Quote of the Week

“The EU must come to the table and commit – at the very least – to matching the UK’s sensible mitigations. Failure to do so will hurt all our economies. While the UK’s preparations to date are welcome, the unprecedented nature of Brexit means some aspects cannot be mitigated. We can reduce but not remove the damage of no deal.”

- Josh Hardie, Deputy-Director General, CBI

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UK: PRA Article 50 Extension; FCA Brexit Transition Power; PRA Counterparty Credit Risk; FCA Wealth Management Letter; FCA Vulnerable Customers; FCA Costly Credit Alternatives

AML & Enforcement: Treasury Cryptocurrency Crime; Agency Risk-Based AML Exams; EC Credit Institutions AML Cases

Regulatory Watch List

EU Equivalence On Jul. 29, EC issued approach to financial services equivalence; sets out comprehensive approach, recent legislative improvements on granting equivalence, describes how the EC/ESAs monitor it.

UK Resolution On Jul. 30, BoE/PRA finalized resolvability assessment framework; confirmed proposals to further protect economy and taxpayers from bank failure by putting in place the final major piece of the regime.
US Banking

**FDIC Securitization Safe Harbor**
On Jul. 16, FDIC chair amend securitization safe harbor for insured depository institutions (IDI).

- To eliminate a disclosure requirement applying to private RMBS issuance by IDIs.
- Follows 2010 rule on treatment of assets if FDIC receiver for IDI in securitization deals.
- Including compliance with SEC Reg. AB even if underlying obligation not subject to.
- In private placements documents, not require, if securitized, no disclosure requirement.
- McWilliams supports, considering amends as FDIC already applying SEC disclosure rule in situations where SEC has determined after deliberations, not to apply the disclosure rule.
- Gruenberg opposed amendment, undo key measure to address central cause of crisis.
- That is, transmission of risk from badly underwritten mortgage loans through RMBS.

**FDIC Deposit Insurance Records**
On Jul. 16, FDIC had adopted final rules on recordkeeping and joint ownership upon failure.

- Follows FDIC proposal on records to assess insurance on failure, simplify determination.
- Change 12 CFR Part 370 for banks with over 2mn accounts, 36 large insured banks subject.
- Deposits in joint account insured separately from individual each have signature card.
- Chair McWilliams spoke in support, as "better balance of the benefits with burdens".
- Optional one-year extension of time for compliance, finalizing the rule as proposed.
- Expands forms accept as proof of existence of joint account for insurance, covers all IDIs.
- Gruenberg dissent, adopted to manage orderly failure of large banks, and does not fulfill goal.

**OCC Asset Dissipation Underwriting**
On Jul. 23, OCC published bulletin on guidance on asset dissipation mortgages standards.

- To guide on obligations on lending standards for asset dissipation underwriting (ADU).
- If originating loans using ADU, need policies, controls to align with safe, sound practices.
- Need ensure fair access to financial services, fair treatment of consumers always.
- Risk governance commensurate with credit risk of ADU, if deviate from regular practices.
- Refer to the regulatory real estate and mortgage lending standards and guidelines.
- Lending standards, prudent risk management for all mortgages, followed by ADU customer.
- Address eligibility, discounts, verification, monitoring, credit assessment, credit reviews.

**FDIC D&O Liability Exclusions**
On Jul. 24, Fed issued statement on insurance policies for directors and officers indemnification.

- Follows Oct. 2013, where FDIC increased exclusions in director and officer liability.
- Increased personal exposure of board and officers may disincentivize good candidates.
- Jul. 2019 guidance similar, excludes things expose institutions to liability for excluded.
- No new requirements or examination issues, stated aim is to reinforce FDIC guidance.
- Expansive exclusionary terms adversely affect recruitment, retention of well-qualified staff.
- Policy based on well-informed cost-benefit analysis; consider potential effect to D&O.
- Anyone taking on position should assess potential exposure, each time policy change.

**FDIC Consolidated Reports June 2019**
On Jul. 16, FDIC issued notice for the Jun. 30, 2019 call report date, data submission to CDR.

- FDIC reminder to submit call reports for Jun. 30 report date, at the latest by Jul. 31, 2019.
- Some exceptions for banks with foreign offices have five additional calendar days to file.
- No new or revised data items take effect this quarter in FFIEC 051, FFIEC 041, and FFIEC 031.
- Updates have been made to the instruction book for FFIEC 051, FFIEC 031 call reports.
- Effective Jul. 22, 2019, agencies expanded eligibility to file FFIEC 051 to less than $5bn.
- If under $5bn, file same report form (FFIEC 051 or FFIEC 041) as filed for Mar. 31, 2019.
- FDIC letter regarding call report reminder to expire one year from the date of the letter.
**US Consumer**

**CFPB Kraninger Financial Symposia**
On Jul. 18, CFPB Director Kraninger spoke at Exchequer Club symposia on financial outreach.

- Said agency started with dynamic, informative discussion on abusive acts under DFA.
- Future symposia include small business loan data collection, and cost-benefit analysis.
- Expanded the misadventures in money management tool for active service members.
- Informed consumers about mortgage closing scams, educated consumers on debt collection.
- Initiative increase who cover urgent expenses, as 40% use credit to cover $400 emergency.
- Consumers encouraged use savings feature on prepaid card, set-aside tax refund, EITC.
- Prevent consumer harm by articulating clear rules, to promote competition, transparency.
- With supervision authority, keep violations of from happening in first place, through exams.

**CFPB Diversity/Inclusion Strategy Plan**

- Strategy to maintain equal employment opportunity (EEO) compliance with programs.
- Aligned strategic, diversity, inclusion plans by impact areas, actions to drive innovation.
- Diverse colleges, professional bodies, to improve talent pool, for workforce diversity.
- Culture to encourage collaboration, flexible, fair; enable all to contribute to full potential.
- Increase business opportunities for minority, and women-owned businesses (MWOBs).
- Use DFA good faith effort (GFE) to determine contractor efforts to utilize minorities, women.
- Develop sustainable strategies, processes to promote inclusive culture, equip leaders.
- Provide frameworks for regulated entities to build, strengthen policies and programs.

**CFPB Third Party Debt Collection**

- 1-in-4 consumers with credit have at least one debt in collection by 3rd-party debt collectors.
- CFPB consumer credit panel (CCP) collects data, 900 3rd-party debt collectors' tradelines.
- 28% consumer had 1 debt collection on report, 3-out-of-4 tradelines for non-financial debt.
- 58% of tradelines for medical debt, and 20% telecommunications, utilities consumer debt.
- Tradelines from debt buyers show consumer disagree with FCRA dispute investigation.
- Report includes detailed findings, data analysis, charts showing changes over years.

**FCC on Default Robocall Blocks**
On Jul. 11, FCC released statement by Chairman Pai after the SHAKEN/STIR robocall summit.

- Optimistic the major VSPs will meet the end-of-2019 deadline for implementation.
- Stands ready, regardless, to take needed regulatory action if this deadline is not met.
- Although no perfect remedy, caller ID authentication is an important part of solution.
- FCC to continue rest of the multi-pronged strategy to protect from such robocalls.
- Allow customer to block call by default, even if not from number on customer contact list.
- Safe harbor for network blocking of calls that fail caller authentication, per SHAKEN/STIR.

**CFPB Elder Abuse Guidance**
On Jul. 17, CFPB issued updated advisory on reporting of elder financial exploitation (EFE).

- Follows Mar. 2016 CFPB issued guidance on preventing and reporting elder abuse.
- Guidance covers mandatory State reporting, and includes charts of State requirements.
- Half States have mandatory reporting to adult protective services, law enforcement, or both.
- Recommends filing suspicious activity reports (SARs) with FinCEN when suspect EFE.
- In Feb. 2019, published report on analysis of EFE SARs, 180k SARs were filed 2013-2017.
- These SARs indicate firms are not reporting EFE directly to law enforcement or APS.
- CFPB recommends reporting to local, State, federal responders, even if not mandatory.
- Senior Safe Act 2018 grants safe harbor from liability to financial firms reporting EFE.

**US Financial Literacy Reform**
On Jul. 15, US Treasury released guidance on consumer financial literacy reform efforts.

- Report has identified the ways to efficiently and effectively deliver financial education.
- New structure for financial literacy, education commission (FLEC), roles and expectations.
- 2012 GAO report, financial education lacked coordination, not monitor effectiveness.
- Recommends better coordination, prioritize, partner with private sector, State, local govs.
- FLEC should liaise more consistently with intermediaries and stakeholder groups.
- Evaluate measures across six high-impact areas that better frame, streamline literacy resources.
- Adopt five principles of effective financial education and newly identified best practices.
US Investment Management

SEC IA Examination Observations
On Jul. 23, SEC issued risk alert on observations from investment advisers (IA) examinations.
- Covering disciplinary histories, compliance program, supervision, conflicts of interest.
- Key takeaway: analyze risks of hire supervised persons (SPs) with disciplinary history.
- Many IAs not adopt, implement policies on risks on hiring, employing such individuals.
- Many not confirm SPs responsible performing compliance functions were actually executing.
- Areas with most frequent inconsistencies involved commissions, fees, and expenses.
- And undisclosed compensation arrangements, which resulted in conflicts of interests.
- Not disclosing forgivable loans made to IA, SPs contingent on client-based incentives.

SEC Short and Long-Term Investing
On Jul. 18, SEC Clayton spoke at staff roundtable on long-term investing of public company.
- Main St. investors invest passively in funds, pension, why long-term perspective important.
- Perspective not exclusively long term, rely on timely, quality, disclosure that foster liquidity.
- For effective liquidity, investors not always need short-term focus, seek foster liquidity.
- Macro forces that drive short-term behavior, like what drives companies issue earnings.
- Not as only individual items see if they allow companies to focus on long-term performance.
- Questions if frequency of disclosures allow companies to focus on long-term performance.
- Or whether frequency force companies to focus just on quarter-to-quarter management.

SEC NASAA Opportunity Zones
On Jul. 15, SEC and NASAA issued statements on application of opportunity zone investments.
- Assess when qualified opportunity funds (QOF) would be considered securities.
- SEC chair Clayton spoke in support, and TX SEC issued a press statement to support it.
- TCJA directed designate low-income census tracts as qualified opportunity zones (QOZ).
- Generally, if poverty rate of over 20%, median income less 80% of State, city average.
- Statement explains what they are, where, who can invest, form investment takes, issues.
- Interests sold in QFC are securities if LP, LLC, corp issued it, comply with laws, exemptions.
- On Jul. 16, 2019, HUD secretary applauded SEC for encouraging Main street investors.
- On Jul. 22, 2019, NASAA issued investor advisory on risks with opportunity zones.

FINRA Public Offering Review
On Jul. 16, FINRA issued filing guidance on public offerings, FINRA Rules 5110, 5121, 2310.
- Members must file timely documents in connection with registration of public offering.
- Must submit documents within 1 business day after they are filed with or submitted to SEC.
- FINRA accords member firms confidential treatment to all filed documents, information.
- Cannot participate if underwriting terms and arrangements are unfair, unreasonable.
- Distribution in DPP, unlisted REIT comply with compensation, disclosure requirements.
- No sales of securities subject to R. 5110 until FINRA has provided "no objections" opinion.
- FINRA Rule 5110(b) (9) provides a non-exclusive list of offerings required to be filed.
- Review of public offerings complements SEC registration, review process for issuers.

FINRA Private Placement Filings
On Jul. 16, FINRA issued guidance on private placement filings, questions, and technical discussion.
- Helpful to members that first time, infrequent filers or have limited compliance resources.
- Private placements are unregistered, non-public securities offerings, rely on exemption.
- Available exemption from registration with SEC, exemption required under SRT; Reg. D, Rules 504, 506(b), 506(c)
- Private offerings sold per 3 safe harbor rules under SRT; Reg. D, Rules 5110, 506(c)
- Safe harbors that provide issuers with a clearer and more objective set of requirements.
- Requirements are found under Rule 5122, Rule 5123, and filings through the firm gateway.

CFTC IB Customer Identification
On Jul. 22, CFTC clarified guidance on introducing broker customer identification duties.
- Interpretive guidance to introducing brokers in commodities (IBs), as known as voice brokers.
- If not "introducing" customers to FCMs, not need comply with some BSA requirements, e.g. customer identification program (CIP), beneficial ownership (BO) requirements.
- When obtained by FCMs or monthly account information issued by FCMs detailing info.
- Eliminates duplicative efforts without impact money laundering or terrorist financing risk.
- Due diligence still performed by FCMs that carry account, per BSA CIP, BO requirements.
- IBs covered by guidance do not introduce to FCMs, not receive, access to customer ID.
- Thus, guidance clarifies that such IBs not required to perform CIP, BO requirements.
Canada

MFDA Continuing Ed Accreditation
On Jul. 19, MFDA proposed accreditation process for continuing education purposes.

- CSA requested public comments on proposed MFDA CE requirements in Mar. 2018.
- Requirements were developed, refined based on prior work, and consultations 2014-2017.
- Proposed new rule 1.2.6, policy no. 9 currently under review, still needs development.
- Collaborated with regulators, self-regulated, industry bodies on the CE requirements.
- The new proposed process incorporates information gained from these collaborations.
- Requires feedback to help decide if MFDA directly accredits or delegates to third party.
- To consider alternatives, types for recognition, standards for 3rd-party accreditors, fees, etc.

OSFI Liquidity Risk Management
On Jul. 18, OSFI proposed changes to liquidity risk management principles in GB6.

- GB6 describes the elements considered in assessing liquidity risk management.
- For banks, bank holding companies, and federally regulated trust and loan companies.
- It was last updated in 2012; proposal aims to ensure it remains current and relevant.
- Acknowledged firms have different liquidity risk management practices due to size etc.
- Firms should establish a committee to oversee liquidity and funding risk management.
- OSFI may require the calculation of up to 3 common metrics: LCR, NFSR and NCCF.
- Contingency planning to have quantitative and qualitative early warning indicator.
- FIs are expected to comply with Principle 12 to actively manage intraday liquidity.

OSFI Operational Risk Capital
On Jul. 18, OSFI revised capital requirements for operational risk of deposit-taking institutions.

- Use of advanced measures for operational risk capital reflects final Basel III revisions.
- In advance of requirements, banks approved for advanced measurement approach.
- There is a transition period for 2019 reporting, banks to use current AMA approach.
- For Q1-Q4 2020, use standardized approach from capital adequacy guideline, chapter 8.
- As of Q1 2021, banks required to start using revised Basel III standardized approach.
- Larger banks to continue using internal, external loss data and scenario analysis.

OSBI Seniors Complaints Report

- Fraud was the most reported issue, particularly regarding credit cards, chargebacks.
- For seniors over 70, missing or lost funds were also some of the main complaint types.
- Older Canadians are more likely than younger to file complaints about investment issues.
- Mostly about mutual funds, common shares, advice received when making investment.
- Communication challenges with seniors overwhelmed by lengthy documents.
- Seniors less likely to use newer tech, and more vulnerable since unaware of security measures.
- Identified solutions that firms, regulators may consider to reduce the challenges faced.
- Financial service providers to identify, use trusted person procedure.

CAN CB Key Interest Rate Benchmark
On Jul. 16, CAN CB announced intention to become administrator of CORRA benchmark.

- Provide rate as public good, at no cost, in line with developments in major economies.
- Canadian Overnight Repo Rate Average (CORRA) was managed by Refinitiv.
- In Canada, $12tn of financial instruments linked to benchmark rates, includes CORRA.
- Contribute to global reform effort to promote risk-free, robust, reliable, resilient rates.
- Improved methodology for calculation based on transaction data provided by IIROC.
- To be highly credible, more representative of repo market, match best practice.
- As adopted across range of financial product, it has potential to be dominant rate benchmark.
- Team to work with stakeholders to ensure prepared, confirm implementation timeline.

ONT DP PIPEDA For Business
On Jul. 15, ONT DP released videos to help businesses comply with federal PIPEDA.

- Personal Information Protection and Electronic Documents Act (PIPEDA).
- Issued other guidance documents to help businesses meet their obligations.
- Canadians are becoming increasingly concerned about their privacy.
- Many are opting to do business with firms that are more sensitive to privacy concerns.
- Videos address PIPEDA and how it applies to businesses operating in Canada,
- Describe the action that can be taken in the event that a privacy breach has occurred.
Reg-Room, LLC

International

**Basel IOSCO OTC Margin Rules**
On Jul. 23, Basel, IOSCO agreed 1-year extension of the final implementation phase.

- In the interest of supporting the smooth and orderly implementation of requirements.
- Which is consistent and harmonized across jurisdictions and avoids fragmentation.
- With extension, the final implementation phase will take place on Sep. 1, 2021.
- Entities with an AANA over €8bn must meet requirements by this date.
- Basel Committee and IOSCO also will introduce an additional implementation phase.
- So from Sep. 1, 2020, entities with AANA over €50bn are subject to requirements.
- Expects covered entities to act diligently to comply with the requirements by this timeline.

**FSB Non-centrally Cleared SFTs**
On Jul. 19, FSB adjusted date for implementing the uncleared repo margin.

- Announced adjustments to implementation timelines for recommendations on SFTs.
- Including timeline for minimum haircut standards under non-centrally cleared SFTs.
- Developed 18 recommendations to address financial stability risks arising from SFTs.
- Progress has been made but implementation has seen significant delays in some places.
- Especially for the recommendations related to minimum haircuts standard.
- Delays stem from the date for implementing standards on bank-to-non-bank SFTs.
- FSB has decided to adjust implementation timelines for minimum haircuts standards.

**CHI CB Foreign Company Access**
On Jul. 20, CHI CB introduced 11 measures to open up industry to foreign company access.

- Foreign established institutions can rate all types of bonds in bond markets.
- Overseas asset management entities can establish JVs with Chinese banks/insurance.
- Overseas financial institutions can now invest in pension management companies.
- Supports foreign investment to establish/ participate in currency brokerage companies.
- Removal of restrictions on foreign-invested shares of securities firms brought forward.
- Foreign investors can hold over 25% of the shares of insurance asset management co.
- Relaxed conditions for entry of foreign-invested insurance, cancel 30-yr requirement.
- Advanced the time limit for the cancellation of foreign shares of securities companies.

**G7 Finance Ministers’ Meeting**
On Jul. 17, 18, G7 finance ministers and central bank governors met in Chantilly, France.

- Reaffirmed importance of close cooperation to address the current and future challenges.
- Also reaffirmed commitment to work together in the future.
- Addressed risks such as cyber security in the financial sector, digital currencies etc.
- Discussed making the international tax system fairer, addressing competition challenges.
- Also discussed advancing agenda on climate and green finance.
- Will ensure that the benefits of growth are more widely shared, fighting inequalities.

**Basel G7 Stablecoins Update**
On Jul. 19, Basel issued the latest G7 working group report on stablecoins.

- Developers of crypto-assets labelled stablecoins seek to reduce volatility by anchoring it to a reference asset (e.g. a sovereign currency) or a basket of assets.
- While issuance and usage of stablecoins has been limited, new initiatives have potential.
- Global stablecoin for retail purposes could provide for faster and cheaper remittances.
- Highlight need to step up public/private efforts to upgrade existing payment systems.
- However, stablecoins are largely untested in a real world environment.
- Serious risks related to public policy include AML, CFT, consumer and data protection, tax.
- They could also pose issues related to monetary policy transmission.
- Initiatives need to ensure public trust by meeting the highest regulatory standards.
- This starts with any relevant guidance from FATF as well as the PFMI.
- Stablecoin initiatives should demonstrate a sound legal basis, in all relevant jurisdictions.
- Management of the assets underlying the arrangement must be safe, transparent.

**OECD Survey of Pension Funds**
On Jul. 18, OECD published annual survey on investment regulation of pension funds.

- Describes main quantitative investment regulations applied to pension funds.
- Survey was made via questionnaire covering all pension plans financed via pension funds.
- Where regulations vary, tables identify plans where investment regulations apply.
- The information collected concerns all the forms of quantitative portfolio restrictions.
EU

**ECB EONIA To €STR Action Plan**
On Jul. 16, ECB working group recommended legal action plan for EONIA to €STR transition.
- Group propose €STR plus a fixed spread of 8.5 basis points as the EIONA fallback rate.
- And from Oct. 2, 2019, market participants, whenever feasible and appropriate, no longer enter into new contracts referencing EONIA.
- In existing contracts maturing after Dec. 2021, replace EONIA as a primary rate as soon as possible or embed robust fallback clauses.
- Include robust fallback provisions in new contracts referencing EONIA, maturing after Dec. 2021 or falling under BMR.
- Two templates for EONIA discontinuation fallback language for new cash product that market participants may tailor, are provided.

**EIOPA Insurance Stress Testing**
On Jul. 22, EIOPA issued paper on methodological principles of insurance stress test.
- Guidelines are required for conduct and assessment of EU-wide stress test exercise.
- With aim to enhance EIOPA's methodology for bottom-up supervisory stress testing.
- To be a toolbox to facilitate design and execution phase of future EIOPA stress tests.
- Addressed: stress test process and objectives; scope of stress tests; scenario design of a test.
- Shocks and their application in a stress test; and data collection and validation.
- Contains also a series of questions to collect feedback particularly on technical topics.
- Feedback can be submitted until Oct. 18, 2019.

**ESMA UCITS Performance Fees**
On Jul. 16, ESMA consultation on proposed guidelines on performance fees under UCITS.
- Currently different practices across NCAs on performance fee structures and when fees paid.
- Creates risks of regulatory arbitrage, and inconsistent levels of investor protection.
- Results of ESMA mapping exercise to analyse practice fees showed lack of harmonization.
- The proposed guidelines set out common criteria to promote supervisory convergence.
- Cover general principles on performance fee calculation methods; consistency between performance fee models and fund’s objectives.
- Guidelines are designed in order to align interests of fund managers and investors.
- Comments to be received by Oct. 31, 2019.

**ESMA MiFID II Compliance Function**
On Jul. 15, ESMA issued draft guidelines on MiFID II compliance function requirements.
- Compliance function crucial to identify, assess, monitor, report on risk of compliance failure, i.e. risk firm will fail to comply with MiFID II.
- Consultation paper builds on text of 2012 guidelines, which have been substantially confirmed and which will be replaced.
- Took into account new MiFID II requirements.
- Results of supervisory activities conducted by NCAs on application of compliance function.
- It pursues objective of ensuring a harmonized application of the compliance function.
- ESMA believes that implementation of the guidelines will strengthen investor protection.
- Comments to be received by Oct. 15, 2019.

**EC GDPR Implementation Report**
On Jul. 24, EC issued report on impact of GDPR, showing results but work needs to continue.
- Most Member States have set up necessary legal framework for implementing GDPR.
- New system strengthening the enforcement of data protection rules is falling into place.
- Businesses are developing compliance culture while citizens are more aware of their rights.
- Convergence towards high data protection standards progressing at international level.
- Communication sets out concrete steps to further strengthen GDPR and their application.
- CMSN will report on GDPR implementation in 2020 to assess progress made after 2 years of application including review of 11 adequacy decisions adopted under the 1995 Directive.

**EBA Supervisory Reporting FINREP**
On Jul. 16, EBA issued amends to ITS on supervisory reporting, regarding FINREP.
- Amendments concern reporting requirements on non-performing exposures (NPE).
- And forbearance to allow the monitoring of reporting institutions’ NPE strategies.
- Also reporting requirements on profit and loss items, implementation of IFRS 16 on leases.
- Aim to strengthen supervisors' ability to assess and monitor NPEs and forbearance.
- Only institutions with NPL ratio =>5% are required to report information that is more granular.
- Final draft ITS to be submitted to CMSN for adoption together with the final draft ITS on COREP changes EBA published in May 2019.
UK

**PRA Article 50 Extension**

On Jul. 25, PRA issued consultation on changes following the extension of Article 50.

- Withdrawal from EU requires changes to UK laws, to ensure they remain functional.
- Proposals to fix deficiencies from withdrawal from EU, consequential changes re, extension.
- Includes PRA’s proposals regarding the PRA Rulebook and BTS within the PRA’s remit that will be retained, or onshored, in UK law.
- And proposals by Bank, as FMI competent authority regarding BTS under CSDR.
- Draft PRA rulebook EU exit instrument shows all proposed changes to PRA rulebook: (EU exit) instrument 2019 issued Apr. 18.
- Consultation ends Wednesday Sep. 18, 2019.

**FCA Brexit Transition Power**

On Jul. 25, FCA extended the use of temporary transitional power to reflect article 50 extension.

- Intention to extend duration of directions issued under temporary transitional power to Dec. 31, 2020, to reflect extension of Art. 50.
- Other than the additional time allowed the FCA’s approach remains unchanged.
- Temporary transitional power is intended to minimize disruption for firms and other regulated entities in event of no deal Brexit.
- Under the power firms do not need to prepare now to meet changes to obligations re Brexit.
- Some areas where phased approach would be inappropriate such as MiFID reporting rules as reports are crucial to FCA's oversight ability.
- Provides a list of firms/persons that should continue preparations to comply with changes.
- If firms are not ready to meet their obligations in full, FCA will want evidence of why.

**PRA Counterparty Credit Risk**

On Jul. 23, PRA proposed changes to treatment of model limitations in banks’ internal models.

- Consultation on proposed changes to PRA's SS12/13 regarding counterparty credit risk.
- To clarify expectations regarding treatment of model limitations and assumptions under Part Three, Title II, Chapter 6 (counterparty credit risk), Capital Requirements Regulation.
- Relevant to all firms to which CRD IV applies.
- Comments to be received by Oct. 25, 2019, with draft changes to SS12/13 to take effect from the publication of the final policy.

**FCA Wealth Management Letter**

On Jul. 23, FCA issued dear CEO letter on harm posed by wealth management, stockbroking firms.

- Firms should consider these risks to customers and consider strategies for mitigating them.
- Four key ways customers may be harmed.
- By having reduced levels of savings and investments due to fraud, investment scams, inadequate client money, or assets controls.
- Loss of confidence in industry delivering financial objectives due to mismanagement of conflicts of interest and market abuse.
- Due to reduced levels of savings/ investments due to order handling procedures, execution processes not delivering best outcomes.
- Unable to understand costs of services by firms, due to insufficient/inaccurate disclosure.
- Letter sets out FCA’s expectations regarding how firms should handle these matters.

**FCA Vulnerable Customers**

On Jul. 23, FCA launched consultation on guide on fair treatment of vulnerable customers.

- Sets out what FCA principles require of firms to ensure vulnerable consumers consistently treated fairly across financial services sectors.
- Wants doing the right thing for vulnerable consumers deeply embedded in firms' culture.
- Firms to think about what guide means for business, customers and how they understand and address needs of vulnerable customers.
- Relevant to all firms involved in the supply of products/services to retail customers even if they do not have direct client relationship.
- Guidance will be consulted on in 2 stages, FCA is asking for comments on first stage.
- Guide split into understanding vulnerable consumer needs, ensuring staff have skills, capabilities that translates into practical action.
- Comments are requested by Oct. 4, 2019.

**FCA Costly Credit Alternatives**

On Jul. 22, FCA issued report on improving awareness of alternatives to high-cost credit.

- Issued infographics on rent-to-own, persistent debt, review timeline, overdrafts, BNPL.
- This report provides an update on the key issues the FCA identified in CP18/35.
- Report looks at consumer demand and availability of credit, non-credit alternatives.
- Explains FCA and other organisations’ roles supporting alternatives to high-cost credit and makes suggestions to improve the market.
- Recommend HM Treasury consider value of reviewing credit union / society legislation.
AML & Enforcement

Treasury Cryptocurrency Crime
On Jul. 15, Treasury issued briefing on regulatory issues associated with misuse of cryptocurrency.
- Treasury Secretary Mnuchin briefing on concerns with growing misuse of virtual currencies by launderers, terrorists, criminals, and discussed Treasury's actions in response.
- FinCEN to hold entity that transact cryptocurrencies to high standards.

Agency Risk-Based AML Exams
- Risk-focused approach will enable the federal agencies to better tailor their AML/BSA examination plans and procedures, based on the unique risk profile of each bank.
- Also, allows banks to devote their compliance resources towards areas of greater risk.
- A well-developed AML risk assessment is a critical part of sound risk management.
- Fed agencies' risk-focused exam approach informs FFIEC'S BSA/AML exam manual.

EC Credit Institutions AML Cases
On Jul. 24, EC reported on alleged ML cases and called for better implementation of AML/CFT.
- Report analyzed cases and identified issues with ineffective/lack of compliance with legal requirements for AML/CFT systems, controls.
- Also found governance failures regarding AML/CFT; misalignments between risk appetite and risk management; negligence regarding group AML/CFT policies.
- EC also adopted a communication and four reports to support European and national authorities in better addressing money laundering and terrorist financing risks.

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Reg-Track system
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Check out our new Regulatory Reg-Track system: Calendar
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