



Risk and Regulation Monthly

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July was a busy month, as is often the case ahead of the holiday peak in August. Rules and guidelines on setting up new or expanded operations in the EU were the subject of papers from ESMA, EIOPA and BaFin, while a number of areas around MiFID implementation and finalisation – particularly the need for firms that want MiFID permissions to have their applications submitted – were the subject of papers from the FCA, ESMA and the European Commission. The FSB was particularly busy, giving its views on a range of topics from finalising the post-crisis reforms to shadow banking, TLAC and derivatives reform.

This note is produced for information only on a best effort basis, and does not constitute advice of any kind.

Brexit

Andrew Bailey, Chief Executive of the Financial Conduct Authority (FCA), [spoke](#) on the **optimal Brexit outcome for global financial markets**, especially the importance of preserving open markets, freedom of location and free trade in financial services between the UK and the EU after Brexit. He commented that in principle nothing should change as a result of Brexit, given Britain's history of strong supervisory cooperation, commitment to maintain a robust regulatory environment and aligned regulatory objectives that focus on good customer and market outcomes. Bailey also spoke about the importance of a transition period to allow a smooth path to the post-Brexit world.

The European Securities and Markets Authority (ESMA) published three opinions on **UK entity relocation and outsourcing** matters relating to [Investment Firms](#), [Investment Management](#), and [Secondary Markets](#). The opinions set out that there should be no derogations or exemptions from the MiFID or UCITS/AIFMD authorisation requirements, while authorisations should not be granted to evade stricter standards in another jurisdiction. Regarding trading venues, outsourcing arrangements with third country service providers must not involve the delegation of activities to the extent that the trading venue becomes a "letter-box" entity.

The European Insurance and Occupational Pensions Authority (EIOPA) issued [principles](#) on **supervisory approach to the relocation of (re) insurance undertakings** from the United Kingdom. The principles, which seek to foster supervisory convergence and ensure consistency in authorisation processes, cover granting authorisations and approvals, governance and risk management, the outsourcing of critical and important activities and ongoing supervision as well as monitoring by EIOPA.

The German Federal Financial Supervisory Authority (BaFin) [published](#) guidance for **banks contemplating relocation to Germany** following Brexit. Firms must provide information on business organisation, risk management, internal control procedures, human and technical resources, the management board, capital requirements, and liquidity management.

Capital (including stress testing and macro prudential)

The Financial Policy Committee's (FPC's) latest **Financial Stability Report** [found](#) that the "overall risk from the domestic environment is at a standard level, with most financial stability indicators neither particularly elevated nor subdued." However, it stressed that, "there are pockets of risk that warrant vigilance", citing Brexit as a potential cause of instability. The FPC set out its current and future actions including increasing the UK countercyclical capital buffer rate from 0% to 0.5%, bringing forward the assessment of stressed losses on consumer credit lending, and clarifying its existing insurance measures in the mortgage market.

David Rule, Executive Director of Insurance Supervision at the Bank of England, [spoke](#) about **changing risks and search for yield on Solvency II capital** in the life and general insurance sectors. He highlighted that the PRA has been tailoring its supervisory work, including reviews, in response and is monitoring closely emerging risk concentrations.

The Prudential Conduct Authority (PRA) [published](#) findings from its **consumer credit lending review**, focusing on asset quality and underwriting standards across credit cards, unsecured personal loans and car finance. It found that the resilience of consumer credit portfolios is reducing, due to a combination of lower prices, continued growth, falling average risk-weights (for Internal Ratings-Based (IRB) banks) and some higher risk lending.

The PRA updated its [supervisory](#) and [policy](#) statements on dealing with a **market turning event (MTE) in the general insurance sector** to address concerns over the speed of a regulatory response in the case of a MTE. The statements include further information on the characteristics of a MTE and clarity on the process for model change approval following an MTE.

The PRA published [supervisory](#) and [policy](#) statements on the matching adjustment under Solvency II, in relation to the **PRA's expectations of firms investing in illiquid unrated assets and equity release mortgages (ERMs)**.

The PRA statements set out principles and assessments that the PRA will apply in the supervision of illiquid investments, and areas in which it plans to seek assurance over firms' processes.

The PRA published a [supervisory](#) and [policy](#) statement on **cyber insurance underwriting risk**. The statement tackles concerns around the definition of cyber insurance underwriting risk, which has been clarified to include explicitly all potential sources of loss, both malicious and non-malicious, to which an insurance contract is potentially exposed.

The PRA [consulted](#) on expectations and clarifications with regard to **Pillar 2A (P2A) capital requirements**. Most notably, the consultation sets out the PRA's approach to calibrating P2A capital requirements on a sub-consolidated basis, including for ring-fenced banks (RFBs) from 2019, and specifies that firms will be expected to publish their Total Capital Requirement (formerly, the Individual Capital Requirement) at the consolidated and, as applicable, Ring-Fenced Body (RFB) level from 2019.

The PRA [consulted](#) on its expectations regarding the relationship between **minimum requirement for own funds and eligible liabilities (MREL) and buffer requirements**, and the consequences of not meeting these. The consultation proposes to update the supervisory statement to clarify that the expectations are not intended to create a different buffer requirement from that which is usable in the going-concern regime.

The FPC and PRA [consulted](#) on an increase in the required minimum **leverage ratio** from 3% to 3.25%. The proposed increase (equivalent to £13 billion of Tier 1 capital in aggregate for affected banks) offsets an earlier decision by the FPC to exclude central bank claims from the calculation of the total exposure measure.

EIOPA launched a [consultation](#) on its first set of advice to the **European Commission Solvency II review**. The consultation includes EIOPA advice on a number of issues including simplified calculations, reductions in reliance on external credit ratings, treatment of guarantees, exposures guaranteed by a third party, and exposures to regional governments and local authorities. EIOPA intends to finalise this advice in October 2017.

Vítor Constâncio, Vice President of the European Central Bank (ECB), [wrote](#) an opinion piece published on the ECB website about the need for a coordinated European strategy on **non-performing loans (NPLs)**.

He said NPL resolution could bring substantial benefits for Euro area banks. Separately, the European Systemic Risk Board (ESRB) [reported](#) on the resolution of NPLs in the EU and the Commission [sought](#) views on issues relating to secondary markets for NPLs.

The European Banking Authority (EBA) [provided](#) an update on the new **prudential regime for investment firms**, based on a three-tier categorisation system. It recognised that the proposal could be significant for certain firms and therefore proposed a five year transitional period for those firms. The EBA also [launched](#) a data collection exercise to support the new framework.

As part of its Regulatory Consistency Assessment Programme, the Basel Committee on Banking Supervision (BCBS) [reported](#) that the EU framework for the **Liquidity Coverage Ratio (LCR)** was largely compliant with the Basel LCR standard. The BCBS identified one material deviation (inclusion of covered bonds in the definition of Higher Quality Liquid Assets) and four potential deviations which may overstate LCR for some EU banks.

The European Systemic Risk Board (ESRB) report on the financial stability implications of IFRS 9 [concluded](#) that **IFRS 9 represents a major improvement on IAS 39** and is expected to bring substantial financial stability benefits. The report included considerations to help mitigate potentially negative financial stability implications of IFRS 9 by identifying channels through which IFRS 9 may interact with other players. The report was accompanied by the ESRB [Occasional Paper](#) "Assessing the cyclical implications of IFRS 9 – a recursive model" which describes a model for assessing different approaches to accounting for credit impairment losses.

The European Parliament's Economic and Monetary Affairs (ECON) Committee [voted](#) to finalise its position on the **transitional implementation of IFRS 9 for regulatory capital**. Following the European Council's recent decision, ECON agreed to a phased approach allowing banks to add a declining amount of their additional impairments back to Common Equity Tier 1 (CET1) over a five year period.

EIOPA [updated](#) its **Risk Dashboard** for Q1 2017. Compared to the previous quarter there has been a decrease in volatility and the risk exposure of the EU insurance sector has remained stable. Despite these positive signs, the continuing low-yield environment and risk of market fundamentals not correctly reflecting underlying credit risk remain a concern for the EU insurance industry.

The EBA [updated](#) its **Risk Dashboard** for Q1 2017. Compared to the previous quarter, the EU banking sector showed a modest improvement in asset quality, continuing high levels of capital and a strong increase in profitability. The EBA also [reported](#) on its Risk Assessment Questionnaire, which showed an optimistic view with regards to the sector's profitability.

Liquidity

The PRA published its second consultation on **Pillar 2 liquidity**. The consultation [covers](#) the treatment of cash flow mismatch risk (CFMR) and introduces a new liquidity reporting template (PRA110). The draft statement of policy (SoP) combines the PRA's proposals from this CP with those [consulted](#) on last year. The methodologies set out are expected to enter into force in early 2018 with PRA110 expected to apply from 1 January 2019. A third consultation covering the overall calibration of the regime will be published in early 2018.

The FCA [published](#) findings from its **review into property funds and liquidity risks**. It found that the use of suspensions, deferrals and other liquidity management tools were effective in preventing market uncertainty from further escalation, but firms needed to address further how best to deal with the valuation of real estate assets under stressed market conditions.

Governance and risk management (including remuneration)

Proposals to extend the **Senior Managers and Certification Regime (SM&CR)** for [insurance](#) firms, and [all other financial services firms](#), were published by the FCA and PRA.

The FCA [consulted](#) on **staff incentives and performance management in consumer credit firms**. It proposed new rules and guidance designed to help consumer credit firms identify the risks their remuneration and performance management practices might pose to customer outcomes.

Conduct of Business (including MiFID)

The Financial Conduct Authority (FCA) [published](#) a final report to its **Asset Management Market Study** and [launched](#) an associated consultation. The documents included proposals for the Board to oversee obligations imposed on fund managers – prescribed through the Senior Managers Regime – around acting in the customer's best interests. The FCA also restated its support for the disclosure of a single all-in-charge.

An FCA Baseline Report on the **Financial Advice Markets Review (FAMR)** was [published](#) and highlighted accessibility, affordability, and quality of advice as key measures through which the FCA assesses the development of the advice market. The report observed that 66% of firms surveyed identified uncertainty around regulatory requirements as a barrier to offering mass-market advice.

The FCA [finalised](#) **rules banning contractual clauses that restrict competition** without being clearly beneficial to clients. It stipulated that from 3 January 2018, firms will be prohibited from entering into agreements that give them a right to provide future primary market services to their clients (except in bridging loans).

The FCA [issued](#) an **information request to the majority of firms with with-profits business**. It is seeking to identify the most appropriate areas for focus in its multi-firm review of the fair treatment of with-profits customers.

The FCA [released](#) findings from a follow up review on **firms' complaint handling of packaged bank accounts**. The FCA found that firms had made progress in how they investigated complaints, but concluded that more could be done to ensure consistency in how fair outcomes are delivered, particularly with regard to final response letters.

The FCA [published](#) terms of reference for its **Investment Platforms Market Study** and pledged to examine a number of areas, including whether the way in which platforms negotiate with product providers affects the outcomes consumers receive.

The FCA's interim findings of its **Retirement Outcomes Review** [concluded](#) that accessing pension pots early was "the new norm", with 52% of fully withdrawn pots not spent and instead moved into other savings or investments. The FCA proposed asking the UK Government to consider measures to enable consumers to access their savings early, without having to make a decision about the remainder of their pot.

The FCA [published](#) its second consultation paper on **implementing the Insurance Distribution Directive (IDD)**. The proposals covered information provision requirements, the distribution of insurance-based investment products, and product oversight and governance. Separately, the European Commission consulted on two draft delegated regulations covering [product oversight and governance](#) and the [conduct of business rules](#) applicable to the distribution of insurance-based investment products (IBIPs).

The FCA [published](#) a **thematic review of retail banks and building societies** and found that firms had made progress in assessing and enhancing customers' understanding of financial products. The report observed that a few firms continue to mistake customer understanding for customer satisfaction.

The FCA published a **package of measures on consumer credit**, including a [decision](#) to maintain its existing payday loan price cap, but observed that fundamental changes in the way unarranged overdrafts are provided may be necessary. Alongside this, FCA proposals were [launched](#) on the distinction between affordability and credit risk, and included a new definition of "affordability risk". The FCA also [released](#) further information on its work on motor finance.

The FCA [consulted](#) on **draft rules to require firms which offer current accounts to individuals and businesses to publish service information**. The requirements include disclosure of the number and type of major operational or security incidents, and how long it takes to open an account and have features of the account working.

FCA [published](#) **final rules on CASS 7A and the Special Administration Regime Review**. Overall, the FCA concluded that it should introduce most of the rules on which it has previously consulted, with only minor amendments to some areas.

The FCA [published](#) a **policy statement (PS) on implementing MiFID II**. The PS gives notice of the FCA's intention to implement the majority of the proposals it [consulted](#) on in September 2016, and covers issues such as inducements, client categorisation, best execution, the appropriateness test, tapering, client assets and changes to the perimeter guidance.

Alongside the PS, the FCA also [published](#) its **sixth consultation paper on MiFID II**, which covers residual issues including the Financial Services Compensation Scheme cover for recognised investment exchanges operating MTFs and OTFs, proposed amendments to the DEPP and Enforcement Guide, and changes to the Prospectus Rules and Glossary.

The FCA also [reminded](#) firms who have not yet submitted complete applications for **authorisations or variations of permissions under MiFID II** to do so without delay and [published](#) information for firms making **passporting applications**.

ESMA [consulted](#) on guidelines for aspects of the **MiFID II suitability requirements**. The draft guidelines address how firms should deal with information to clients, necessary arrangements for client information collection, arrangements to understand investment products, arrangements to ensure the suitability of an investment, the costs and benefits of switching investments, staff qualifications and record-keeping.

ESMA [provided](#) **interim transparency calculations for MiFID II** and [issued](#) FAQs for such calculations. The transitional transparency calculations are used for the assessment of liquidity and the calculation of large-in-scale (LIS) and size-specific to the instrument (SSTI) thresholds for pre-trade and post-trade transparency purposes.

The EU Commission [launched](#) a **review of the Directive on Motor Insurance** to ensure that, where a vehicle is insured for third party liability in one EU Member State, the insurance cover applies in all Member States without the need for any further administrative formalities. While covering the whole Directive, the review will focus on topics such as the portability of claims history, minimum cover amounts and autonomous cars.

The EU Commission [published](#) **guidelines on the PRIIPs Key Information Document (KID)**, and clarified that, where a PRIIP is made available only to investors outside the EU, a KID does not need to be provided. The European Supervisory Authorities (ESAs) [released](#) Q&As which noted that the use of a pay-off structure graph should only be possible for call options, put options or futures that have the characteristics relevant for the PRIIPs KID, and where certain conditions are met.

The ESAs also [submitted](#) final technical advice to the Commission on **PRIIPs with environmental or societal objectives**, determining that it would not be proportionate to establish detailed standalone obligations.

The EU Commission [adopted](#) the regulatory technical standards (RTS) for the information to be included by **proposed acquirers when notifying National Competent Authorities (NCAs) of a proposed acquisition of a qualifying holding in an investment firm**. The Commission also [published](#) draft implementing technical standards (ITS) on standard forms, templates and procedures for the consultation process between NCAs on such a notification in accordance with MiFID I and MiFID II.

ESMA [published](#) policy on **reporting of circuit breakers' parameters by National Competent Authorities (NCAs)**. The document formalised a common standard and procedure for NCAs to report to ESMA parameters to halt or constrain trading.

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

Elke König, Chair of the Single Resolution Board (SRB), [presented](#) the 2016 **Single Resolution Board (SRB) Annual Report** to the ECON committee. The report highlighted progress made in the Single Resolution Fund (SRF) and in establishing Loan Facility Agreements (LFAs) with all Member States. Future work will focus on the operationalisation of resolution plans, cross-border resolution exercises, developing binding MREL targets at consolidated level for all major banking groups and addressing the quality of MREL within a group.

EIOPA [published](#) an opinion calling for a **minimum harmonised recovery and resolution framework for (re)insurers** within the scope of Solvency II. EIOPA's framework closely follows the international standards on recovery and resolution established by the Financial Stability Board, and, if implemented, will introduce new requirements and resolution powers that go well beyond the Solvency II framework. EIOPA's proposals will require legislation from the European Commission, Parliament and Council in order to be implemented for European insurers.

The Financial Stability Board (FSB) [assessed](#) **resolution reforms** ten years on from the financial crisis. The report detailed the adoption of the CCP resolution and resolution planning in 2017, and progress on the implementation of the total-loss absorbing capacity standard (TLAC) for globally systemically important banks (G-SIBs), resolution planning for globally systemically important insurers, and the implementation of the Key Attributes of Effective Resolution Regimes for Financial Institutions in FSB jurisdictions.

The FSB [issued](#) **guiding principles on the Internal TLAC of G-SIBs**. The principles cover the process for identifying material sub-groups; the role of home and host authorities; and the factors to be considered when determining the size of internal TLAC requirement; practical considerations relating to the issuance and composition of internal TLAC; and features of the trigger mechanism for internal TLAC. The FSB also [issued](#) a response summarising the feedback it received on its consultation.

ESMA [published](#) guidelines on the **cooperation between NCAs under the Central Securities Depositories Regulation (CSDR)**. The guidelines cover the consultation of authorities involved in the procedure for authorising central securities depositories (CSD), and the communication between NCAs on a CSD wishing to provide cross border services.

ESMA [consulted](#) on guidelines on **internalised settlement reporting** under Article 9 of the Central Securities Depositories Regulation (CSDR). The guidelines set out the scope of data to be reported by settlement internalisers, the entities responsible for reporting to competent authorities, the data reporting parameters and the process for the submission of reports by NCAs to ESMA.

ESMA [published](#) an opinion on **asset segregation and the application of depositary delegation rules to Central Securities Depositories (CSDs)**. Following consultation, ESMA concluded that only minimum EU-wide segregation requirements should be established, leaving room for stricter requirements or different account structures in different Member States.

Regulatory perimeter

Andrew Bailey, Chief Executive of the FCA, [spoke](#) about the **future of LIBOR** and the transition path to alternative reference rates. He said that LIBOR would continue to be supported by panel banks until the end of 2021, at which point LIBOR would be replaced with alternative reference rates that better reflect underlying transactions.

The Payments Strategy Forum [consulted](#) on its **Blueprint for the Future of UK Payments** which sets out a New Payments Architecture (NPA) for the UK. The Forum is seeking feedback on the design and implementation of the NPA; the requirements and rules for request to pay, assurance data and enhanced data; and the requirements for two strategic solutions to reduce the impacts of financial crime on users.

HM Treasury (HMT) published draft regulations to introduce a competitive regulatory and tax **regime for Insurance Linked Securities (ILS)** in the UK. The regulations cover [authorisation, supervision and operation](#) of ILS vehicles and [corporation and income tax](#). The regulations were accompanied by the HMT [response](#) to its consultation. Under the new approach set out in the response and regulations, the PRA and FCA would authorise a multi-arrangement insurance special purpose vehicle (mISPV) to carry out the new regulated activity of insurance risk transformation.

HMT published the [outcome](#) of its consultation on the **UK implementation of the revised Payment Services Directive II (PSD 2)**. Respondents generally agreed with the Government's proposed approach to copy out the directive, while taking advantage of derogations, and ensuring that the exemptions from the Payment Services Directive (PSD 1) carry across to PSD 2 where appropriate. The [Statutory Instrument](#) that transposes PSD 2 has been laid before Parliament.

Alongside these documents, HMT and the FCA also published their [expectations](#) for **third party access provisions under PSD 2**, which focus on ensuring the secure transfer and storage of consumer data.

The EBA published a number of **final guidelines on PSD2** including guidelines on the [information to be provided by applicants](#) intending to obtain authorisation as payment institution, electronic institution and Account Information Service Providers, the [classification and notification of major incidents](#) and criteria on stipulating the minimum monetary amount of [professional indemnity insurance](#) (PII) required for payment initiation and account information services.

The FCA [examined](#) the implications of the benchmark regime change (BRC) in its Occasional Paper on **benchmark regulation and market quality**. The findings showed that the move from a panel-based assessment methodology under ISDAFIX to an electronic market-based methodology under the ICE Swap regime had a neutral to positive effect on the representativeness of the benchmark rate.

The EU Commission [consulted](#) on proposals to amend the **regulation on cross-border payments** to reduce charges for cross-border transactions. It also considered the most appropriate means to allow consumers to choose the best currency conversion rate.

ESMA [published](#) its Q&A on practical questions regarding **the implementation of the Benchmarks Regulation (BMR)** which includes clarification on which benchmarks supervised entities will be allowed to use after 1 January 2018. The FCA [welcomed](#) the Q&A, saying it was "an important clarification for industry and will inform decisions on when to apply for authorisation or registration during the period January 2018 to December 2019."

Valdis Dombrovskis, Vice-President of the European Commission, [spoke](#) on the **pan-European covered bonds** framework stating that an EU initiative should serve to stimulate covered bond markets as a stable and cheap source of funding for banks, and to ensure the framework is robust enough to justify the preferential prudential treatment granted to it. He emphasized the potential in developing covered bond markets in EU countries that do not have them yet, and attracting investors from third countries. The Commission is also assessing the case for developing European Secured Notes.

ESMA [issued](#) a final report on draft technical standards for the **publication of derivatives data** by trade repositories under EMIR. The requirements covered by the report include the calculation of market activity and outstanding volumes for on-venue and off-venue traded derivatives, the avoidance of double counting across trade repositories, and the details of aggregations for commodity derivatives using benchmarks.

The FSB [published](#) its **annual review of OTC derivatives market reform**. It reported that while significant progress has been made in central clearing frameworks, capital charges and margin requirements (for non-centrally cleared derivatives), platform trading frameworks are still relatively undeveloped in most jurisdictions.

Rethinking the domestic and international architecture for regulation

Sam Woods, Chief Executive Officer of the PRA, [spoke](#) about the **PRA's supervisory approach**, noting that banking and insurance supervision was not a "static game" and had to "move with the times". He referred to three main challenges in supervision today: Brexit, increasing risk appetite amongst firms, and regulatory arbitrage.

The Financial Stability Board **reported to the G20 on progress in financial regulatory reforms**. In a [letter](#) to the G20 leaders, Chair of the FSB, Mark Carney, wrote that "G20 reforms have now addressed the fault lines that caused the financial crisis". He noted that while there are still some areas where more work is needed, particularly to finalise Basel III, the focus of the FSB will shift to post-implementation evaluation of the effectiveness of reforms, rather than development of new policy initiatives.

Alongside the letter from Mark Carney, the FSB [published](#) its third annual report on the **implementation and effects of the G20 financial regulatory reforms** and the [framework for post-implementation evaluation of the effects of G20 financial regulatory reforms](#).

The FSB [published](#) its assessment of **shadow banking** activities, risks and the adequacy of post-crisis policy tools to address financial stability concerns. The assessment highlights that the aspects of shadow banking activities generally considered to have contributed to the financial crisis have declined significantly and are generally no longer considered to pose financial stability risks.

The FSB, International Organization of Securities Commissions (IOSCO), the Committee on Payment and Market Infrastructure (CPMI) and the Basel Committee for Banking Supervision (BCBS) [reported](#) on the implementation of the joint workplan for strengthening the **resilience, recovery and resolvability of CCPs**. The reports set out further work on monitoring, interdependencies in central clearing and the impact of other regulatory initiatives on incentives for central clearing. Separate reports detailed [guidance on CCP resolution and resolution planning: analysis](#) on central clearing interdependencies; and [guidance](#) on the resilience of CCPs, which related to governance, credit risk, margin and liquidity risk.

The CPMI and IOSCO also [issued](#) further guidance on **recovery planning for financial market infrastructures**. The guidance, which built on earlier principles and considerations with respect to recovery and resolution of CCPs, provided clarifications in a number of areas, notably operationalisation of the recovery plan and non-default related losses.

The FSB [published](#) guidance on **continuity of access to financial market infrastructures (FMI)** for a firm in resolution. The guidance details considerations for providers of critical FMI services in relation to the interactions between resolution of their service users and their own risk management frameworks, as well as the measures which firms should take to ensure their continued access to critical FMI services when in resolution.

The FSB [published](#) its fifth progress report on implementing its principles for **sound compensation practices**, taking stock of progress across the banking, insurance and securities sectors. In banking in particular, the FSB noted that supervisors and firms are increasingly using back-testing or validation practices to facilitate the effective implementation of compensation systems.

The FSB [published](#) a progress report on **reducing misconduct risks in the financial sector**, with governance, robustness of market structures, and conduct standards in markets at the top of the agenda. The FSB will continue to develop “responsibility mapping” and related tools for increasing individual accountability and tackling misconduct risks arising from the governance frameworks of significant financial institutions.

ESMA [published](#) a letter to the Commission in favour of the Commission’s proposals for the recognition and supervision of **third-country Central Counterparties (CCPs)**. ESMA also suggested similar changes for third-country credit rating agencies, trade repositories, benchmarks and possibly trading venues and data providers.

IOSCO [published](#) its findings on jurisdictions’ progress in **implementing client asset protection legislation and regulation**. IOSCO found the majority of jurisdictions had adopted an appropriate client asset regime, but implementation varied: while the EU, U.S. and Canada reported final adoption measures across all IOSCO Client Asset Protection Principles, implementation was less advanced in Latin American countries.

The International Association of Insurance Supervisors (IAIS) has [approved International Capital Standard \(ICS\) Version 1.0](#) for extended field testing.

Disclosure, valuation and accounting

ESMA published a peer review [report](#) identifying areas where national competent authorities (NCAs) can improve their **enforcement and supervision of financial information (IFRS)**. The report identified that further improvements are needed in relation to: how issuers are selected to examine their financial information; the depth of inquiries into financial statements going beyond correcting disclosure; and the financial and human resources allocated by NCAs to the enforcement of financial information. The report also makes recommendations, including the call for NCAs to use a common approach for selection, to support these improvements.

The EBA [consulted](#) on Guidelines specifying a **uniform format for institutions' disclosure requirements of IFRS 9** and analogous expected credit losses (ECLs) transitional arrangements. The guidelines aim at ensuring market discipline and consistency of information disclosed by institutions during the transition to the full implementation of the new accounting standard.

The EBA [published](#) its final draft regulatory technical standards specifying the information that should be provided to competent authorities when applying for **authorisation as a credit institution**. It also contained the final template to be used by applicants for submitting such information.

The ECB [consulted](#) on a draft regulation imposing **statistical reporting requirements for pension funds** located in the euro zone. The consultation is aimed at closing the gaps in the data available for this sector and the lack of comparability.

The BCBS issued its sixth [report](#) on the implementation of the **Basel III regulatory standards**. It found that further progress had been made on the enforcement of its standards. Nevertheless, some elements, such as capital requirements for exposures to central counterparties and equity investments in funds, had been delayed in many jurisdictions.

IOSCO [consulted](#) on the assessment of **liquidity risk management for collective investment schemes (CIS)**. It provided additional guidance and recommendations on several topics, including disclosure to investors and fund-level stress testing. It also contained guidance on contingency planning and exchange traded funds. Separately, IOSCO [provided](#) best practice and guidance for open-ended fund liquidity and risk management.

Information security and data privacy

The Information Commissioner's Office (ICO) [updated](#) its **policy on Subject Access Requests (SAR)**. The ICO noted that even if firms can show that supplying a copy of information in permanent form would involve disproportionate effort, they should try to comply with the request in some other way.

Andrus Ansip, Vice-President of the Digital Single Market at the European Commission, [spoke](#) on **free movement of data**. He explained that the Commission was working on improving the situation for switching cloud service providers and that it will prepare a legal proposal for presentation in the autumn.

Financial Crime

HMT [consulted](#) on whether its draft regulations deliver the UK Government's intention that the **Office for Professional Body AML Supervision (OPBAS) and Professional Body of AML Supervisors (PBSS)** comply with their obligations in money laundering regulations (MLRs).

The FCA [launched](#) a guidance consultation on the **Office for Professional Body Anti-Money Laundering Supervision (OPBAS)**. The paper includes a draft specialist sourcebook for professional body supervisors on how they should carry out their AML supervision work, provides requirements under the Money Laundering Regulations 2017, and draws on existing resources such as the European Supervisory Authorities' recent guidance on risk-sensitive supervision.

The ESAs [published](#) **final guidelines on money laundering and terrorist financing** associated with individual business relationships and occasional transactions. The ESAs noted that the steps credit institutions take to identify and assess money laundering and terrorist financing risks must be proportionate to the nature and size of each firm.

Other

MPs [elected](#) the Right Honourable Nicky Morgan MP as the new **Chair of the Treasury Select Committee (TSC)**.

MPs [re-elected](#) the Right Honourable Hilary Benn MP as **Chair of the Exiting the European Union Committee**.

HMT [announced](#) the appointment of Sir Dave Ramsden as the new **Deputy Governor of Markets and Banking** at the Bank of England. Alongside the announcement, the Bank of England [appointed](#) Joanna Place, its Acting Chief Operating Officer (COO), as its permanent COO.

The BoE [published](#) a **revised Settlement Account Policy which non-bank payment service providers (PSPs)** to apply for a settlement account in the BOE's real-time gross settlement system (RTGS), enabling direct access to the UK's sterling payment systems. Non-bank PSPs opening a settlement account will need to demonstrate compliance with UK regulatory risk management frameworks and be subject to on-going oversight. The BoE expects the first non-bank PSPs to join RTGS during 2018.

The FCA [commented](#) on the use of **currency convertor tools** by payment institutions and e-money institutions. It is concerned that these tools may be used in such a way as to give consumers a misleading impression of the rates they are likely to achieve.

The PRA [published](#) its annual report, **setting out its priorities for 2017/18**, which included the need for amendments to Solvency II such as the excessive sensitivity on risk margin; identifying risks to firms including potential barriers to entry that might arise from EU withdrawal; working with firms to prepare for the inclusion of IFRS 9 in the 2018 stress test; and the continued implementation of ring-fencing. The PRA also said it would undertake a review of the credit quality of consumer credit lending by all PRA-regulated lenders on credit cards, motor and unsecured personal loans.

The Payment Systems Regulator (PSR) [published](#) its annual report. This noted that the PSR is **beginning three new major pieces of research** into the implications for consumers of a changing payments sector, the increasing use of payments data, and changing competitive dynamics in payments.

Valdis Dombrovskis, Vice-President of the European Commission, [spoke](#) at a public hearing on the need for a comprehensive strategy for **sustainable and green finance**, the need to continue reforming the regulatory framework to promote a sustainable investment culture, and ensuring that capital flows towards green and sustainable projects. He emphasized two reforms with great potential in these areas: a classification system for green and sustainable assets, and a European standard and label for green bonds and other green financial products.

The EBA [published](#) a revised Decision adding five additional External Credit Assessment Institutions (ECAIs) to the list of recognized ECAIs for unsolicited credit assessments, and removing one. Following the ESMA decision, the Joint Committee of the ESAs [launched](#) a public consultation to **amend the Implementing Regulations on the mapping of credit assessments of External Credit Assessment Institutions (ECAIs)** accordingly.

Separately, ESMA [published](#) its future work plan in this area, which involved the production of mappings and treatment of unsolicited credit assessments for newly registered ECAIs and the monitoring of existing mappings.

The Council [adopted](#) the Commission's mid-term review of the **Capital Markets Union** (CMU) action plan. The Council supports the new measures announced as part of the mid-term review and backed the Commission's agenda to finalise the CMU building blocks by 2019. The Council also invited the Commission to submit a progress report at least every six months.

As part of the Prospectus Regulation, ESMA [proposed](#) draft technical advice on the **format and content of prospectuses**, the EU Growth prospectus and **scrutiny and approval of prospectuses**. The advice covers requirements for the new Universal Registration Document, the format and content of the Small and Medium Enterprises focused EU Growth prospectus, and the criteria for scrutiny and procedures for approval and filing of a prospectus.

The EBA [consulted](#) on its draft report regarding the implementation of its guidelines on methods for calculating contributions to **deposit guarantee schemes** (DGSS). It said the guidelines broadly achieved the aim of introducing differentiators between firms based on risk, but that some elements may need to be revisited in the future. According to the EBA, there was no need to provide additional transparency or amend reporting requirements.

The High Level Expert Group on Simplification [presented](#) proposals to the **European Commission on how European Structural and Investment (EIS) funds** should operate after 2020. It said EIS funds should continue to be delivered by national administrative mechanisms, while legislation should be shorter and kept to the level of strategic policy making.

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