures** (FMIs). The majority of jurisdictions had achieved a high level of observance for all FMI types, although several were still developing their trade repository regimes, and measures relating to cooperation with other authorities varied significantly.

The **OTC Derivatives Regulators Group** *published* its report to G20 leaders on cross-border implementation issues. It focused on how members can defer to each other in relation to the regulation of CCPs.

Following adoption of the first RTS on the **clearing obligation for certain classes of OTC interest rate derivatives**, ESMA *published* additional draft RTS on the mandatory central clearing of fixed-to-floating interest rate swaps and forward rate agreements denominated in Norwegian Krone, Polish Zloty and Swedish Krona.

The CPMI *published* a report on the possible implications from **digital currencies**. The development of distributed ledger technology (blockchain) could potentially have broad application, to include possible adoption by some FMIs and other networks in the financial system.

Legislation to implement the **EU Interchange Fee Regulation** (IFR) *was laid* before the UK Parliament. The IFR sets interchange fee caps on card-based payment transactions and gives national governments some discretionary powers. The Government will grant a time-limited exemption from domestic interchange fee caps to three-party schemes which operate with licensee issuers and/or acquirers or issue cards with a co-branding partner or through an agent. The Payment Services Regulator (PSR) *issued* an information request to selected industry providers to enable it to calculate the market share of schemes that might benefit from this exemption.

HM Treasury published *feedback on the responses* to its consultation on the **Payment Accounts Directive** together with a draft version of the *legislation* which will transpose this directive.

The **Legal Entity Identifier** (LEI) Regulatory Oversight Committee *published* a progress report on the global LEI system and regulatory uses of the LEI, and a *letter* to the Chair of the FSB stating that the global LEI system was now in place. Although several jurisdictions used the LEI, coverage was not yet universal.

The FCA *published* a paper setting out plans for implementing a **"regulatory sandbox"** to encourage firms to test innovative products, services and business models without immediately incurring all the normal regulatory consequences. The FCA also recommended legislative changes and the development of industry-led solutions.

The FCA *published* proposed guidance on **outsourcing to the "cloud" and other third-party IT services**. This aims to help firms to effectively oversee all aspects of the life cycle of their outsourcing arrangements.

The UK Government *made* legislation which will create a new regulated activity for the administration of pre-2004 first-charge mortgages currently regulated under the Consumer Credit Act (CCA). The FCA *consulted* on the regulatory treatment of these mortgages from 21 March 2016, when the CCA will cease to apply.

The FCA *consulted* on a proposal to amend guidance about **delaying disclosure of inside information** in the FCA's Disclosure and Transparency Rules (DTRs).

Rethinking the domestic and international architecture for regulation

The BCBS published two reports to the G20: (i) a *progress report* on the **implementation of the Basel III regulatory reforms**, showing that implementation of Basel III capital and liquidity standards had been "timely" and efforts continued to implement the leverage ratio, the G-SIB framework and the net stable funding ratio; and (ii) an *update* on **finalising post-crisis reforms**, setting out the work streams and timetable for addressing deficiencies in the risk-weighted frameworks with final standards by the end of 2016.

The FSB *reported* on the actions taken to assess and address the **decline in correspondent banking**. It will examine the issue further, aiming to clarify regulatory expectations, build domestic capacity in jurisdictions that are home to affected respondent banks and strengthen due diligence tools for correspondent banks.

Danièle Nouy, Chair of the ECB's supervisory board, *spoke* about the challenges and priorities for the **Single Supervisory Mechanism (SSM)**. She said that Pillar 2 capital requirements would be around 30 basis points higher on average in 2016 following the first round of SREP. As priorities for the SSM, she mentioned the viability of business models, governance and risk appetite, including conduct risk, as well as cyber risk and data integrity. We published a paper on the future of the SSM which is accessible *here*.

Gabriel Bernardino, Chair of EIOPA, *spoke* about **supervisory convergence in the insurance industry**. This will be EIOPA's main focus for the next five years. It aims to achieve a risk-based culture that is strong but fair, forward-looking, prioritises dialogue with market participants and promotes early awareness and supervisory action to protect policyholders and mitigate possible disruptions in the market.

The FCA *published* a call for input on how it can support the development of new technologies to facilitate the delivery of regulatory requirements (**RegTech**). It identified four areas: provision of regulatory expertise, supporting the current FinTech and RegTech environment, standards and guidance to provide clarity on the FCA's expectations, and addressing barriers to entry.

The Bank of England *hosted* an Open Forum on the **role of financial markets in society**. The forum covered a broad range of topics including building a social licence for financial markets, the impact of regulation on market resilience, market liquidity, the role of central banks, and the future for markets. Mark Carney *spoke* about progress made in market reforms. Mario Draghi from the ECB *spoke* about the governance of cross-border markets. Integrated and open markets needed appropriate regulation and the current solution under the aegis of the FSB was "broadly the right one".

The British Bankers' Association *published* a report on the **competitiveness of the UK as a centre for international banking**, written in conjunction with Hector Sants, former CEO of the Financial Services Authority. The report made 23 recommendations, including that the Government consider separating the responsibility for penalties and redress from the FCA and giving this to a new independent body.

Disclosure, valuation and accounting

The ESAs *launched* a Joint Consultation Paper on the PRIIPs Key Information Document (KID) to gather views on proposed rules on the content and presentation of the KID. The consultation also covered the methodologies for the calculation and presentation of risks, rewards and costs within the document, and the conditions for fulfilling the requirement to provide the KID in good time.

The EBA *reported* on banks' compliance with **Pillar 3 disclosure requirements under the CRR** in 2014. While disclosures on risk management, own funds, unencumbered assets and remuneration policy were generally satisfactory, improvements could be made in the disclosure of capital requirements and credit risk under the internal ratings-based approach. Overall, the assessment found that standardised templates aided consistency while the use of different breakdowns and bases for disclosures undermined comparability.

The PRA *consulted* on the **external audit of the public disclosure requirement under Solvency II**. The proposed policy would require the external audit of information included in certain sections of the Solvency and Financial Condition Report of insurers prepared at the solo, group and sub group level, subject to some exemptions. The PRA plans to consult in Q1 2016 on rules for non-Solvency II firms.

The FSB *proposed* setting up a **disclosure task force on climate-related risks**, modelled on the Enhanced Disclosure Task Force and charged with developing voluntary disclosure principles or recommendations.

The FCA *published* a discussion paper on information disclosure on **peer-to-peer (P2P) agreements** within an innovative finance individual savings account, and rules on advice on P2P agreements.

Information security and data privacy

The CPMI and IOSCO *consulted* on guidance on **cyber resilience for FMIs** to enhance international consistency in this area. The guidance covered governance, risk management and operational risk.

The UK and US Governments *conducted* a joint exercise with large international financial firms to enhance their ability to respond effectively to a **cyber-incident**. This was designed to improve understanding across governments and industry on information sharing, incident response handling and public communications.

The EU's privacy watchdog, the European Data Protection Supervisor, issued an *opinion* on meeting the **challenges of big data**, which urged businesses to build transparency, user control, accountability and data protection by design into all new projects. It also urged industry groups to invest more effort in showing that opt-out mechanisms are effective and easy to exercise before they can be endorsed for use by businesses.

The Information Commissioner's Office (ICO) *fined* PPI firm UKMS Money Solutions Limited (UKMS) £80,000 for sending 1.3mn **"spam" texts**. It was the first of three fines totalling £250,000 that the ICO issued in November to companies in relation to nuisance calls and texts. The ICO stated that UKMS used mobile phone numbers it had bought from list brokers but failed to check that the people concerned had agreed to receive marketing text messages as required under UK privacy law.

Financial crime

HM Treasury *published* an advisory notice on **anti-money laundering and counter terrorist financing controls** in overseas jurisdictions. This advised firms to consider North Korea, Iran and Myanmar as high risk and to apply enhanced due diligence measures in relation to them.

The UK's Serious Fraud Office (SFO) *charged* ten individuals, who worked for two banks, with conspiracy to defraud for **manipulating EURIBOR**. This was the first criminal proceedings to be issued by the SFO in connection with EURIBOR manipulation.

The FCA *fined* Mothahir Miah, formerly at Aviva Investors Global Services, £139,000 and banned him from performing any regulated activity in the financial services industry for participating in **abusive practices**. He had exploited weaknesses in trading systems to delay the booking and allocation of trades, so that trades benefiting from intraday price movements could then be allocated to funds that paid higher performance fees.

The FCA *fined* Barclays £72mn for poor handling of **financial crime risks**. In 2011 and 2012 Barclays arranged a transaction of £1.88bn for a number of end clients. Due to confidentiality agreements with the clients Barclays employed ad hoc measures to address financial crime risks and failed to manage those risks appropriately.

The SFO *agreed* a deferred prosecution agreement, subsequently approved by the Crown Court, with Standard Bank (now known as ICBC Standard Bank Plc) for **failing to prevent bribery**. Under the agreement the charge against Standard Bank has been suspended for three years; it will pay a $25.2mn penalty and $7mn in compensation to Tanzania; and will be required to implement the recommendations of an independent review of its existing anti-bribery and corruption controls, for compliance with the Bribery Act 2010.

Other

The Chairs of the three ESAs, *Andrea Enria*, *Steven Maijoor*, and *Gabriel Bernardino*, appeared before ECON to address the **extension of their terms in office** and outline areas of strategic importance over the coming years, as well as likely budgetary constraints. All said their authorities would move away from single rulebook activities towards supervisory convergence, with a focus on harmonising practices across Member States and addressing the unintended consequences and complexity of the regulatory framework. They also referred to the growing importance of data collection and up-to-date IT systems, both at the institutions they supervise and for the authorities themselves.

The Financial Services Trade Associations Review *recommended* creating a wholly **new financial services trade association** by bringing together seven associations. The Review detailed the expected cost-savings for members in creating the new organisation and outlined the new organisation's design.

The FCA *consulted* on **regulatory fees and levies** for 2016/17. It set out proposals for creating an FCA fees handbook, separate from the PRA handbook, and recovering the data reporting costs of MiFID II/MiFIR.

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