



December 1, 2017

## Quote of the Week

**“We expect all firms to have in place policies and procedures to monitor, identify and prevent fraud - keeping their customers’ data safe and secure. We will be reviewing the Fraud Reports submitted by firms to determine the effectiveness of their fraud detection and prevention capabilities, and to gain an overview of the sector.”**



**- UK FCA Banking Director, Karina McTeague**



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## Regulatory Watch List

-  **Acting director** Legal battle of competing heads of consumer bureau, brings Dodd Frank back to center stage. Trump's pick has upper hand, starts off by freezing hiring and rulemaking, with more court challenges expected.
-  **Long goodbye** UK agree to pay high EU divorce bill, in return for access to single market for a 2-year transition. Continuity period for business, set against UK hopes to strip bonus rules, and EU warnings it must not undercut.

## US Banking

### Treasury Report on FSOC Non-Bank Designation Process

On Nov. 17, Treasury issued a report on FSOC's designation processes for non-bank financial companies and financial market utilities.

- Response to April 2017 memorandum from President Trump directing Treasury to review the processes
- Recommends that future FSOC designation analyses be more rigorous, clearer, and more transparent.
- For non-banks financial companies, FSOC will address risks, using an activities-based, industry-wide, approach.
- Utilize three steps: first, review the risks to stability from specific activities and products.
- Second, work with relevant regulators to address identified potential risk to stability.
- Third, only, consider company-specific designation after consulting primary regulators.
- Revision to FSOC guidance for assessing the likelihood of firm's material financial distress.
- FSOC to only designate company if expected benefits to stability outweigh projected costs.
- Give a clear off-ramp to designated nonbanks, via annual reevaluation and transparently-run.
- The designation process for FMUs, such as clearinghouses, should also be enhanced.
- Ensure that the designation process used is individualized, and tailored to specific risks.
- FSOC continue to study issues around FMU operation, designation, and resolution process.

### Senate Regional Bank Relief Bill

On Nov. 16, Senate banking committee introduced a bipartisan bill centered on regional bank relief.

- Would raise threshold for subjecting BHCs to enhanced prudential rules (EPS), from \$50bn to \$250bn.
- BHCs with assets of \$50bn to \$100bn would be exempt immediately.
- BHCs with assets of \$100bn to \$250bn would be exempt within 18 months of enactment date.
- Federal Reserve would retain authority to apply EPS to any BHC with assets between \$100bn and \$250bn.
- Federal Reserve would also have authority to exempt firms from EPS before effective date.
- Community banks would be offered relief from certain regulatory requirements if they maintain leverage ratio of 8% tangible equity to average assets.
- Community banks with less than \$10bn in assets and trading assets under 5% of total would also be exempt from Volcker Rule.
- Short form call reports, applied to banks with less than \$5bn in total consolidated assets.

### Otting Sworn In as Comptroller

On Nov. 27, Joseph Otting was sworn-in as Comptroller of the Currency.

- Followin Nov. 16 Senate confirmation, Otting sworn in as Comptroller
- Otting said unnecessary regulatory burdens make banking more difficult, complicated.
- Looked forward to enhancing value of bank charter, lower burden and promote economy.
- While also maintaining safety and soundness of US banking system, as a source of strength.

### OCC Speech Community Banks

On Nov. 18, OCC deputy comptroller Blake Paulson, spoke on community banking rules.

- Support for importance of community banks, has optimism on sector, and regulatory relief.
- Cited new Senate bipartisan initiative that lowered regulations on wide range of BHCs.
- Granted smaller federal saving associations under \$15bn greater flexibility on the rules.
- Strategic, credit, operational, and compliance risks units, still need to be watched closely.
- Credit risk is elevated, CRE lending standards looser, and concentrations are building-up.
- AML/BSA compliance risks remained high, including operational risk, cyber risk, others.

### OCC Notice. Comments Manual

On Nov. 17, OCC revised licensing manual on notice and comments during licensing period.

- Follows May 2017 update, and revision of notice and comments manual for revisions.
- Review policy for public comments received, during licensing filings for banks.
- OCC will consider all comments it received, before the end of the public comment period.
- Will no longer accept comments after the close of the period, but consider extending period.

### OCC Branch Relocation Manual

On Nov. 15, OCC revised licensing manual on bank branches and relocations of offices.

- Incorporates procedures since OCC integrated functions from Office of Thrift Supervision.
- Policies and procedure to guide a bank or thrift when requesting prior approval from OCC.
- To establish or relocate a branch of entity or to relocate its main or home office.  
In addition, booklet describes the requirements applicable to a thrift agency office.

## US Consumer

### CFPB Head Resigns, Duplicate Directors

On Nov. 24, CFPB director Cordray left agency, and named an internal staffer as deputy director.

- Appointed chief of staff Leandra English as deputy director.
- Cordray intended deputy to serve as acting director until a permanent director is nominated and confirmed by Senate.
- House financial chair Hensarling, who is also retiring, welcomed the departure of Cordray.

### Mulvaney Nomination

- On same day Trump appointed existing OMB head Mulvaney as CFPB acting director.
- Senator Warren, creator of CFPB, argued that Trump lacked power to appoint Mulvaney.
- Trump called CFPB 'disaster', asserted entitled to nominate Mulvaney based on DoJ memo.
- DoJ acknowledged DFA can be used to deal with replacement, would be appropriate way.
- However, argued federal vacancies reform act is available as an alternative to replace director.
- Warren, Senate Democrats and Cordray said courts should decide who CFPB acting head is.

### Fed Brainard Consumer Fintech

On Nov. 16, Fed governor Brainard spoke on consumers protections required for Fintech.

- New fintech tools offers to help consumers manage their complicated financial lives.
- But also pose risks, which will need to be managed as fintech marketplace matures.
- Include data revolution for decision-making, use of the cloud, artificial intelligence (AI).
- Need to obtain clearer disclosure, of factors contained in recommendations to customers.
- Consumer data become widely available to developers, via new business-aggregators.
- Aggregators clean up data, and standardize it across industry, often offer their own API.
- Used to predict creditworthiness, how much consumer can save, alert if risk of overdraft.
- Comparison of product offerings, such as rewards, fee and rates, can help consumers.
- Consumers should be ware who they provide their data to, how it will be used, how long.
- Need to address the consumer's ability to opt out of app, and control over how data is used.
- Setting new norms is a shared interest for all participants comprising the fintech 'stack'.
- Banks also have stake in ensuring vendors act appropriately, and make clear disclosures.

### CFPB on New Payment Methods

On Nov. 20, CFPB sent letter to firm CEOs on consumer concern on newer payment methods.

- To encourage more consumer control over payment methods, assist them in using these.
- Real-time, low-balance alerts for consumers where struggling to manage check accounts.
- Opt-in protective account features, help older consumers e.g. meet cash withdrawal limit.
- Safe banking account without any overdraft features can minimize risk to consumers.
- Allow underbanked and young to qualify for accounts without being screened out early.
- Digital servicing platforms offer potential for enhanced security and peace of mind.

### CFPB Loan Choice of Language

On Nov. 20, CFPB issued loan application form, including an optional choice of language to use.

- Identified a language preference, on uniform residential loan application (URLA).
- Amendment follows the GSEs Aug. 2016 publication of re-designed URLA forms.
- Include question about mortgage applicants' language preference, starting in Jul. 2019.
- Clear and timely disclosures on extent and limits of any help on language services.
- CFPB issued a spotlight report on better serving of limited-English consumers.

## US Investment Management

### DoL Delay of Fiduciary Rule

On Nov. 27, DoL extended principal exemptions in fiduciary rule, from Jan. 1, 2018 until Jul. 1, 2019.

- Delay of applicability includes the best interest contract exemption (PTE 2016-01).
- Includes provision of a class exemption, for principal transactions in certain asset types, between advice fiduciaries, with employee benefit plans and IRAs, (PTE 2016-02).
- Exemption for prohibited trade for insurance agents, brokers, pension consultants, insurance, investment company principal underwriters (PTE 84-24).
- Advisers, who rely on exemption in period, must also meet impartial conduct standards.
- Delay gives DoL time to review changes to the fiduciary rule and PTEs as a result.
- SIFMA supported delay; said SEC should take the lead in future coordination with the DoL.

### SEC Enforcement Priorities

On Nov. 15, SEC issued enforcement report on priorities for 2018, and results during 2017.

- Said vigorous enforcement critical to combat wrongdoing, and to compensate investors.
- Focus is on Main Street investors; individual accountability; keep up with new technology.
- Continue enforcement actions for misconduct, which harms investors or market integrity.
- Brought wide mix of 754 enforcement actions, including 446 standalone ones in last year.
- Returned a record \$1.07bn to harmed investors from defendants in the cases brought.
- 446 cases are on advisory issues, offerings, issuer reporting, accounting and auditing.
- Included actions for market manipulation, insider trading, and against broker-dealers.
- Judgments and orders totaling \$3.789bn were claimed in disgorgement and penalties.

### CFTC Relief SEF CCO Reporting

On Nov. 20, CFTC issued relief from compliance annual reporting by swap execution facility (SEF).

- Relief for CCO of SEF, on filing of annual compliance reports, some financial reports.
- Reg 37.1501(f) (2) requires CCO to submit compliance report within 60 days of year-end.
- Relief also for Reg 37.1306(d), on SEFs filing of fourth quarter financials within 60 days.
- CFTC provided SEF further 30 days to file CCO annual compliance and financial reports.
- Filing must be made at CFTC within 90 days after the end of the SEF fiscal year end.
- Relief commence on the date of issuance, and scheduled to expire from November 30, 2020.

### FINRA Redesign Fund Analyzer

On Nov. 21, FINRA issued tool that provides investors with research on over 30,000 funds.

- Fund analyzer tool to help investors and professionals understand impact of fees.
- On the possible discounts on mutual funds, ETFs, ETNs, and money market funds.
- Users may select up to three funds at a time to compare and the amounts to invest.
- Input how long they plan to keep the fund and the Fund Analyzer performs the calculations.
- Display how fund annual operating expenses compare to other products and shared peers.
- Analyze new and emerging share classes with variable/firm-specific fee scenarios.
- Fund-by-fund details regarding the potential discounts that a fund may offer to investors.

### MSRB Support of Compliance

On Nov. 16, MSRB consulted on provision of compliance support to member firms.

- Review of approach to enhance compliance support, as a long-term strategic priority.
- On methods for MSRB to most effectively support industry understanding of its rules.
- Will focus on the areas, where additional compliance support would be most effective.
- Created compliance advisory group to give input to its board, on compliance priorities.
- Centralized library into online compliance center, information on types of assistance.
- Website and email communications process; and methods for examination support.
- Comment until Dec.22, 2017, and MSRB will issue further content throughout the year.
- On Nov. 17, MSRB scheduled series of free virtual workshops on compliance practices.
- Cover provisions of MSRB rules on muni securities dealers, and for municipal advisors.

### FINRA Market Making Payments

On Nov. 28, FINRA consulted on rules for market making payments, as part of retrospective review.

- Review working of Rule 5250 that restricted firms receiving payments for market making.
- Bans firm or associate accepting payment or consideration from issue, affiliate, promoters.
- In return for publishing quotation, acting as a market maker, or making application as one.
- Had viewed as conflict of interest, since may influence firm's decision to make market.
- FINRA asked if changes to market, delivery have superseded the original purpose of rule.
- Whether FINRA make the rule, interpretation or processes more efficient and effective.

## Canada

### FINTRAC Annual Report 2017

On Nov. 23, FINTRAC issued 2017 annual report, emphasized improved results using collaboration.

- Described activities and operations in 2016–17 to help support integrity of financial system.
- Based on the concept of ‘compliance for intelligence and intelligence for enforcement’.
- Actively engaging reporting entities across Canada to assist them in meeting obligations.
- Obligations under Proceeds of Crime (Money Laundering) and Terrorist Financing Act.
- The most extensive engagement is related to real estate and financial entity sectors.
- Reminded all businesses subject to Act of the need for suspicious transaction reporting.
- Role in Project PROTECT, finance institution-led initiative to prevent human trafficking.

### OSFI Capital for IFRS. Credit

On Nov. 29, OSFI issued guideline on capital for credit risk and IFRS, to implement in Q1 2018.

- Asked banks expecting material capital impact from IFRS 9, to provide estimates to OSFI.
- Did not see projected widespread material capital impact due to the adoption of IFRS 9.
- Thus, OSFI concluded no transitional phase-in of impact of IFRS 9, would be warranted.

### Extension for Credit Risk

- Extended adoption of standardized approach to counterparty credit risk (SA-CCR).
- As well as the capital requirement for bank exposures to central counterparties (CCPs).
- Extended implementation period, as most foreign markets will adopt after Jan. 2018.
- Intend to implement rules in Q1 of 2019, subject to readiness of key foreign markets.
- While SA-CCR is not a minimum standard, banks should report using it, from Q1 2018.
- Information will be collected in BCAR return by the insertion of an additional schedule.

### Securitization

- Confirmed implementation of Basel revised securitization framework issued in Jul. 2016.
- Expect to implement framework in Q1 2019, also reflecting usage of simplified criteria.
- Simple, transparent, and comparable (STC) criteria used for short term securitizations.
- STC are not finalized by Basel, so existing securitization rule in CAR Guideline remain.

### IIROC Exempt Market Securities

On Nov. 21, IIROC issued relief for types of trading conducted in exempt market securities.

- In Sep. 2017, board exempted dealer from requirement to trade in only mutual funds.
- Exemption conditional on complying with requirements, and determine fit and proper.
- Where individuals employed by dealer is registered in the capacity of both a dealing representative, as well as a dealing representative of exempt market dealer.
- If dealer transfers to IIROC platform, may continue to trade, advise exempt securities.
- Transition period of 270 days, from initial approval, to complete relevant proficiency.
- Period of 18 months from date of initial approval, to complete the training program.
- Notify IIROC of completion of relevant proficiency requirements, training program.
- Automatically suspend dealer representative, if they fail to comply with proficiency level.
- Aimed to facilitate transition for dealing representatives, trading in exempt securities.
- Transitioning clients with exempt securities to IIROC platform viewed as in public interest.
- Proficiency requirements are the Canadian Securities Course, Conduct and Practices.

### CSA QUE Proximity Role

On Nov. 15, CSA Quebec sought a stronger proximity role as regulator for the region.

- Sought to strengthen role as local regulator, which is close to markets, support industry.
- Involves better understanding of reality and needs of firms, independent partnerships.
- Will collect additional data on registrants' practices and relationship to stakeholders.
- Seek information in maintaining registration, declaration of officers and relationship.
- To publish guide in early 2018 on regulatory framework applying to regional registrants.

### OSFI Private Pension Plan FAQ

On Nov. 20, OSFI issued FAQs on private pension plan, which are subject to federal oversight.

- Revisions clarified information and included changes that reflect most recent amendments.
- Included a user-friendly presentation for the unlocking of options available under the plan.
- FAQs complement pension members' guide, and information that is found on website.

## International

### FSB. Basel 2017 Systemic Banks

On Nov. 21, FSB, Basel updated list on global systemically important banks and methodology.

- Used data from end-2016, and assessment methodology designed by Basel Committee.
- List contains 30 banks, one (Royal Bank of Canada) was added, and regulated by OSFI.
- One bank (Groupe BPCE) was removed, and the total number of G-SIBs stayed the same.
- Two banks, being Bank of China and China Construction Bank, moved from bucket 1 to 2.
- Three banks lower: Citigroup, BNP Paribas, and Credit Suisse were down by 1 bucket.
- Basel published updated denominators to calculate the banks' scores and thresholds.
- FSB issued a statement on identification of global systemically important insurers G-SII.
- In consultation with IAIS, FSB decided not to publish a new list of G-SIIs, for 2017.

### Basel Setting of Audit Standards

On Nov. 22, Basel supported reform for setting global audit standards to ensure independence.

- The international audit standard-setting structure existed as a three-tier framework.
- Standard-setting boards, picked, funded by international federation of accountants.
- This independent oversight body verifies standards are set in transparent manner.
- As a body of authorities, working in public interest, and responsible for monitoring.
- Basel paper was product of the monitoring group's latest review, which began in 2016.
- Focus on governance and structure of SSBs that support auditing in the public interest.
- Review process to nominate members to SSBs; roles of PIOB, and Monitoring Group.

### HK Sales Conflicts in Groups

On Nov. 24, HK SFC, HKMA issued guidance on sales conflicts of interests within groups.

- Observations of joint thematic reviews, on conflicts on the sales of in-house products.
- By the registered institutions and licensed corporations, within a single financial group.
- Conflicts of interest are a major regulatory focus with both the HKMA and the SFC.
- HKMA and SFC initiated joint reviews of groups, and shared observations, practices.
- Conflicts of interest may arise in day-to-day operations of intermediaries used in selling.
- Need to protect client interests, by identifying and managing conflicts that are identified.
- Firms should act in the best interest of their clients, and disclose their potential conflicts.

### IOSCO Global Hedge Fund Data

On Nov. 23, IOSCO issued a report with global data on exposures faced by hedge fund industry.

- Reported on fourth hedge fund survey, with insights into the global hedge fund industry.
- Provided overview of the industry based on survey data, as of September 30, 2016.
- Updated IOSCO Dec. 2016 3rd global survey, on the hedge fund industry, see #24830.
- Enabled regulators to share information, and observe trends within fund trading activities.
- In last two years, assets under management (AUM) have risen 24%, to US \$3.2 trillion.
- Cayman Islands continues to be domicile of choice, with 53% of global total by NAV.
- Equity long/short is most used strategy, along with global macro and fixed income arbitrage.
- Gross leverage was 7.1x NAV, including notional values of rate and FX derivatives.
- Removing these figures from the data, leaves gross leverage 3.1x and net leverage 1.1x.
- 3.8% of total fund assets had constraint on redemptions via liquidity management tools.

### IOSCO Practices on Closing Funds

On Nov. 23, IOSCO issued final report on client practices for termination of investment fund.

- Proposed set of good practices on voluntary termination process for investment funds.
- More prescriptive rules about liquidating a portfolio, paying final distribution proceeds.

### ASIC Market Integrity Rules

On Nov. 17, ASIC issued consolidated exchange rules for integrity of domestic financial markets.

- Made market integrity rules that consolidated 13 of the existing 14 rule books into four.
- Created common set of rules for securities markets, as well as covering futures markets.
- The ASIC market integrity rules (securities markets) 2017 (securities markets rules).
- Cover obligations, prohibitions applying to activities and conduct on securities markets.
- Market integrity rules (futures markets) 2017 applicable to activities on the ASX 24, FEX.
- Capital and reporting on futures markets – capital 2017 securities markets – capital.
- Reduces red tape for market participants that trade on securities or futures exchanges.
- Halved total length of the rules and removed confusion arising from differences in the rules.
- Consolidation sets up future streamlining review, and future consultation on the rules.
- Clarified rules for management; dealing as principal, block trades and large portfolios.

## EU

### EC PSD2 Client Authentication

On Nov. 27, EC issued regulation and annex on payment services directive client authentication.

- Followed EBA Feb. 2017 report, on stronger PSD authentication standards, see #28699.
- RTS specified requirement under PSD2, based on strong customer authentication (SCA).
- Has an exemption from application of SCA requirements, with which security measures must comply, to protect confidentiality of payment service users' security credentials.
- Requirements for common, secure open standards of communication (CSC) between account servicing payment service providers (ASPPs) and payment initiation providers.
- For account information service providers (AISPs), payers, payees, and other PSPs.

### ESAs Variation Margin EMIR FX

On Nov. 24, ESAs issued relief from transfer of margin for physically settled FX forwards.

- EBA, ESMA, EIOPA aware of challenges to exchange variation margin for FX forwards.
- For end users' counterparties to move variation margin prior to Jan. 3 2018 EMIR deadline.
- Any changes to the application of EU rules, need to be revised with new EU legislation.
- ESAs are reviewing standards on uncleared derivatives, to develop draft amendments.
- Proposed amendment will now require margin in a risk based and proportionate manner.
- Focus should be transactions between credit institutions and regulated investment firms.
- Once ESAs finalized review, amendments will be submitted to EC, within one-month period.
- In the interim, ESA expected authorities to apply a risk-based powers in enforcement.

### ECB Report IFRS 9 Adoption

On Nov. 24, ECB reported on progress by banks, with implementing IFRS 9 accounting standards

- Thematic report on banks' preparedness before IFRS 9 enters into force, from Jan. 1, 2018.
- Review found detailed level of preparedness, and helped set key supervisory expectations.
- Following preparedness studies, see #31059, single supervisory mechanism helped identify large banks facing clear delay, informed them in Q1 2017, and urged to accelerate efforts.
- Smaller banks are taken account of by national authorities, who directly supervised them.
- Banks under ECB supervision, fully loaded average negative impact on Common Equity Tier 1 (CET1) ratio, is at 40 basis points.
- For better prepared banks, impact on CET1 ratio was estimated to be 59 basis points.

### EIOPA Supervisory Convergence

On Nov. 22, EIOPA chair Bernardino spoke on need for supervisory convergence in insurance.

- Need for sound regulation in an evolving landscape, and supervisory convergence.
- While also building up a common European supervisory culture to level the playing field.
- Reinforce consumer protection in digital age, preserve stability during uncertain times.
- Post-crisis reforms designed to build stable, transparent market involving strong players.
- Time to ensure, financial institutions play role in solving the emerging societal gaps.
- EIOPA to continue to promote common public interest that lie behind geographical boundaries and cultural difference, strengthen convergence to fulfill their mandate.

### EC Barnier on UK Trade Deal

On Nov. 20, EC Brexit negotiator Barnier spoke about prospects of trade deals with UK.

- Barnier updated EU Council of progress in negotiations with UK, after 6 rounds of talks.
- Ministers started preparations for Article 50 in Dec. 2017 by staged agenda with targets.
- UK not able to cherry-pick Single Market.
- Brexit would apply to all sectors, including financial services, despite UK suggestions.
- UK finance providers could lose EU passport, but EU may consider UK rules equivalent.
- EU will not compromise financial stability, committed to the convergence of global rules.
- Integrity of the single market is not negotiable, so deal on relationship should facilitate access.
- Avoid WTO rules for goods and services, and key to ensure there is a level playing field.

### EC EMIR Part 2 Revise Clearing

On Nov. 15, EU Council issued compromise text on revision to EMIR clearing mandate.

- On clearing obligation, suspension of clearing obligation and reporting requirements.
- Eased risk-mitigation for OTC derivatives, where not cleared by a central counterparty.
- Registration, supervision of trade repositories, as well as continuing obligations of the latter.
- On Nov. 15, ECB opinion supported EMIR modifications, published in official journal.
- Revision simplified areas covered by EMIR, and used a more proportionate approach.
- Counterparties with a low OTC volume for systemic risk should be exempt on clearing.
- Included non-financial groups, notify new contracts, Exchange Derivatives (ETD).
- Margin for models, commodities, CPP margin, access, reporting old trades, TR obligations.

## UK

### FCA Extended LIBOR Panels

On Nov. 24, FCA stated agreement of banks to make extended submissions for LIBOR panels.

- FCA confirmed that all 20-panel banks have agreed to support existing LIBOR benchmark.
- Follows FCA CEO Bailey Jul. 2017 speech on transition process from LIBOR, see [#33339](#).
- Panel support for LIBOR needed until end of 2021, when transition to new rate to be made.
- FCA working to finalize agreement, for banks to remain on current panels until end of 2021.

### FCA Wholesale Compliance

On Nov. 23, FCA issued a review of compliance functions observed in wholesale banks.

- Follows FCA Jan. 2017 survey, of 22 major wholesale banks on compliance functions.
- Questions on: role and structure; strategy; monitoring; technology; support; and staff.
- Compliance representatives more likely to be on firm boards or on governance committees.
- Moved to pure, independent second line of defense risk function, having higher profile.
- Wholesale banking is more digital/automated, and new technology affects compliance.
- Engage in system development at early stage, and ensure investment in surveillance systems.
- Regulatory change caused compliance growth, more IT use, higher headcounts, staff demand.
- Not asking firms to take specific action, but may find content and open questions helpful.

### UKP DexEU Brexit Implication

On Nov. 14, UKP DexEU minister Davis spoke on implications of Brexit including transition.

- Would be impossible to recreate or duplicate a financial center equivalent to London in EU.
- A single market, freedom of movement and ECJ, would not be what people voted for.
- EU concerns over stability are not best met by localizing risk management or markets.
- Instead, reciprocal cooperation agreements should be used to prioritize financial stability.
- Seek to secure, time-limited implementation period, where maintain current EU access.
- Implied staying under all EU regulation and agencies during period, expected to be 2 years.
- Will give companies time to adjust for a single change as relationship with EU emerges.
- If no period decisions to be made pre-Jan. 2018.

### FCA Retail Banking. PSD2

On Nov. 16, FCA retail banking director Mcteaugh spoke on payment services directive.

- Follows Apr. 2017, FCA's mission, business plan and proposed fee rules, see [#31895](#).
- FCA looking at how retail banks implement, embed ring fencing, Senior Managers & Certification Regimes and remedies proposed by Competition and Markets Authority.
- Consider how retail banks address financial crime, AML, and PPI complaint handling.
- Discussed the FCA strategic review, of retail banking business models; impact of PSD2.
- Follows FCA Oct. 2017 issued retail strategic review with an updated scope, see [#35698](#).
- Review will assess impact of aggregated change, consider implication for consumers.
- Discussed the EU PSD2 transitional period, consumer challenges, payments department.

### FCA Remuneration Code

On Nov. 24, 2017, FCA published letter sent to remuneration committee (REMCO) chairmen.

- To largest, most significant firms by balance sheet, on their remuneration in 2017/18.
- Applies to firms in scope of CRD IV required to comply with FCA Remuneration Code.
- Set out FCA approach to the supervision of remuneration, for dually registered firms.
- Stressed those responsible for remuneration should be empowered and accountable.
- Accountable for overseeing the development, implementation for firms' remuneration policies and practices in accordance with the dual-regulated firm Remuneration Code
- On occasions, responsibility for processes for ex-post adjustment not allocated clearly.
- Some firms placed excessive reliance on outcomes of FCA enforcement investigations.

### FCA Regulate Binary Options

On Nov. 14, FCA warned on risks from binary options prior to their taking on sector oversight.

- Issued warning to inform consumers, about risks of investing in these high-risk products.
- Risks included trading losses, uninformed decision, addictive, conflict, and potential fraud.
- Consumers may also be targeted via scams.
- Binary options were regulated by Gambling Commission, if had UK gambling equipment.
- From Jan. 3, 2018, the FCA will regulate firms that offer binary options.
- Firms operating in EEA countries will continue to be able to operate in UK after Jan. 3, 2018.
- UK FCA, starting Jan. 3, 2018, will regulate firms offering binary options from UK.



## AML & Enforcement

### FINRA AML FinCEN Diligence

On Nov. 21, FINRA issued requirements for AML programs, with new federal beneficial ownership.

- Guidance to firms on meeting AML program requirements, under FINRA Rule 3310, after FinCEN adopted final rules that enhance customer due diligence processes, see #27461.
- FinCEN rule became effective Jul. 11, 2016, and firms must comply from May 11, 2018.
- FinCEN added new requirement for firms to identify and verify account beneficial owners.
- Required risk-based procedures when firms perform ongoing due diligence of customers.

### UK JMLSG Guidance Revisions

On Nov. 17, UK JMLSG trade group proposed revisions for AML guidance for new legislation.

- Proposed revision to the guidance on money laundering, terrorism financing prevention.
- UK Treasury comment, correction to take account of change during MLR finalization.
- Taking account of references to provisions of Criminal Finances Act 2017, recently in force.
- Consultation paper split, according to the relevant parts of guidance (Parts I, II, III).
- Due to the relatively minor nature of revisions, short comment period ending on Dec. 4, 2017.

### Brazil Virtual Coin Oversight

On Nov. 16, CVM and BCB issued FAQs on rules that apply to initial coin offerings (ICOs).

- Issued clarifications, on risks arising from ICOs, based on the most frequent questions.
- Where virtual asset corresponded to security, provided guidance to the potential issuers.
- Described so-called virtual asset exchanges, and the differentiated prospects required in public offering registered with CVM of so-called white papers contained in ICOs.
- Stated the CVM position on aspects of governance commonly found in ICOs.
- Described position of the other international regulators, regarding ICOs, the main risks.



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