



February 15, 2018

### Quote of the Week

**“The meteoric rise of cryptocurrency should not make us forget the important role central banks play as stewards of the public trust. Private digital tokens masquerading as currencies must not subvert this trust.”**



**- Basel General Manager Agustín Carstens**



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### Regulatory Watch List

-  **All-consuming** Trump leadership at CFPB starts on wide ranging mission to de-fang and de-fund the agency. Ex-director op-ed suggests Democrats will make it a major agenda item as part of November mid-term elections.
-  **Tech-tonic** Regulators concern on algo trading, while banks increasingly look to re-brand themselves as such. House passes bill to require SEC to obtain subpoena, before it can ask firm to disclose source code for trading.

## US Banking

### Agencies Swap Margin Contracts

On Feb. 5, Fed, FDIC, OCC issued an interagency proposal that would amend swap margin requirements for qualifying financial contracts (QFCs).

- The proposal is intended to conform swap margin requirements with the rule imposing new restrictions on QFCs of systemically important banks. The proposal would provide that any legacy non-cleared swap that is not subject to the margin requirements would not become subject to the rule if it is amended solely to comply with the QFC rule. The proposal would harmonize the definition of "Eligible Master Netting Agreement" under the swap margin rule with the definition of "Qualifying Master Netting Agreement" under the agencies' capital and liquidity regulations.
- To not prevent bank being party to the master netting agreement only for QFC compliance.

### OCC, Fed Stress Test Scenarios

On Feb. 1, OCC, Fed, FDIC issued scenarios to be used by banks within their 2018 stress tests.

- Used in Dodd-Frank stress tests, for covered institutions with more than \$10bn in assets.
- For baseline, adverse, and severely adverse scenarios, as described in 2010 OCC final rule.
- Severely adverse scenario is for severe global recession, with unemployment rate up to 6%.
- Required to submit capital plan, stress testing results to Fed, on or before April 5, 2018.
- On Feb. 2, 2018, OCC also issued information collection on the Nov. 2017 report template.
- This would allow firms to comply with Fed definition of simplified reporting requirement.

### Senate, House Hearings FSOC Report

On Jan. 30, Senate banking panel held hearing on FSOC annual report, Treasury's Mnuchin testified.

- Mnuchin said that the number one risk is the increasing reliance of sector on technology.
- Ranking. Sen. Brown said Mnuchin through deregulation "fulfills Wall Street wish list".
- Mnuchin claimed overhaul of tax code already having a positive impact, main goal of 2017.
- Mnuchin urged Congress to reform Foreign Investment Risk Review Modernization Act (FIRRMA) to protect national security from threats, using revised process for CFIUS.
- On Feb. 6, 2018, House financial services committee also held hearing on FSOC report.
- Wrote to Congress with notification of debt issuance suspension period lasting to Feb. 28.
- Urged Congress to increase the statutory debt limit as soon as possible, to remove risks.

### House Mortgage Choice Act

On Feb. 8, US House voted to pass Mortgage Choice Act to reform post-crisis restrictions.

- Bill changes how points/fees are calculated by excusing fees paid for affiliated title charges, as well as insurance and taxes escrow charges.
- Allows more properly underwritten loans to meet the "Qualified Mortgage" standard.
- Financial services panel Chair Hensarling said act is needed to increase credit to borrowers.
- Huizenga said legislation narrowly focused to promote access to affordable mortgage credit.
- But without overturning important consumer protection and sound underwriting required under Dodd-Frank ability to repay provisions.

### OCC Handbook on MSRB Rules

On Jan. 31, OCC issued updated handbook on MSRB rules for banks active in municipal sector.

- Replaced OCC Jul, 2014 original booklet on MSRB rules within Comptroller's Handbook
- MSRB booklet introduced guidance for bank examiners and aided bankers with compliance.
- Include MSRB updates on records, suitability, disclosure times of trade, and commissions.
- Trades with sophisticated municipal market professionals SMMP, and municipal advisors.
- OCC is statutorily required to enforce MSRB rules as applied to national banks and thrifts.
- Along with SEC rule on registration of muni advisors, MSRB also implementing new rules.
- Updated exam procedures follow new MSRB rules in areas such as best execution of trades.

### US Treasury New Strategic Plan

On Feb. 12, Treasury secretary Mnuchin issued strategic plan in 2018-22, for the department.

- In response to President Donald J. Trump's budget proposal, for the Fiscal Year 2019.
- Budget highlighted the Treasury's role, in critical Administration policy initiatives.
- In protecting national security of US and imposing fiscal discipline in Washington.
- Plan outlined longer-term goals, and how the plan will achieve them over next five years.
- Will implement the most comprehensive tax reform legislation in more than 30 years.
- Demonstrate the Treasury's commitment to combating terrorism, and illicit financing.
- Treasury supported modernizing the CFIUS review process, for inward foreign investment.
- Protect national security, by open investment policy that can foster innovation, growth.
- Strengthen tax law enforcement and investing to protect technology from cyber threats.

## US Consumer

### CFPB Revision to Strategic Plan

On Feb. 12, CFPB issued five-year strategic plan for 2018-23, reflected new administration priorities.

- Acting director Mulvaney said committed to statutory responsibility, but not any further.
- Stated aims to serve as a bulwark "against the misuse of unparalleled powers" as regulators.
- Help educate and empower consumers, to make informed financial decisions.
- CFPB will focus on equally protecting legal rights of all, including the regulated sector.
- Engage in rulemaking that is appropriate to address any unwarranted regulatory burdens.
- Senate ranking member Brown stated CFPB needed to protect working people, not banks.
- Said Mulvaney had to take steps, to ensure that consumer laws were still being enforced.

### OCC Backs CFPB on Overreach

On Feb. 6, OCC issued a statement on meeting with acting CFPB director, supported reforms.

- OCC comptroller Otting statement on meeting with the CFPB acting director Mulvaney.
- Aimed to improve the coordination of the agencies' to make supervision more efficient.
- Shared a willingness to reevaluate practices, and programs that had resulted in overreach.
- Remove unnecessary burdens that affected banks' ability to serve their customer base.
- Mulvaney sought reduced burden by delaying implementation of HMDA, payday lending.
- To defer actions on additional rules, until completed a more thorough review of issues.
- On Feb. 6, CFPB director Mulvaney named Hensarling staffer as the new chief of staff.

### CFPB Disabled Student Loan Help

On Feb. 7, CFPB issued guidance on disabled student borrower protections on their loans.

- No longer require permanently disabled to pay federal income tax on loans that are forgiven.
- Permanently disabled have been eligible to receive forgiveness for federal student loans.
- Some private student lenders offered options for discharging debts of disabled borrowers.
- In 2016, DoE/SSA found 387,000 borrowers with disabilities had \$7.7bn in federal student loans and half of these were in default, should notify borrowers and warn of tax results.
- Forgiven debt counted as income and would owe federal tax on them, catch 22 for them.
- As of Jan. 1, 2018, will no longer count as income, not be burdened with federal tax.
- Further 800,000 disabled veterans unable to work due to disability, injuries, a portion may have student debt, and VA will reach out to them.

### CFPB Review Enforcement, Supervision

On Feb. 7, CFPB issued RFI on its enforcement practices, part of Mulvaney consultation on role.

- Sought opinion on CFPB notice and give the opportunity to respond and advise process.
- Asked if NORA should be made mandatory instead of discretionary, reform in other ways.
- Should in-person presentations be allowed prior to a decision on legal proceedings.
- How to communicate with subjects of an investigations, frequency, length, and status.
- Whether to adopt civil money penalty matrix and how this should be set up and calculated.
- How to coordinate with other enforcement agencies, and opine on standard provisions

### Supervision Review

- On Feb. 14, CFPB issued fourth RFI on the processes used in its supervision program.
- Potential updates, modifications: timing, frequency, scope of supervisory exams.
- Timing, method or processes they used to collect information prior to exam beginning.
- Type and volume of information, including documents sought in information requests.
- Accessibility of CFPB examination manual, and efficiency of onsite examination work. Organization, quality of communications by examiner, matters requiring attention (MRA).
- Appeals process, use of third parties, publish supervisory highlights, and better coordinate.

### NYDFS Closer Fee Payments

On Feb. 8, NYDFS reminded title insurers that closers that introduced business must be paid.

- Follows reports of title insurance company agents hiring closers, and then failing to pay.
- Closers help ensure clean title, crucial to insurers as failure could result in a claim.
- DFS regulations require the title insurer or agent that hires title closer, to pay for them.
- Fair compensation should be paid by title insurer or agent, as covered by premium.
- A closer who is not paid as DFS regulations require, may file a complaint with NY DFS.

### NMLS Mortgage Call Report

On Feb. 1, State regulators invited comment on wider use of the NMLS mortgage call report.

- State Regulatory Registry (SRR) consulted on changes to Nationwide Multistate Licensing System (NMLS) Mortgage Call Report (MCR).
- Consulted so on behalf of State regulatory agencies that are participants in NMLS.
- MCR provides timely, comprehensive data on financial condition of mortgage companies, as well as risks on their mortgage loan activities.

## US Investment

### SEC Fund Class Self-Reporting

On Feb. 12, SEC issued initiative on fund share class self-reporting, redress to affected clients.

- SEC enforcement division issued share class selection disclosure initiative (SCSD).
- Aims to protect advisory clients from conflicts of interest and pay redress to harmed clients.
- SEC would not recommend penalties against those advisers who self-report a legal violation on mutual fund share class selection, if they promptly repaid the losses off harmed clients.
- Advisors act imposes fiduciary duty on IAs to act in their clients' interest, disclose conflicts.
- In recent years, SEC charged nine firms with failing to disclose conflicts on fund shares.
- Harsher terms will be applied to advisers who do not self-report under the new initiative.

### SEC 2018 Examination Priorities

On Feb. 7, SEC OCIE issued exam priorities for 2018, including risks of cyber-attacks.

- Exam focus on market infrastructure, duty to retail investors, cryptocurrency, and ICOs.
- Clearing houses, others providing services critical to the functioning of capital markets.
- Including fees charged to retail investors and seniors, disclosures on initial coin offering.
- Prioritization of cybersecurity, with emphasis on governance and risk assessment, access rights and controls, data loss risk, vendor management, training, and incident response.
- Review FINRA, MSRB operations, regulatory programs, BD exam quality, and muni advisors.

### SEC, CFTC Testify Virtual Currencies

On Feb. 6, SEC, and CFTC Chairmen testified to cryptocurrency hearing of Senate banking panel.

- Jay Clayton of SEC and Giancarlo of CFTC testified on the regulation of cryptocurrency.
- Primary entry into SEC's jurisdiction is offer and sale of securities, as in case of ICOs.
- CFTC straightforward in asserting statutory jurisdiction over virtual currency derivatives.
- CFTC with SEC will aggressively prosecute bad actors engaging in fraud, manipulation.
- Keep working together, enforcement against bad actors, with DoJ and federal authorities.
- Disclosure rules apply; requirements must be complied with, even if using new technology.
- Heightened review of CME's and Cboe's responsibilities when self-certifying trading.
- Regulators acknowledged potential of DLT technology, improving of payment systems.
- No need to stop innovation but is a need to update rules to cover risk on new products.

### FINRA Government Securities

On Feb. 6, FINRA proposed wider application of its rules for government securities activities.

- Sought feedback on application of rules to government securities, other types of debt.
- Noted certain FINRA rules do not apply to government securities, or have an exemption.
- Identify existing FINRA rules that excluded US Treasuries and assess ongoing validity.
- In response, FINRA reviewed rulebook, and found a number of rules that should apply.
- Rules 2242 (Debt Research Analysts, Debt Research Reports), 5240 (Anti-Intimidation Coordination), 5250 (Market Making Payments), 5270 (Block Transactions).
- 5280 (Trading Ahead of Research Reports); 5320 (Trading Ahead of Customer Orders).

### FINRA Customer Recovery Analysis

On Feb. 8, FINRA issued paper on process for customers to obtain recovery of their awards.

- Analyzed difficulty recovering judgments, arbitration awards, from financial services.
- Focus on arbitration forum that is operated by FINRA, given the challenges observed.
- Issued regulatory notice of amendment to membership application program for timely payments of arbitration claims by members.
- Policy support from SEC rule to aid capital-raising or a law to expand SIPC coverage.
- Issue notice of membership amendments to address scenario when FINRA firm hires individuals with pending arbitration claims.
- If a firm with substantial arbitration claims, sought to avoid payment by shifting assets.

### FINRA Speech on Enforcement

On Feb. 12, FINRA EVP Schroeder spoke on review of enforcement priorities.

- Enforcement is not the only way that FINRA sought to effect change, ensure compliance.
- Most cases lead to no quantifiable harm, but may create risks for customer, firm, or sector.
- Heightened risk is posed by intentional or reckless misconduct, as well as recidivism.
- Fair and effective sanction, is one tailored to effectively address the root of the problem.
- Including fines, restitution, disgorgement, expulsions, bars, suspensions, undertakings.
- Firms that fix problems help themselves, as FINRA will grant credit for high cooperation.
- Success if thoughtful, balanced and timely investigations, not how many cases brought.
- For industry to comply, FINRA expectations must be clear stated, violations foreseeable.

## International

### Basel Cryptocurrency Warning

On Feb. 6, Basel general manager Carstens spoke on financial risks created by cryptocurrency.

- Authorities must be prepared to act against the invasive spread caused by cryptocurrencies.
- Cryptocurrencies should not mask the role central banks play as stewards of public trust.
- Private digital tokens, masquerading as currencies must not subvert this public trust.
- New technology holds promise, for example in making payment systems more efficient.
- However, new currencies are not required for promise to be realized for payment systems.
- Authorities have duty to ensure technological advances are not used to legitimize illegal profit.
- Large price swings, high transaction costs, and a lack of protection for consumers, investors.

### IOSCO Liquidity Risk for Funds

On Feb. 1, IOSCO issued report on the liquidity risks faced by the investment fund sector.

- Final recommendations seek to improve CIS fund liquidity risk management.
- Issued a separate report, providing practical information, examples and good practice.
- Included IOSCO recommendations to entities responsible for managing fund liquidity.
- Guidance for regulators, to promote strong liquidity management used by fund operators.
- Manager should consider underlying liquidity, throughout the entire life cycle of a fund.
- Seek better alignment of asset portfolio and redemption terms, effectiveness of risk tools.
- Fund improved stress testing, guidance on disclosure to investors, contingency planning.
- IOSCO will assess success of implementation across the relevant sector over next 2-3 years.

### India Stop Equity Index Licenses

On Feb. 9, BSE, NSE, MSEI stopped overseas licensing of Indian equity indices and data.

- Exchanges to stop providing market data to overseas index providers used for trading.
- Comprised real time, delayed feed and end of day feed, either directly or thorough vendors.
- Indices were licensed to foreign stock and derivative exchanges, and trade platforms.
- Responded to migration of liquidity to foreign jurisdictions, is not in best interest of India.
- Give exemption where index is traded in the International Financial Services Centre (IFSC).
- Does not apply to issuance of any ETF/ETN, subject to prior permission from the issuer.
- US FIA said announcement raised serious concerns, appeared likely to disrupt trading.

### Korea Conglomerate Supervision

On Feb. 1, Korea FSC planned for supervision of financial services activities within conglomerates.

- Set out policy tasks and principles for the supervision of financial conglomerate groups.
- Aims to capture, manage spectrum of risks, conventional supervision cannot fully address.
- Close regulatory gaps between holding, and non-holding structures of financial groups.
- Will help prevent any possible contagion of groupwide risks into financial affiliates.
- Expanded supervision scope, reporting rules, with realignment of supervision framework.
- Comprehensive risk management scheme, to assess capital adequacy and concentration.
- Prevention of risk contagion, assess risk and insert firewall between financial and others.

### HK SFC Best Execution Guide

On Jan. 30, HK SFC issued guidance on conduct required to ensure best execution for clients.

- Issued thematic review of best execution, and effectiveness of various control practices.
- Set standards of conduct, internal controls expected to see in delivering best execution.
- Execution now automated and electronic, with firms offering broader products and services.
- Use governance and management supervision, best execution factors, and their applicability.
- Responsibility for the staff, control, monitor arrangements with affiliates and third parties.
- Take account of a range of factors, e.g. price, cost, speed and the likelihood of execution.
- On Feb. 9, 2018, HKMA also issued notice, highlighting SFC circular on best execution.
- Required institutions to review, and enhance, their policy, control, management supervision.

### HKMA Fixed Income Distribution

On Feb. 8, HKMA issued guidance on distribution of fixed income and structured products.

- In view of increase in the sale of investment products and increased market volatility level.
- Reminded need to comply selling of complex and high-risk bonds, and structured products.
- Maintain effective management oversight, compliance monitoring, for due diligence.
- Should ensure sufficient disclosure is made to customers during the selling process.
- Implement proper systems and controls to ensure compliance with suitability obligations.
- Use cautious approach in selling accumulators and ensure customer understands risks.
- Firms reminded to be vigilant in selling debt instruments that might be converted to common equity, written down on trigger event.

## EU

### ESAs Warn on Virtual Currency

On Feb. 12, [ESMA](#), [EBA](#), [EIOPA](#) warned of risk to [consumers](#) on virtual currencies (VC).

- Follows concern that more consumers buying VCs, e.g. Bitcoin, unaware of risks involved.
- Subject to extreme price volatility, signs of pricing bubble, high-risk investors will lose a large amount, or even all, of their money.
- VCs, exchanges, where consumers can trade, are not regulated under EU laws, and no protection if it goes out of business or money stolen if account subject to a cyber-attack.
- Some VC exchanges subject to severe operational problems in past, consumers were unable to buy and sell VC when they wanted.
- Some have suffered losses due to price fluctuations during the period of disruption.

### ESMA CCP Stress Testing

On Feb. 12, [ESMA](#), issued [results](#), [FAQs](#) for second EU-wide [stress](#) test for CCPs.

- Builds on first CCP stress test in 2016 that focused on counterparty credit risk only.
- Included liquidity risk, examined whether CCP would meet the liquidity needs under the different scenarios, tested the resilience of 16 European CCPs with approximately 900 CMs.
- Aggregate collateral amount held by CCPs, in the test, in the form of margin requirement and default fund contributions was approximately €270bn, EU CCPs have responded well.
- CCPs are overall fit for purpose, sufficient resources to meet severe market condition.
- In addition, the expansion of stress test to include liquidity risk has provided added reassurance.
- ESMA has highlighted some individual CCP-specific results for the credit stress test.
- Under 1 scenario, assess resilience for default, of most relevant clearing members under harmonized price shocks, ESMA assumed default of top two groups of members.

### EIOPA Macroprudential Policy

On Feb. 6, [EIOPA](#) issued first [paper](#) in a series on systemic risk and macroprudential policy.

- Until now, debate has been on banking sector, due to prominent role in the financial crisis.
- Extension of debate to insurance sector should reflect the industry's specific nature.
- The social impact of macroprudential policy is important, less directly visible, to the public.
- Sources of systemic risk in sector are entity-based, activity-based and behavior-based.
- EIOPA proposed macroprudential framework, defined the specific operational objectives.

### EBA Risk Indicator Methodology

On Feb. 8, [EBA](#) updated methodological [guide](#) on the calculation of risk [indicators](#).

- Uses detailed risk analysis tools (DRATs), to calculate key risk indicators (KRIs).
- Ratios that provide early warning signs of trends, and risks, in the EU banking sector.
- Updated guide on the compilation of risk indicators and detailed risk analysis tools.
- Mainly for internal use, also benefit to competent authorities, other stakeholders.
- Allows firms to follow more consistent approach, in conducting risk assessments.
- Information assists supervisors in Pillar 1 monitoring and assessing Pillar 2 risk.
- Guide is not mandatory, but only aims at supporting computation of indicators.

### ESMA Supervisory Convergence

On Feb. 7, [ESMA](#) issued 2018 [work-plan](#) for raising level of supervisory convergence.

- Activities, tasks to promote sound, efficient, consistent supervision, MiFID II, across EU.
- Improving data quality to ensure efficient reporting, under various EU requirements.
- Ensuring supervisory convergence in the context of the UK decision to leave the EU.
- Safeguarding free movement of services in EU, adequate investor protection, cross-border provision of services, and financial innovation.
- Particularly the analysis of emerging and existing instruments, platforms and technology.
- Implementation of the plan will be monitored, and priorities may be later readjusted.

### ESMA CRAs, TRs, TC-CCPs Program

On Feb. 8, [ESMA](#) issued 2018 work [program](#) on CRAs, TRs and TC-CCPs, 2017 achievements.

- For CRAs and TRs, key supervisory themes based on ESMA's risk-based approach.
- Will prioritize supervision on quality of credit rating process including CRAs' validation practices, quality of data reported by TRs.
- Continued focus on IT, internal control, governance structure, management quality.
- Brexit, fees charged by CRAs, TRs, cloud computing, guidelines for periodic information.
- By end of 2018, all entities should be ready in case the UK leaves EU under a cliff-edge.
- Report details priority areas for supervision that ESMA has identified for TC-CCPs.
- Include the assessment of fifteen pending applications for recognition as TC-CCPs and monitoring the potential risk TC-CCPs might import into the EU, and the impact of Brexit.

## UK

### EC Barrier Brexit Transition

On Feb. 5, and Feb. 9, EC negotiator Barnier issued statements on Brexit transition access.

- Before Oct. 2018, must make progress on legal text and transitional arrangements.
- EC indicated readiness to consider request for transitional access and conditions were clear.
- EU needs clarity about UK's proposals, but without customs union, being outside Single Market, barriers to trade, goods unavoidable.
- On Ireland, need to avoid a hard border, but if the UK leaves the single market, checks on the Irish border would be unavoidable.
- Withdrawal agreement needs to have an implementation mechanism, including role of ECJ, a point of disagreement with the UK.

### Cited UK Position as Inconsistent

- UK have insisted on reaching a transition deal in Mar. 2018, but disagreements remain.
- UK agrees free movement of people applies in transition, does not want to extend same rights to those who arrive during transition.
- UK requested right of opposition, if disagrees with any new law during transition period.
- On Justice UK wants to continue benefiting from new EU policies but decided to leave policies when the transition period ends.
- EC proposed legal text, once agreed by the 27, then send draft withdrawal agreement to UK.

### PRA, FCA Algorithmic Trade

On Feb. 12, PRA proposed rules on the supervisory oversight of algorithmic trading.

- PRA firms within the scope of CRR that engage in algorithmic trading, already subject to rules in algorithmic trading part of rulebook.
- Crucial that appropriate governance, risk management are in place, firm governing body to explicitly approve governance framework.
- Applies to all algorithmic trading activity of a firm, including to unregulated instruments.
- Proposed amends to SS10/14 Supervising international banks: PRA branch supervision.
- See FCA report on supervising algorithmic trading in wholesale market, the key areas of supervisory focus, MIFID, good, bad practice.

### BoE CCP Incident Reports

On Feb. 9, BoE proposed rules on reporting of central counterparty of operational events.

- Consultation, formalize requirement for CCP to notify BoE of incidents, impact on IT systems.
- Follows UK Government Aug. 2017 proposals on the implementation of EU NIS Directive.
- Would be made using BoE's powers, under Financial Services and Markets Act 2000.

### FCA ICO GDPR Collaboration

On Feb. 8, FCA and ICO issued a joint statement on the implementation of the GDPR.

- FCA and ICO published update on the EU general data protection regulation (GDPR).
- Firms have asked about their ability to comply with both the GDPR and rules from FCA.
- FCA, ICO believe GDPR requirements are not incompatible with FCA Handbook rules.
- FCA take into account individuals privacy, open, transparent on reasons behind rules.
- Recognize discussion, and ensure GDPR implemented consistently with other rules.
- Working closely together, Roundtable, ICO is providing input to FCA's Innovation Hub.
- Will review memorandum of understanding on formal relationship, future collaboration.
- FCA will consider compliance with GDPR under their rules, for example, SYSC module.

### FCA, TPR Pension Strategy

On Feb. 9, FCA and The Pensions Regulator issued joint strategy on pension regulation.

- Create pensions regulatory strategy, to tackle key risks facing sector in the next 5-10 years.
- Events to be held in spring, focused broadly on two discussion areas led by FCA and TPR.
- Reflect view of current landscape of the sector, and likely areas of focus in coming years.
- Last 5 years have seen significant changes, e.g. new "pension freedoms", auto enrolment.
- FCA/TPR will provide appropriate consumer protection and competition for new landscape.
- Through independent governance committees, work such as retirement outcomes review.
- TPR focus on protecting savers by ensuring fair treatment by employers in their schemes.
- While ensuring were enrolled by employers in their entitled pensions, via auto enrollment.

### PRA on Actuarial Function

On Feb. 5, PRA issued a letter on the review process of actuarial function reports (AFRs).

- Areas the PRA think SLV2 requirements not being met, emerging good practice, engagement with firm board, risk management.
- Enhance the contribution being made to a particular firm's systems of governance.
- Engaging with board so actuarial function seen as a key part of the governance system.
- Producing AFRs for board that get key messages across to support decision-making.
- Expressing opinions that are supported by a clear rationale, of value to stakeholders.
- Providing evidence in AFRs that actuarial function is meeting Solvency II guidelines.

## AML & Enforcement

### OFAC Venezuelan Debt Payment

On Feb. 12, OFAC issued FAQs for payments on traded debt securities related to Venezuela.

- Follows US Aug. 2017 sanctions imposed on certain Venezuelan financial instruments.
- Updated the guidance on the debt-related prohibitions in executive order (EO) 13808.
- Meaning of new debt (Q: 553), and receipt of late payments from Government (Q: 554)
- Payments of the Venezuela government include Petroleos de Venezuela, SA (PdVSA).

### NYDFS DFS Crypto Fraud Warning

On Feb. 7, NYDFS issued warning for virtual currency companies to take steps to deter fraud.

- To all virtual currency entities licensed by NY if have a money transmitter license they need implement measures to detect and deter fraud, and in particular, market manipulation efforts.
- Procedures and controls to protect from risks, which allocate responsibility for monitoring.
- Need procedures for effective investigation of fraud as well as manipulation consequences.
- If detect fraud, must submit to DFS a report stating all the relevant details of wrongdoing.
- Issue a statement of actions taken, proposed, changes put in place to remedy or prevent it.

### HK SFC UN Sanctions AML/CTF

On Feb. 7, HK SFC issued circular on applying UN sanctions, and practices for AML controls.

- Covers expectations on licensed corporations, associated entities, regarding UN sanctions.
- Early alert system, to help with the time lag between UN imposition, HK implementation.
- Whether or not sanctions implemented under HK legislation, offences may still occur.
- Must ensure screening compliance for new, altered UN sanctions, as soon as practicable.
- SFC will issue alerts via website/or circulars, related notices in the Government Gazette.
- Advised review compliance with all existing UN sanctions resolutions, and sanctions lists.



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