

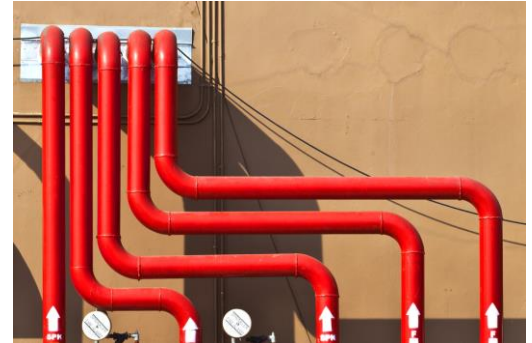


May 15, 2018

## Quote of the Week

**“Maintaining confidence in the integrity of wholesale payments is essential for stability. I encourage everyone involved in making or receiving wholesale payments to take action in line with this new strategy so that we can collectively meet the security challenge.”**

**- BIS GEM Chairman, Mark Carney**



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## Regulatory Watch List

- ↑ **Black box** Lack of explanation from AI for rejected consumer loans may limit ability to prove non-discrimination. Liability for lost data shared with aggregators leads to calls for rules, as regulators wary of decisions on fintechs.
- ↓ **Leaning in** EU passes new AML directive in response to terror attacks, covers prepaid cards, virtual currencies. US departure from Iran deal leaves EU companies dealing with country at risk of breaching reimposed sanctions.

## US Banking

### Agency Beneficial Owner Exam

On May 11, FFIEC agencies issued exam guides for beneficial ownership and client due diligence.

- With examination procedure on customer due diligence (CDD), and beneficial ownership.
- FFIEC released sections of BSA/AML exam manual, replacing those from 2014 manual.
- Guidance issued separately by FDIC, NCUA, Fed and OCC, as member agencies of FFIEC.
- Released ahead of May 11, 2018, compliance date for FinCEN beneficial ownership rules.
- FFIEC developed the examination procedures in collaboration with FinCEN and the Treasury.
- Aims to promote transparency in examination procedures, by describing supervisory focus.
- Manual will benefit depository institutions, by providing information to help assist with BSA compliance and safeguard the institution from use for laundering and other illicit transactions.

### FinCEN Premium Cash Refunds

On May 11, FinCEN issued relief to lenders from beneficial ownership on premium finance refunds.

- Relief available for premium finance lending products on insurance that allow cash refund.
- Premium finance lenders, usually interact with insurance agents or brokers who issues policy.
- Over the normal course, such lenders process significant number of cash refunds every year.
- Beneficial ownership rule exempts firms from requirement to identify and verify identity of beneficial owner of legal entity customer at the time at account opening in certain cases.
- If customer account is to finance an insurance premium, payment direct by firm to insurance provider/broker, unless cash refund is possible.
- Relief as cash refunds do not pose significant threat of money laundering and terrorism risk.

### Fed Payment Real-Time Monitor

On May 7, Fed proposed policy to implement real-time monitoring of payments on Fedwire transfer.

- Sought comment on changes to part II of Fed policy relating to payment system risk (PSR).
- So that Fed Reserve Banks will apply real time monitoring covering Fedwire funds transfers.
- Will now reject those transfers that would have breached the Fedwire sender's net debit cap.
- Fedwire transactions can be high-value and otherwise settle immediately and irrevocably.
- This represented a higher credit risk, to both Fed Reserve Banks, and Fedwire senders.
- If, after evaluating comments, Fed finds new monitoring needed, to request public comment on specific proposed changes to PSR policy.

### Fed Quarles on Liquidity Coverage

On May 4, Fed vice-chairman spoke on role of liquidity coverage ratio for balance sheet size.

- Spoke on the intersection of regulatory and monetary policy, and application of the LCR.
- Efficiently maintain system resiliency, revised enhanced supplementary leverage ratio eSLR.
- Estimates reduced capital requirements for 8 large banks by \$400mn, 0.04% of \$955bn held.
- LCR rule required firms to hold sufficient high-quality liquid assets (HQLA) instead.
- Banks have reduced reliance on short-term wholesale funding, from about 50% to 30%.
- Current reserves (\$2trn) are much higher than before crisis, as a result of Fed rulemaking.
- No final policy on reduction depends on banks' reactions to gradual reduction in Fed assets.
- No single behavioral model on demand for central bank reserves, based on individual need.

### OCC vs. CSBS Fintech Charter

On May 1, CSBS CEO Ryan spoke on the federal court decision in case vs. OCC on fintech charter.

- CSBS lawsuit challenged OCC saying Fintech companies are to be eligible for special charter.
- CSBS believed that OCC fintech charter lacks legal authority and has published own policy.
- Follows CSBS, NYDFS Dec. 2017, issue of responses on Court's consideration of issue.
- Judge now decided OCC not made final decision on proceeding with fintech charter.
- Thus, "matter not yet ripe for consideration", and judge did not give a decision on merits.
- CSBS said States promote access to innovative products, while also protecting consumers.
- US States are modernizing regulation; include an integrated licensing system for fintechs.

### FDIC Chair Technology Speech

On May 7, FDIC chair Gruenberg spoke on bank use of technology to limit risk.

- Technology potential, to enhance operations, the delivery of services, and risk management.
- FDIC also needed to study and develop the technology to ensure adequate supervision.
- Now has an emerging technology steering committee to review the issues and analyze.
- Plan to study cybersecurity, new products, distributed ledger technology, cryptocurrency.
- Important for FDIC, as see potential from IT, for covering the unbanked and underbanked.
- Consumer protection rules need updating, so that technology can be used safely.
- Challenges of financial data access, including potential impacts on banks and on customers.

## US Consumer

### CFPB Spring 2018 Rule Agenda

On May 10, CFPB issued rulemaking agenda for Spring 2018, under acting director Mulvaney.

- With rulemaking actions in pre-rule, proposed rule, final rule, long-term, inactive, and completed.
- Prioritized meeting statutory duties, selected rulemaking is underway, reconsidering rules.
- Working to achieve the consumer protection objectives of statutes, and minimize burden.
- Follow-up rulemakings to address issues from implementing DFA mortgage requirements.
- Research and pre-rulemaking regarding debt collection market, top source of complaints.
- Preparing proposed rule for firms that are subject to fair debt collection practices act.
- Announced in Dec. 2017 to reconsider 2015 final rule-amending regulations implemented the home mortgage disclosure act.
- Acting director has decided to reclassify as inactive certain other rulemakings for future.

### Senate Seek Mulvaney Meeting Policy

On May 10, Senator Brown sought Mulvaney pay to play records after said he favored contributors.

- Sherrod Brown, ranking member of Senate banking panel, wrote to director Mulvaney.
- Asked for documents on scheduling policy to meet lobbyists, when at OMB and CFPB.
- To determine if Mulvaney continued with pay to play policy within Trump Administration.
- Follows news reports on Mulvaney comments to a group of banking lobbyists at the ABA.

### NYDFS Protection of Students

On May 9, NYDFS head Vullo criticized CFPB on student protections and pledged actions in NY.

- Concerned with CFPB decision to minimize role of office of students and young consumers.
- Follows media reports that CFPB is moving office into the Office of Financial Education.
- Office is stripped of powers, restructured as educational service, no role in enforcement.
- NY DFS will continue national leading effort, to safeguard students from fraud in education.
- Senator Sherrod Brown also strongly opposed Mulvaney's actions; said consumers needed protection, via an advocate not Mulvaney.

### Senate Repeal CFPB Auto Loans

On May 8, House in full approved joint resolution with Senate to repeal prior CFPB auto guidance.

- Follows Senate Apr. 17, vote to remove 2013 CFPB guide, on discriminatory auto loans.
- Repeal using congressional review act (CRA) authority, claimed that CFPB did not have original authority to adopt the guidance.
- CFPB authority to regulate auto-lending was limited in Dodd-Frank, cited the Equal Credit Opportunity Act, and Civil Rights Act ban on discrimination, with restriction on such acts.
- CFPB had used authority and guidance to go after auto lending companies, e.g. Honda.
- House voted 234-175, HFSC Chair Hensarling spoke in support, claiming CFPB overreach
- Caused borrowers to pay more for auto loans, and the guidance was based on made-up data.
- Trump expected to sign repeal, industry group AFSA applauded passage as being necessary.

### FDIC Deposit Insurance Seminars

On May 9, FDIC announced seminars on bank deposit insurance and related presentation.

- FDIC will hold four identical deposit insurance seminars between May 24 and Nov. 26.
- Insurance information included signature card on joint account, prepaid cards, bank trade names, health savings, 529, ABLE accounts.
- Each live seminar will link to an FDIC slide presentation, which were also made available.
- On YouTube channel, three separate seminars have also been created and are available.
- Videos covering: fundamentals of deposit insurance; revocable trust; advanced topics.

### OCC Military Lending Act Exam

On May 11, OCC issued booklet on exams for compliance by banks with military lending act.

- To assess compliance per military lending act (MLA) for customers that are service members.
- MLA applies to closed-end and most open-end consumer credit types, from Oct. 3, 2016.
- As well as to credit card accounts, established later than Oct. 3, 2017, subject to the MLA.
- MLA booklet replaces and rescinds limit on credit to service members in OCC handbook.
- Rescinded bulletin OCC 2016-33 military lending act: interagency exam procedures.
- Reflected expanded MLA protections for a wider range of consumer credit products.
- Types of disclosures which creditors are required to provide to covered borrowers.

## US Investment Management

### SEC Enforcement Head Speech

On May 9, SEC enforcement co-head spoke on communication with firms in Wells meetings.

- Addressed practical matter, of how companies should communicate to SEC in Wells meeting.
- In Wells meeting, recommend open, effective, productive dialogue with the SEC.
- Defense counsel chance to persuade SEC staff to look into a matter differently, even drop it.
- Most productive when defense counsel focus on the most important argument and issues.
- Important to listen well, helpful to disclose all operative facts to SEC, prior to the meeting.
- Do not want lengthy supplemental submission on the eve of a meeting, as these are unhelpful.
- No credit for what you are legally required to do, but there is a robust cooperation program.
- Explain why deserve credit and how it should apply, do not rehash investigation arguments.

### SEC Clayton Wider Retail Access

On May 2, SEC chair Clayton spoke on enabling wider retail access to the capital markets.

- Follows new SEC fiduciary standard proposal, discussion on dealers and adviser client duties.
- Investors to get clear, plain language advice, which needed to follow fiduciary principles.
- Effective enforcement tools are necessary to deter misleading and fraudulent market acts.
- Needed to align investor expectations, with standards from recent SEC best-interest rule.
- SEC toolbox contains some solutions to major concerns like conflicts of interests with client.
- Have experience of obfuscatory, misleading language, unclear roles, and excessive fees.
- Disclosure is of utmost importance, so are new standards to harmonize BD/IA obligations.

### CFTC Quintenz Criticizes Budget Cut

On May 8, CFTC commissioner Quintenz spoke against recent cuts to funding made in Congress.

- Quintenz argued CFTC deserved additional funding under leadership of chair Giancarlo.
- Criticized prior CFTC heads Gensler, Massad for over regulating, unrealistic budget increase.
- Claimed was no political lens under the new leadership, only a market-driven approach.
- KISS project started by Giancarlo to simplify regulations, for improved usage of technology.
- Giancarlo had determined need for \$281.5mn budget to achieve vision, necessary oversight.
- Unfortunately, lost \$1mn from last year, and has been flat at \$250mn for four years already.
- If no funds, enforcement, especially in fraud-prone crypto markets will be strained, harder.

### SEC Auditor Loan Independence

On May 3, SEC proposed refocusing on auditor independence rules where there is also lending.

- Determine whether an auditor is independent when they have a lending relationship with shareholders of certain audit clients, during the audit or professional engagement period.
- Replace 10% bright-line shareholder ownership test by using "significant influence" test.
- Add "known through reasonable inquiry" standard for identifying beneficial owner.
- Amend definition of "audit client" for fund in audit, to exclude affiliates of the audit client.
- May not be functioning as intended, presents practical challenges, for intermediary firms.
- Cited open-ended funds such as mutual funds being problematic, no-action relief provided.
- When a technical violation is punished, there is then an inability to focus on real violation.

### SEC No to Exchange Data Fees

On May 2, SEC rejected exchange request to increase level of member fees for market data.

- Unusually for SEC, rejected request by NYSE, NASDAQ, CBOE, to raise market data fees.
- By imposing cap on how much brokers can be charged for their essential data feeds.
- Changes would have become effective upon filing, but SEC summarily abrogated them.
- Added some supposedly offsetting per-quote fees, which did become effective upon filing.
- SEC had received comment from Healthy Markets arguing change was discriminatory.
- SIFMA comment said no demonstrated need for change in fees, and thus need to abrogate.
- The information and justifications provided by exchanges viewed as insufficient to increase.
- Under Rule 608 process summarily abrogated, required re-filing within 60 days.

### FINRA Debt Mark-up Confirms

On May 9, 2018, FINRA reminded May 14, 2018, compliance date with FAQ on debt mark-ups.

- Aug. 12, 2016 amended FINRA Rule 2232 on customer confirmation on fixed income trades.
- Required firms to disclose additional pricing information on confirms to retail customers.
- Now require firms to look through, where a transaction with affiliate is not at arms' length.
- Worked with MSRB together on guidance, MSRB issued recent to its own members.
- Covers timing, form, content of disclosure, how to determine the prevailing market price.
- With disclosure of time of execution, specific transaction URLs on how to determine.

## Canada

### IIROC Enforcement Report 2017

On May 4, IIROC issued report on enforcement, issues seen during 2017, including on suitability.

- Highlighted actions taken and progress in enforcement across six provinces of Canada.
- Since Jan. 2017, IIROC has gained additional legal authority to take enforcement actions.
- Half of enforcement matters are on suitability, including seniors, improved under new laws.
- Focus has remained on suitability, comprising 45% of prosecutions, and seniors 40% of all cases, and 30% of prosecutions undertaken.
- In 2017 IIROC received 1,163 complaints, conducted 127 investigations.
- Increased by 25%, cases against firms' senior compliance personnel, and fines doubled.
- Sanctions imposed on individuals, increased to \$3.4mn, increased from \$3.1mn in 2016.
- Collaboration among provinces is key, with other regulators, help to uncover wrongdoing.

### OSFI IFRS 17 Transition Report

On May 4, OSFI issued advisory on transition to adopt IFRS 17 accounting for insurance contracts.

- Set out expectations on option to early adopt, Insurance Contracts Standard (IFRS 17).
- Covering accounting for financial guarantee contracts and progress reporting to OSFI.
- Guidance is for federally regulated insurers, such as Canada branches of foreign life firms.
- As well as property and casualty companies, insurance holding companies, non-operating.

### IIROC Supervision Experience

On May 9, IIROC issued exemption from rule requiring minimum experience for supervision.

- Exemption related to experience requirement applied per IIROC member Rule 1300.15(C).
- Rule requires a system to directly supervise registered representatives of member firm.
- Where representative provide discretionary management to managed account, and has experience in such role, of under two years.
- Must include at least one year managing on discretionary basis, assets valued over \$5mn.
- Supervise rep. if is authorized for managed accounts, but not yet in supervision period.
- Or person registered as advisor per Canadian law is used under contract to be a supervisor.
- IIROC gave relief to representative from firm, so that they do not require direct supervision.
- Individual also permitted to directly supervise other registered representatives at the firm.

### FCAC Consumer Best Practices

On May 14, FCAC issued best practices in consumer protection.

- Responded to request from Minister of Finance, that FCAC identify best practices.
- After engaging provincial regulators, to review consumer practice across country.
- Focus on consumer protection measures apply to financial products and services.
- Include credit and deposit product, exclude measures in securities/insurance law.

### Findings

- In parallel, FCAC assessed international best practices and the federal framework.
- FCAC found Canada's overall federal consumer protection framework to be strong.
- However, noted areas that could be strengthened, with certain business practices.
- Better support supervisory and enforcement work of agency with additional tools,
- Will also introduce targeted measures, to better empower and protect consumers.
- Findings to help inform Government work on new consumer protection framework.

### Best Practices

- A regulator is specifically responsible for overseeing financial consumer protection.
- Standalone legal framework, with clear minimum standards to protect consumers
- Legislation on fair treatment of consumer, at all stages of relationship to provider.
- Law setting out enforceable principles, in Canada most regimes are rules-based
- Legislation requiring prominent disclosure of key information e.g. costs of credit.
- Canada has disclosure for credit cards and loans not for all products and services.
- Law prohibiting misleading practices, and advertising (now only in some products)
- Consumers have access to free alternative dispute resolution systems, mediation.
- Legislation provides regulators the power to compel compliance, and the manner.
- FCAC has some enforcement tools, but not have authority to compel compliance.
- Law for transparency with consumers, on status and outcome of their complaints,
- Legislation prohibits FCAC informing individual consumer of investigation outcome,
- Consumer has access to affordable, independent and impartial redress mechanism.
- Ensure access to remedies in the event of non-compliance by financial institutions.



## International

### Basel Wholesale Payment Security

On May 8, Basel CPMI issued strategy to raise the level of security applied to wholesale payments.

- Reducing risk of wholesale payments fraud, using focus on process for endpoint security.
- Reflected feedback received from Sep. 2017 consultation on payments strategy and fraud.
- Applied to operators, participant of payment system, messaging networks, and supervisors.
- Plan success will depend on clear ownership, and active engagement from all stakeholders.
- Responds to increasingly sophisticated fraud types seen in wholesale payment ecosystem.
- Breaches show how security weakness at one endpoint, can be widely exploited for fraud.
- Outlined elements, for preventing, detecting, and responding to, communicating on fraud.
- The ECB endorsed the CPMI strategy as well as reaffirmed its own commitment to apply.

### FSB Compensation Data Reporting

On May 7, FSB proposed compiling compensation data to better monitor risks related to misconduct.

- Recommendations on methods for collecting compensation data, to assess misconduct risk.
- Follows Apr 2018 FSB toolkit, for firms to address misconduct risk and their root causes.
- May 2018 recommendations for consistent national reporting of data on compensation.
- As a tool to assess misconduct risk, currently saw variation by country, and across firm.
- Needed consistent data for supervision of compensation programs and their oversight.
- Recommendation aimed at helping firms, to report data, not intended to be prescriptive.
- To help develop structured approach to data gathering, reporting, and subsequent analysis.

### Basel Market Risk Framework

On Apr. 25, Basel secretary-general Coen spoke on plans for future changes to market risk.

- Follows Basel Mar. 2018 package of proposed changes to minimum capital for market risk.
- One area of the Basel reform agenda yet to be finalized is the framework for market risk.
- Addressed questions of why Basel committee has revised market framework in recent times.
- Why it has taken so long to complete, and how to get the framework finished in a timely way.
- Revised market risk framework seen as major improvement, to the pre-crisis framework.
- Framework will address many of fault lines exposed during the global financial crisis.
- Main elements of the framework finalized in 2016 are seen as being in a stable shape.

### Basel, IOSCO PFMI Monitoring

On May 3, Basel, IOSCO issued report on central counterparty (CCP) risk and recovery practices.

- Noted progress made by CCPS to meet the most serious concerns raised by regulators.
- Report found that participating CCPs have made progress to implement arrangements.
- So consistent with international standards on risk management and recovery practices.
- However, some CCPs still fail to implement several measures, are a cause for concern.
- CPMI and IOSCO encouraged the relevant CCPs to take action, as a matter of priority.
- 10 derivatives CCPs were surveyed in 2016 assessment, followed-up wider sample of 19.
- CPMI and IOSCO reiterated importance of developing comprehensive recovery plans.
- Consistent with standards in PFMI, informed by guidance in revised recovery report.

### LEIROC 2018 Usage Report

On May 2, LEIROC issued progress report on usage of legal entity identifier (LEI) systems.

- Progress and overview of global LEI system, regulatory usage of LEI, LEI ROC activities.
- Table of LEI regulatory use cited local rules, groups involved, and number of LEI issued.
- Now over 1mn LEIs, grew rapidly H2 2017 prompted by new regulatory requirements.
- LEI covers at securities with total value of €95trn worldwide, as of Nov. 2017.
- Reported that authorities had adopted, at least 91 regulatory actions based on the LEI.
- Standard-setters also encouraged other uses, for consideration of regulators or industry.
- To manage customer relationship of banks and their correspondent banking relationships.

### IOSCO Conference Agreement

On May 10, IOSCO issued notice of action items agreed at its annual conference in Budapest.

- Conference addressed issues for securities market regulators and their supervisors.
- Advanced plans to protect investors, for fair and transparent markets, and systemic risks.
- Public hearings on sale of unsuitable products to retail investors, and challenges of Fintech.
- IOSCO board discussed the approach for the further growth of initial coin offerings ICOS.
- As well as asset management, growth of ETFs, and idiosyncratic risks from ETF structures.
- Discussed implications for IOSCO of GDPR, which takes effect in EU on May 25, 2018.
- Agreed to launch Fintech Network to spread information and sharing of knowledge.

## EU

### EU ESAs Securitization in EMIR

On May 4, EBA, ESMA and EIOPA proposed amended EMIR clearing, for securitization rules.

- Draft RTS on clearing obligation described which arrangements arising on covered bonds, and securitizations, mitigate counterparty risk, and thus may benefit from clearing exemption.
- Draft RTS on risk mitigation would extend the treatment now associated with covered bonds.
- Proposed treatment, i.e. no exchange of initial margin, collection only of variation margins, is applicable only where a STS securitization structure meets conditions of being 'simple'.
- Are the same as those required for covered bonds issuers to benefit from such treatment.
- ESMA will submit draft RTS to the EC, and plan for endorsement prior to Jul. 18, 2018.

### ECB Aggregation of Risk Data

On May 8, ECB issued report on data aggregation, risk reporting, as part of its supervisory priorities.

- Identifies gaps, good practices for BCBS 239 principles, on governance, data architecture, tech infrastructure, risk data aggregation capabilities and risk reporting practices.
- Found unsatisfactory implementation of BCBS 239 principles, progress a source of concern.
- Several credit institutions' implementation schedules run until end 2019 or even beyond.
- Lack of clarity re responsibility, accountability for data quality, difficult to understand roles, responsibility of business, control, IT function.
- Identified follow-up actions for supervisors, institutions to fix by deadlines, JSTs monitor.
- Urged all SIFIs to implement, taking into account size, business models, complexity.
- NCAs to assess if SIFIs implement principles within 3 years, global SIFIs generally take 5-6.

### ESMA One-Stop Company Portal

On May 7, ESMA compiled one-stop-shop portal, for a register of companies authorized by NCAs.

- Included management companies, organized trading facilities, and systematic internalizers.
- SME growth markets, data reporting service providers, and multilateral trading facilities.
- With alternative investment fund managers, regulated markets and investment firms.
- There were specific disclaimers in respect of each entity appearing on the dedicated links.
- ESMA working with NCAs to complete upload of all national data into the ESMA register.
- Offers machine-to-machine services to large-scale organizations, data updated by Solr indexes, open source enterprise search server.

### EBA 2016 CVA Risk Monitoring

On May 4, EBA issued results of 2016 CVA risk monitoring exercise, following Jun. 2017 launch.

- Assesses impact on own funds requirements of reintegration of transactions exempted from CVA risk charge, due to CRR.
- Taking into account caveats on data quality, results show that a median bank would see its current risk charge multiplied by 3.06 when reintegrating exempt transactions.
- Finalized Basel III reforms include a revised framework for CVA risk, so EBA will extend 2017 exercise to assess the impact of CRR exemptions in light of revised CVA standards.
- The EBA has already started a data collection for 2017 CVA risk monitoring exercise.
- Will be part of regular Basel III monitoring exercise, so EBA has included, in the Basel III monitoring reporting template, an EU-specific CVA worksheet, related instructions.

### ECB Stress Test of Greek Banks

On May 5, ECB issued Greek stress test result, average capital depletion 9% in adverse scenario.

- 8.56% Alpha Bank, 8.68% Eurobank, 9.56% National Bank Greece, and 8.95% Piraeus.
- Common equity tier 1 capital depletion of 9%, was equivalent to a €15.5bn capital shortfall.
- Used same methodology as EU-wide EBA stress test, including an accelerated timeline.
- Eurobank excluded 250bp drop, for phase-out of its grandfathered preference shares.
- Negative impact of credit risk on CET1 is 260bp under baseline scenario, 850 adverse.
- Net interest income (NII) fell 22.5% under adverse scenario versus the baseline scenario.

### AFM Brexit Licence Application

On May 2, AFM issued Brexit guide to UK-based financial firms looking to set up in Netherlands.

- Recommend institutions aiming to be licensed in Netherlands prior to Brexit, Mar. 2019, to apply for a license as soon as is practicable.
- Preferably, no later than Jul. 1, 2018, AFM expected to process before Mar. 29, 2019.
- Highlighted that timely processing will depend on quality of application and responses.
- Relocation of part of activities, and timely license application, will allow UK-based financial institution to continue operations within the European Union post-Brexit.
- Agreement on a transition period is not yet definitive, conditional on the conclusion of sensitive subjects, and uncertain that UK firms can still act within EU27 post-Mar. 29, 2019.

## UK

### ICO Data Protection Reform

On May 4, ICO proposed how it will use its new powers under GDPR, data protection bill.

- Plans to use powers, what effect will have on markets, and released regulatory action policy.
- New power included no-notice inspections, compelling people and organizations to hand over information and will make it a criminal offence to destroy, falsify or conceal evidence.
- The policy covers all 11 pieces of legislation that ICO is responsible for, on privacy, electronic communications, nuisance calls, texts, emails, and harassment of consumers.
- On May 2, ICO stated Cambridge Analytica investigation to continue despite insolvency proceedings, and it will pursue relevant individuals and directors, as appropriate.
- On May 5 gave notice to SCL Elections for failure on SAR response, 30 days to respond.

### PSR ATM Reporting Guide

On May 9, PSR issued guidance on reporting requirements for largest-ATM network (LINK).

- LINK changed free-to-use charges regarding customers using alternative type of ATMs.
- PSR working to protect customers, and keep free-to-use ATMs, add new ones as needed.
- Ensure future changes worked for customers, hold LINK to account, take action if needed.
- LINK to report monthly to PSR on changes to free-to-use ATMs that it said it would protect.
- For protected ATMs that have closed or at risk, to describe what LINK will do in response.
- Changes to LINK's Financial Inclusion Programme regarding UK free-to-use ATMs.
- Review whether monitoring has influenced LINK's strategy/decisions on ATMs/fee rates.

### FCA Mortgage Best Deal

On May 4, FCA reported on finding best mortgage deal, with competition working well for many.

- 3/4 of consumers switch in 6 months of moving to reversion rate, but navigating the market is difficult, customers miss significant savings.
- Hard to know at an early stage, products can qualify for, 30% fail to find cheapest mortgage.
- Longstanding customers could benefit by switching away from reversion rate, sometimes cannot, despite their payments being up-to-date.
- Intermediary choice matters, but little help to choose across firms, using an informed basis.
- Some contract clauses were identified by FCA, to which it wanted to draw firms' attention.
- Consulting on proposed remedies to help mortgage prisoners, more innovative tools.

### FCA CEO High-Cost Credit

On May 2, FCA CEO Bailey spoke on the high-cost of consumer credit as one of its major tasks.

- Basic principles, cost of credit matters, to focus on whether users frequently in long-term debt, complexity of product, sales practices, proper assessment of affordability by the lenders.
- Must take great care to consider alternatives to high-cost credit could look like for consumer.
- For many users, access is important, can allow sensible smoothing of income flows, purchase of necessary durable goods, and FCA do not take view credit should be restricted to them.
- Ensure framework reduces risk of consumer harm, allows credit if appropriate, affordable.
- Need alternative credit providers to be able to access sustainable capital, build critical mass of support, encourage an appropriate risk appetite and obtain cost recovery for lenders.
- Help social landlords assist tenants to find other credit sources to buy essential goods.

### FCA Questions Wholesale Conduct

On May 2, FCA issued report on questions for wholesale conduct, following Apr. 2017 feedback.

- Indicated most firms have made progress, but design of a program has implication for speed of implementation, staff buy-in and, ultimately, whether or not it will continue to be effective.
- Report included importance of a design and overall governance, identifying conduct risk, fostering staff engagement and responsibility, and the provision of broad support to staff.
- Insightful use by management of information on risks, consequences of internal initiatives.
- Plan extension of five questions approach to asset management, trading firms and venues.

### FRC Audit Culture Review

On May 10, FRC issued thematic review of audit firm culture and its impact on quality.

- Action by eight firms, that adopted audit firm governance code, to establish, promote, embed culture serious re consistent high quality audit.
- Plans to review culture at the big six as part of monitoring, urged investors, stakeholders to consider link between culture and audit quality.
- Noted that firms investing considerable time and effort on implementing firm-wide culture.
- Identified examples of good practice, which other firms should consider adopting, e.g. how firms relate their purpose, values and encouraged behaviors in day-to-day activity.
- Highlighted number of key areas that firms should address in order to improve culture.



## AML & Enforcement

### US Leaves Iran Nuclear Plan

On May 8, US Treasury re-imposed sanctions on Iran nuclear weapons, after departing joint plan.

- Follows decision by President Trump to stop US participation in 2015 joint plan (JCPOA).
- OFAC has acted to implement US sanctions, after a 90 day and 180-day wind-down period.
- At end of the wind-down periods, applicable US sanctions will come back in full effect.
- OFAC issued statement and FAQs on the re-imposed sanctions and wind-down period.
- Leaders of UK, France, and Germany stated their continuing commitment to the JCPOA.
- Risk that EU firms will breach US sanction, if continue to trade with Iran, per national laws.

### DoJ Rosenstein FCPA Speeches

On May 9, DoJ deputy AG Rosenstein spoke on FCPA policy, and improving cooperation in US.

- New policy against piling on, same conduct investigated, punished by several regulators.
- Instructed DoJ components to appropriately coordinate with each other and other agencies.
- Federal criminal enforcement should not be used as threat to obtain larger civil settlement.
- Regulators need to coordinate with each other, achieve overall equitable result, crediting and apportionment of financial penalties, fines, etc.
- Creating a new working group on corporate enforcement and accountability within DoJ.

### UK TPR Firm Asset Seizures

On May 3, UK TPR to use automatic enrollment fines on workplace pension, by seizure of assets.

- If fines not paid, court order enforced by high court enforcement officers (HCEOs) who can force entry into locked commercial premises, remove items to sell, to value of amount owed.
- Will be last resort when, without good excuse, debtor fails/refuses to pay fine/levy, HCEOs have clear rules on what can seize, how to act.
- TPR will consider prosecuting employer, if non-compliant with automatic enrolment duty.



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