



September 1, 2019

Quote of the Week

“The Bank of England and other regulators have been clear that unlike in social media, for which standards and regulations are only now being developed after the technologies have been adopted by billions of users, the terms of engagement for any new systemic private payments system must be in force well in advance of any launch.”

- Mark Carney, Bank of England Governor



Articles in This Issue

- US Banking:** Fed Volcker Review Proposal; FDIC Small Bank Assessment Credit; OCC Partial Assessment Refunds; NCUA Federal-State Chartering; FDIC Rate Caps for Less-Capitalized; NCUA Hemp Businesses Risk [Page 2](#)
- US Consumer:** HUD Disparate Impact Change; White House Veteran Student Loans; Fed Debit Card Fee Reporting; CSBS Deploys Fintech Tools; NCUA Wider Membership Field [Page 3](#)
- US Investment:** SEC Proxy Voting and Solicitation; FINRA Advising Municipal Clients; OpCC Capital Replenishment; NY Veteran Pension Protection; PBGC Terminated Single Plans; SEC Small Business Committee [Page 4](#)
- Canada:** CSA BC Guide Compliance Consultant; IIROC Plain Language Rulebook; CDIC 2019 Annual Report Released; CSA OSC Improved Fee Disclosure; MFDA OBSI Joint Annual Report; CSA Margin Uncleared Swaps [Page 5](#)
- International:** AST GVT Royal Commission Map; AST APRA Group Contagion; IND RBI Government Securities Market; HKMA Liquidity to Aid Resolution; HK SFC Liquidity Risk of Funds; HKMA Remote Account Opening [Page 6](#)
- EU:** ECB Non-Performing Loan Guide; ECB Credit Risk Data Reporting; ECB Transition from EONIA to €STR; EBA Phase 2 Reporting Framework; EBA, ESMA Work on Crypto-assets; EC Accounting Standard Amendments [Page 7](#)
- UK:** UK Carney Crypto Alternative to USD; FCA Claims Management Ads; FCA Pension Transfer Advice; FCA Customer Authentication; FCA Crime Compliance Control; FCA PPI Deadline Looming [Page 8](#)
- AML & Enforcement:** FinCEN Advisory Fentanyl Trafficking; OFAC China and Opioid Crisis; SWI FINMA AML/Blockchain; UK NCA Account Freezing [Page 9](#)

Regulatory Watch List

- ↑ No Deal Brexit** On Jun. 28, [BBC](#) reported that UK GVT intends to prorogue UKP; this means that the UKP is unlikely to have time to pass any laws to prevent a no deal Brexit and could lead to a no confidence vote in GVT.
- ↓ CEO Accountability** On Aug. 27, 2019, [House](#) released CEO accountability hearing findings; megabanks are coming up short in closing the CEO-to-worker pay gap; despite earning record-breaking profits.

US Banking

Fed Volcker Review Proposal

On Aug. 20, FDIC, OCC approved final rule that will simplify and clarify parts of the Volcker Rule.

- FDIC chair Williams said amend trade account definition; banks subject to market risk capital rule are not subject to short-term intent prong.
- FDIC director Gruenberg voted against change due to severe narrowing scope of instruments.
- Compliance tailored to size of trading assets, liabilities, most stringent applied to largest.
- Retained short-term intent of trading account only for those that are not, and do not elect to be subject to, market risk capital rule prong.
- Replace presumption that instruments held for fewer than 60 days are covered under short-term intent prong; if over 60 days, not covered.
- Trades within internal risk limits set under final rule are engaged in permissible market making or underwriting activity; streamlined criteria applied when entity relies on hedge exemption.
- Limited impact of rule on foreign activities of foreign banking organizations; simplified trading activity information that banking entities are required to provide to agencies.
- Effective date of Jan. 1, 2020 with compliance date Jan. 1, 2021, banks may comply early.

FDIC Small Bank Assessment Credit

On Aug. 20, FDIC proposed deposit insurance rule to give credit to small banks in their assessments.

- Require FDIC to automatically apply credits to quarterly assessments when the reserve ratio is at least 1.35%, rather than 1.38% currently.
- After applying credits for eight quarters, FDIC would remit to banks the nominal value of any remaining small bank credits.
- Applies to banks with under \$10bn in assets, if contributed to growth of deposit insurance fund (DIF) reserve ratio from 2016 to 2018.
- Proposal would not change the total amount of credits awarded, but could affect when FDIC applies them; changes are intended to make credit application more predictable.

OCC Partial Assessment Refunds

On Aug. 21, OCC proposed rules on partial fee assessment refunds when banks exit jurisdiction.

- Provide for partial assessment refunds to bank when exits OCC jurisdiction within first half of each 6-month period, beginning the day after applicable second or 4th quarterly call report.
- Intended to prevent banks that exit the OCC's jurisdiction from paying assessment fees for the 3-month periods in which not supervised.
- Refund equal to prospective portion of assessment, rule effective on Sep. 20, 2019.

NCUA Federal-State Chartering

On Aug. 14, NCUA stated federal-state charter system working to reduce CU regulatory burdens.

- NCUA Chair signed document of cooperation pledge coordination between State and federal.
- Principles to ensure credit union safety and soundness, enhance supervision, environment of innovation, prosperity, and success.
- The new document is a significant update to 2007 agreement NCUA, NASCUS signed.
- NCUA-state supervisor work group finished pilot program for system of alternating exams.
- Phase II will improve cooperation with States when conducting joint exams or supervision.
- Phase III will seek benefits to credit unions from improved federal-State collaboration.

FDIC Rate Caps for Less-Capitalized

On Aug. 20, FDIC proposed rate cap on less than well capitalized banking institutions (LWCIs).

- The statutory interest rate restrictions will generally limit LWCI from offering rates on deposits which significantly exceed the prevailing rates within its normal market area.
- Proposal would amend methodology for calculating national rate (NR), and national rate cap (NRC) for specific deposit products; aims for more balanced, reflective NRC.
- NR would be weighted average of rates offered on a given deposit product, as calculated by all reporting banks weighted by domestic share.
- NRC for particular products is 95th percentile of rates paid by banks weighted by each bank's share of total deposits; (or NR plus 75 if higher).
- Proposed calculation would allow LWCIs to offer up to 90% of the highest rate paid on a deposit product in their local market area.
- Comments are due on before 60 days after proposal is published in federal register.

NCUA Hemp Businesses Risk

On Aug. 19, NCUA issued interim guidance on credit unions that serve hemp businesses

- Agriculture improvement act (2018 farm bill) removed hemp as federal controlled substance.
- In light of legal and regulatory environment, credit unions must know laws and regulations that apply to hemp-related businesses done.
- CU must know state's laws, regulations, and agreements operates under, and verify in pilot.
- Has AML compliance program commensurate with risks, appropriate customer due diligence.
- Remain alert to any indication member activity is unusual for business or is involved in illicit activity; also, must comply with suspicious activity reporting requirements.

US Consumer

HUD Disparate Impact Change

On Aug. 16, HUD proposed to revise disparate impact rule, as factor to determine discrimination.

- Better reflect US SC 2015 decision TX Dept of Housing v. Inclusive Communities Project.
- Supreme Court upheld disparate impact theory as to business policies and local ordinances if disproportionately affects protected class absent adequate justification.
- Provides framework for establishing legal liability for facially neutral practices that have unintended discriminatory effects on classes that are protected under Fair Housing Act.
- Proposed rule was said to have no impact on determinations of intentional discrimination.
- On Aug. 22, 2019, House published statement by HSFC Chair, Waters, on HUD's move to weaken protections on housing discrimination.
- Said affected include persons with disabilities, families with children, and racial minorities.

White House Veteran Student Loans

On Aug. 21, White House order discharged veteran student loan debt if permanently disabled.

- Since 1965, such disabled veterans have been entitled to discharge federal student loan debt.
- Veteran required to apply to agency with proof of disabilities obtained from veterans dept.
- Process complicated and difficult, only half of 50,000 disabled veterans had used benefit.
- New policy change requires secretaries of education and veterans affairs to coordinate.
- Veterans affairs must share their disability determinations with department of education.
- This sharing will relieve veterans of burdensome administrative impediments.
- Secretary of education directed to promptly develop swift, effective discharge process.

Fed Debit Card Fee Reporting

On Aug. 15, Fed proposed revised debit card interchange report, covering the reimbursement.

- Remove breakout interchange fees reimbursed to acquirers on chargeback or return.
- Add tokenization as an option for fraud prevention activity; and update instructions.
- Revise FR 3064b to remove a question about the number of merchant establishments.
- Remove questions on fee schedule that differentiates exempt and non-exempt issuers.
- Do not question refunds of interchange fees to acquirers for chargebacks and returns.
- Proposed revisions to surveys would be effective for collection of calendar year 2019.

CSBS Deploys New Fintech Tools

On Aug. 21, CSBS deployed 3 online fintech tools for Vision 2020 for protection against cyber risks.

- Portal of State agency guidance for nonbank financial services firms, interactive map of agent-of-payee exemptions from money transmission law, cybersecurity 101 resource.
- With innovative products, technology, State regulators worked to bring new tools to help industry compliance, protect consumer data.
- Part of CSBS Vision 2020, modernize nonbank licensing and supervision, responded to formal recommendations by fintech advisory panel.
- Portal to help nonbanks to stay current with state regulatory guidance, interactive map to identify states that do not need an MSB license for receiving third-party payments.
- Resource center has non-technical guide, info.

NCUA Wider Membership Field

On Aug. 20, NCUA chair Hood spoke on appeals court decision re field of membership rules.

- DC Circuit Court of Appeals made decision in American Bankers Association v. NCUA.
- Follows Jun. 21, 2018, NCUA Board approved rules on chartering and field-of-membership.
- NCUA said it is "pleased with Court of Appeals decision. The agency is still reviewing that decision. In the near future, we will provide guidance for affected credit unions."
- Rule had ease restriction on who may join the unions, including on previous geographic limit.
- The American Bankers Association said NCUA ignored well-defined, local requirement.
- An applicant for original community charter, conversion or expansion option to submit narrative with documentation, to establish existence of well-defined local community.

US Investment Management

SEC Proxy Voting and Solicitation

On Aug. 21, SEC issued guide on proxy voting solicitation, responsibility of investment advisers.

- Statements made by SEC chair Clayton, and commissioners Roisman, Lee, Peirce, Jackman.
- IAs to fulfill proxy voting responsibility, ability for different voting arrangements with clients.
- Adviser owes client a duty of care, loyalty on services it undertakes, including proxy voting.
- Agree on IA authority, responsibility for proxy votes, steps to demonstrate in client's interest.
- Steps if IA aware of error, incompleteness, or weak methodology in proxy firm's analysis,

Scope of Proxy Rules, Advice

- Also published an interpretation and guidance regarding the applicability of the proxy rules.
- Rules apply to any solicitation for a proxy, including communication to security holders.
- Would result if lead to procure, withhold, revoke proxy, influence vote by shareholders, regardless of whether the person itself is seeking the authorization to act as a proxy.
- Proxy advisory firms to continue to rely on the exemptions from federal proxy filing rules'

FINRA Advising Municipal Clients

On Aug. 16, FINRA issued notice on guidance to dealers investment activity with municipal clients.

- Apply under FINRA Rules 3110 (supervision) and Rule 3120 (supervisory control system).
- If hold or transact in customer accounts owned by muni entities or other obligated persons.
- Person recommending strategy to invest muni proceeds may have to register as with SEC.
- Firms that hold or trade municipal client accounts, but do not wish to register as a municipal advisers must have policies and procedures, to ensure this is not required.
- Firm may use information exclusion, if offers client general market or financial information.
- Firm must have supervisory system re conduct that triggers the muni registration requirement.

OpCC Capital Replenishment Plan

On Aug. 9, OpCC proposed rule on capital management policy, to ensure meets capital needs

- Also reflected CFTC regulatory capital requirements as DCO, under Rule 39.11(a)(2).
- Plan to replenish capital if falls close or below 110% of target capital requirement
- Supports function of OpCC, as a systemically important financial market utility (FMU).
- Management recommend to board implement fee increase, to raise the additional equity.

NY Veteran Pension Protection Law

On Aug. 23, NY signed law to protect veterans on pension scams and selling unneeded products.

- Pension Poaching Prevention Act prohibits any entity from receiving compensation for helping veterans, dependents prepare claim for benefits services from the VA if not authorized.
- Pension poaching is a scam by unscrupulous financial planners, insurance agents, others.
- Convince veterans to re-position assets to try and qualify for benefits they aren't eligible for.
- Then sell products for fee, no real attempt to get benefit, may even lead to loss of it.
- New law to come into effect on Oct. 25, 2019.

PBGC Terminated Single Plans

On Aug. 15, PBGC issued rules to report benefits payable on terminated single-employer pensions.

- Interest assumption is used for paying certain benefits in terminating single-employer plans.
- Regulation prescribes actuarial assumptions for paying benefits for plans in ERISA title IV.
- Assumptions in 29 CFR 4022 determine if a benefit is payable as lump sum, what to pay.
- Plans use interest rates to set lump sum to plan participants, update in appendix C to part 4022.
- PBGC issues new interest assumptions so they are available for plans that rely on publication.
- 2019 update appendices 29 CFR 4022 B, C to provide Sep. 2019 measurement dates rates.
- Lump sum interest assumptions will be 0.5% for period benefit is (or assumed to be) in pay status and 4% during any years preceding that.
- The assumptions represent no change in the immediate rate and are otherwise unchanged.
- This final rule will apply to benefits payable in terminated plans is effective Sep. 1, 2019.

SEC Small Business Committee

On Aug. 21, SEC Chair Jay Clayton spoke at small business capital formation on private investor role.

- SEC issued remarks by Martha Miller, small business advocate and commissioner Roisman.
- Clayton said private capital raising outpacing capital raising in public markets, yet main street investors have no effective access to investments as part of private capital offerings.
- Private capital is geographically skewed, and favors companies having a value over \$50mn.
- Cited SEC May 2019 amendments to reporting for acquisitions and dispositions of business.
- Aims to ensure investors receive information to understand effect of acquisition or disposal.
- Eliminate unnecessary costs and burdens imposed on issuers, from the current rules.

Canada

CSA BC Guide Compliance Consultant

On Aug. 22, CSA BC issued guide to registered firms on engaging of compliance consultants.

- As required by regulatory authorities to assist them in addressing deficiencies, systems.
- Generally follows compliance reviews, enforcement investigations of firms.
- To assess if proposed consultant will be approved gauge if sufficient knowledge.
- And resources for type of firm, engagement, whether independent of firm, no conflicts.
- If lawyer, law firm hired as consultant, key to ensure solicitor-client privilege not be an issue.
- Open communication key, firms must understand implications of waiving.
- CSA prerogative to request change to scope of work to meet regulatory decision need.
- If not meeting mandate, may require termination; firm must have CSA approval.

IIROC Plain Language Rulebook

On Aug. 22, IIROC issued plain language dealer member rules, approved by Canadian regulators.

- Plain language rulebook contains rules dealers must follow as IIROC members.
- Dealers must also comply with the Canadian securities laws, and domestic or foreign laws.
- Dealer members should ensure their policies and procedures follow IIROC's rules.
- They must submit forms to IIROC when ownership structure changes.
- Exemptions granted are grandfathered into subsection 1105(2) of the PLR rulebook.
- Ongoing disciplinary proceedings continue under dealer rules in force at the time.
- Existing principal/agent agreements are grandfathered into current agreements.

CDIC 2019 Annual Report Released

On Aug. 21, CDIC announced its 2019 annual report was tabled in parliament.

- Bolstered resiliency of Canada financial system via regulations supporting bail-in regime.
- Allowing domestic systemically important banks (D-SIBs) to issue bail-in debt.
- Enacted key changes that modernized and strengthened deposit insurance framework.
- Completed resolution planning by-law, by-law amending differential premiums by-law.
- Formalized the development and the maintenance of resolution plans by the D-SIBs.
- Increased awareness of CDIC deposit insurance program through strategy.
- Integrated with updated member requirements under CDIC deposit insurance info by-law.

CSA OSC Improved Fee Disclosure

On Aug. 19, CSA OSC updated on project about improved fee disclosure via behavior insight.

- Partnered with behavioral insights team (BIT) to identify tactics to improve fee disclosures.
- Report examined how investment fees are communicated to investors.
- Also focused on how annual fee reports are delivered by registered dealer/advisers.
- Disclosure testing, informed by behavioral insights to make sure clear, meaningful.
- Guidance to support registrants' design of these reports, encouraged to review findings.
- If proven effective, integrate tactics into their current practices.
- OSC encouraged registrants to design, present fee reports more intuitively.
- Including through presenting disclosure in non-traditional formats.

MFDA OBSI Joint Annual Report

On Aug. 15, MFDA issued joint regulator committee annual report for 2018.

- Facilitate holistic approach to information sharing and monitor dispute resolution.
- With view to promote investor protection and confidence in dispute resolution.
- Facilitate regular communication and consultation among JRC members and OBSI.
- One matter on fee disclosure was reported that OBSI determined as raising a systemic issue.
- The committee reported that there were no compensation refusals in 2018.
- JRC provided OSBI comments on proposed changes to OBSI key documents.
- Considered regulatory framework that would empower OBSI to make binding awards.
- On firms, would need legislative amendment and other implementing changes.
- CSA will monitor refusals and settlements for less than recommended.
- Consider whether to move forward with the work necessary for binding decisions.

CSA Margin Uncleared Swaps

On Aug. 22, CSA BC decided to delay implementation of mandatory requirements.

- Mandatory margin, collateral requirements for non-centrally cleared derivatives.
- After review of derivatives data, is clear delay will not result in increased systemic risk.
- Plan to implement harmonized process to monitor derivatives markets, participants.
- Also international developments to inform decisions on implementation.

International

AST GVT Royal Commission Map

On Aug. 19, AST GVT issued financial services Royal Commission implementation roadmap.

- Sets out how GVT will deliver on its response to the Royal Commission.
- Of Royal Commission's 76 recommendations, 54 were directed to the government.
- In addition government announced further 18 commitments to address issues raised.
- So far, government implemented 15 of commitments it outlined in response to report.
- Comprising 8 out of the 54 recommendations that were directed to the government.
- Significant progress has been made on 5 recommendations with draft legislation.
- By end of 2020 remaining recommendations requiring legislation will have been made.

AST APRA Bank Group Contagion

On Aug. 20, AST APRA issued rules aiming to help combat bank risk contagion.

- Updated APS 222 associations with related entities; and reporting standard ARS 222.0.
- As well as reporting standard ARS 222.2 exposures to related entities - step-in risk.
- Stronger APS 222 will enhance ADIs prudential safety, reinforce system stability.
- Will also help ensure that banks can monitor, manage, control contagion risk in groups.
- Uses broader definition of related entities to include directors, substantial shareholders.
- Revised limits on extent of ADIs exposure to related entities and other.
- ADIs to regularly assess and report on exposure to step-in risk, from related entities.
- Transition arrangements on case-by-case basis if entities request may be considered.

IND RBI Government Securities Market

On Aug. 19, IND RBI issued primer and FAQs on government securities market.

- This primer is another initiative of the Reserve Bank to disseminate information.
- Relating to the G-Secs market to the smaller institutional players as well as the public.
- Previous initiatives include workshops on basic concepts for fixed income.
- Trading and investment practices and also the related regulatory aspects.
- An effort has been made in this primer to present a comprehensive account of market.
- And the various processes and operational aspects related to investing.
- The primer also has, as annexes, a list of primary dealers (PDs), useful excel functions.

HKMA Liquidity to Aid Resolution

On Aug. 26, HKMA issued liquidity facilities framework for banks.

- Review is completed of liquidity facilities framework for authorized institutions (AIs).
- A new resolution facility is introduced plus certain refinements to prior arrangements.
- Resolution facility, and related powers are exercised by HKMA as resolution authority.
- To ensure that bank which has gone into resolution has liquidity to meet obligations.
- Settlement facilities aim to facilitate smooth operation of interbank payment system.
- Standby liquidity facilities to make term liquidity available to AIs.
- Contingent term facility makes reference to principles of previous lender of last resort.
- Liquidity provision at HKMA discretion, if facing extraordinary liquidity stress.

HK SFC Liquidity Risk of Funds

On Aug. 23, HK SFC issued circular on managing liquidity of funds.

- Circular highlights inadequacies in fund managers' liquidity risk management practices.
- Survey conducted to understand fund managers' liquidity risk management processes.
- Assess compliance with 2016 circular and fund manager code of conduct (FMCC).
- Inadequacies found in framework, liquidity profile assessment of assets and liabilities.
- Stress testing, risk management governance structure, and documentation.
- Fund managers reminded to review current systems and processes in light of regulation.
- Enhance stress testing to assess potential impact on liquidity,
- Take action to rectify any inadequacies, have in place appropriate action plans.

HKMA Remote Account Opening

On Aug. 23, HKMA issued guide on opening remote accounts following amendments.

- Requirements for account opening, following amendments to code of conduct.
- Intermediaries should take all reasonable steps to establish true identity of clients.
- If account opening procedure other than face-to-face approach is used.
- Should be one that satisfactorily ensures identity of client; acceptable approaches.
- Verification is not required again when opening an investment account.
- If institution has already verified a client using any accepted way when opening account.

EU

ECB Non-Performing Loan Guide

On Aug. 22, ECB revised supervisory expectation for prudential provisioning of new NPL/NPEs.

- In addendum to ECB guidance to banks on non-performing loans (guidance on NLPs).
- As per commitment re NPE supervisory expectations once new legislation adopted.
- New regulation outlines pillar 1 treatment for NPEs, it is in force since Apr. 26, 2019.
- Regulation complements existing prudential rules, also requires deduction from own funds when NPEs are not sufficiently covered by bank provisions or other adjustments.
- NPLs level must be further reduced while economic conditions remain favorable.

ECB Credit Risk Data Reporting

On Aug. 16, ECB issued decision on non-euro MS reporting of granular and credit risk data issued.

- Common credit risk data shared between Eurosystem CBs should be open, on voluntary basis to non-euro area MS, particular in SSM.
- To broaden geographical, data scope, increase EU harmonisation, several non-euro central banks (NCBs) cooperate with ECB, MS NCBs.
- Cooperation based on Recommendation ECB/2014/7, they also apply preparatory measures for collection of granular credit data as per Decision ECB/2014/6.
- It is necessary to specify ECB procedures re expressions of interest by non-euro area MS to become reporting MS as per Reg 2016/867, assessment and recognition of MS.
- Also necessary to set procedures re potential suspension/termination of recognition.
- In force 20 days after issued i.e. Sep. 5, 2019.

ECB Transition from EONIA to €STR

On Aug. 19, ECB issued guide on transition from EONIA to €STR for cash and derivatives products.

- Private sector working group on euro risk-free rates issued report and non-legally binding recommendations on transition from EONIA.
- Consider wide use as reference rate, collateral remuneration and cash flow discounting rate.
- Analyses products/processes, covering secured (repos), unsecured (current accounts) cash products, securities, investment funds, derivatives, models referencing EONIA.
- Urges market participants to prepare for change in EONIA publication time from day T to next business day T+1 that will follow change in EONIA methodology from Oct. 2.
- CCPs encouraged to switch discounting regime to €STR towards end of Q2 of 2020.

EBA Phase 2 Reporting Framework

On Aug. 21, EBA published technical package on reporting framework 2.9, phase 2.

- Reporting framework 2.9 includes validation rules, DPM data dictionary, XBRL taxonomies.
- Reflects ITS changes re FINREP reporting and benchmarking of internal approaches.
- Reporting framework to apply from different reference dates due to application dates of underlying regulatory requirements, dates range from Sep. 2019 to Jun. 2020.
- Consolidated version of the reporting requirements, Validation rules, DPM v2.9, EBA XBRL v2.9 (Phase 1), EBA XBRL v2.9 (Phase 2), latter are updates of Aug. 19, 2019.
- The first application deadline is Sep. 26, 2019 and last one is Jun. 30, 2020.

EBA, ESMA Work on Crypto-assets

On Aug. 20, EBA, ESMA issued joint response to EC letter of Jul. 19, 2019 on crypto-assets.

- Welcomed EC work in response to EBA, ESMA Jan. 2019 report on crypto-assets, ICOs.
- Vital further work progresses with urgency to inform potential actions by the new EC.
- EBA, ESMA to launch stocktaking exercise of national regimes regarding crypto-assets.
- To include a specific block of questions regarding regulatory treatment of stablecoins.
- Stablecoins will be discussed at Sep. EFIF event along with other financial technology.
- EBA, ESMA, EC working closely together, staff must continue to have regular dialogue.
- EBA, ESMA would like to see such dialogue as complementary to existing structures.
- And will continue discourse with ECB on issues (e.g. functioning of payment system).

EC Accounting Standard Amends

On Aug. 19, EU CNCL published notice of EC IAS, IFRS amendments dated Aug. 2, 2019.

- Document D062934/2 amends definition of material in IAS 1 presentation of financial statements, IAS 8 accounting policies, changes in accounting estimates and errors.
- Document D062950/01 amends reference to conceptual framework in IAS 1, IAS 8.
- Also IAS 34 interim financial reporting, IAS 37 provisions, contingent liabilities and contingent assets, IAS 38 intangible assets.
- And IFRS 2, IFRS 3, IFRS 6, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32.
- Companies to apply amendments for first financial year starting on/after Jan. 1, 2020.
- In force 20th day after official publication.

UK

UK Carney Crypto Alternative to USD

On Aug. 23, BoE gov. Carney spoke on state of international monetary and financial system.

- Focused on all issues including potential development of crypto currency.
- Technology has potential to disrupt network externalities preventing the incumbent global reserve currency from being displaced online transactions on rise still expensive.
- Could dampen domineering influence of USD on global trade US to have less potent spillovers through exchange rates, trade to become less synchronized across globe.
- Consider most high profile alternative, Libra which has numerous issues to be addressed.

FCA Claims Management Ads

On Aug. 23, FCA issued rules on claims management company (CMC) adverts.

- New rules to ensure CMC information to consumers is fair, clear and not misleading.
- Rules require the CMC firms to identify themselves as a claims management company.
- To prominently state if a claim can be made to a statutory ombudsman/compensation scheme without using a claims management company and without incurring a fee.
- To include prominent information regarding fees and termination fees the customer may have to pay if a firm uses the term no win, no fee or a term with similar meaning.
- Designed to help consumers make informed choice whether to use services of a CMC.
- FCA set out examples of bad practice discovered when reviewing promotions.

FCA Pension Transfer Advice

On Aug. 21, FCA issued video to help consumers understand pension transfer advice.

- Helpful for those who have transferred out of schemes, e.g British Steel Pension Scheme, but unsure if they received quality advice.
- And those who are considering transferring out of a defined benefit pension scheme.
- Outlines process financial advisers should follow when providing scheme members with advice on whether to transfer their pensions.
- Highlights key information advisers should provide and questions they should ask.
- Including disclosing cost of financial advice, asking questions about individual's situation, explaining ongoing services they recommend.
- Concerns financial advice received was not suitable should first be raised with firm and then with FOS as independent arbitrator.

FCA Customer Authentication

On Aug. 20, FCA sent letter to CEOs regarding requirements for SCA implementation.

- From Sep. 14, 2019 PSPs must apply SCA where user initiates e-payment transaction.
- UK Finance coordinated agreed industry plan to implement SCA for card-not-present transactions for e-commerce as soon as possible, it was accepted by FCA.
- Legal deadline remains Sep. 14, 2019, FCA will not take enforcement action against firms in areas covered by plan, limited to card-not-present e-commerce transactions.
- FCA to track progress, hold regular meetings with industry to monitor plan delivery.
- Measures to be operational by Mar. 14, 2021.

FCA Crime Compliance Control

On Aug. 19, FCA updated guidance to firms on actions to avoid being used for financial crime.

- Regulated firms must have systems/controls to mitigate risks linked to financial crime.
- Effective systems and controls can help detect, prevent and deter financial crime.
- Some firms will also be required to comply with Money Laundering Regulations 2007.
- FCA financial crime guide and crime thematic reviews guide firms on ways to address.
- Includes governance, structure, risk assessment, policies, procedures, recruitment.
- As well as vetting, training, awareness and remuneration, good quality of oversight.
- Points valid for all firms subject to financial crime rules, e-money/payment institution.
- Joint Money Laundering Steering Group (JMLSG) has produced industry-led guidance.
- Also guidance for consumer credit firms subject to the Money Laundering Regulations.

FCA PPI Deadline Looming

On Aug. 22, FCA issued reminder regarding the PPI complaints deadline on Aug. 29, 2019.

- Research shows 18% of consumers say they'll make last-minute decision on PPI complaints.
- FCA urged them not to miss their chance to make a complaint and to act before time is up.
- More than 5.1 million users have now accessed FCA's PPI website, 84,733 calls to dedicated contact center have been received.
- £340.4 million was paid in Jun. 2019 to those who complained PPI mis-selling.
- In the past eight weeks, since the FCA's final push went live there has been a 420% increase in web users and 269% increase in calls, compared to previous eight weeks.

AML & Enforcement

FinCEN Advisory Fentanyl Trafficking

On Aug. 21, FinCEN issued advisory on risks from fentanyl trafficking schemes.

- Highlights primary red flags for this activity, derived from sensitive financial reporting.
- Flags associated with the sale of the drugs, by Chinese, Mexican, and other suppliers.
- Cited methods used by Mexican and other transnational criminal organizations (TCOs).
- Include financial methodologies used in internet sales to purchasers located in the US.

OFAC China Kingpins Opioid Crisis

On Aug. 21, US Treasury OFAC named Chinese opioid kingpins fueling America's opioid crisis.

- Office of national drug control policy issued advisory on Fentanyl and synthetic opioid.
- Included advisers about the manufacturing, marketing and movement of these drugs.
- Cited web platforms known to often host activity, and street names used for fentanyl.
- Instructions for reporting suspected fentanyl marketing activity to law enforcement.
- Movement covers supply chain companies explains how fentanyl products enter in US.
- Such products can then move domestically to their end users, commonly via the USPS.

SWI FINMA AML and Blockchain

On Aug. 26, SWI FINMA issued note on applying existing AML/CTF rules to blockchain services.

- Reaffirmed technology-neutral approach and recognizes innovative potential of new technologies for financial markets yet it extends applicability of existing rules.
- Treat VASP in blockchain area, such as changers, wallet providers, trading platforms.
- Countries to assess, mitigate risks associated with virtual asset financial activities and providers, license or register providers and subject them to supervision.
- VASPs are subject to same relevant FATF measures that apply to financial institutions.



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