



Quote of the Week

"Work must begin in earnest on planning transition to alternative reference rates that are based firmly on transactions. Panel bank support for current LIBOR until end-2021 will enable a transition that can be planned and can be executed smoothly."

- **UK FCA CEO, Andrew Bailey**



Articles in This Issue

- US Banking:** Treasury secretary reform testimony; Fed Volcker fund seeding period; Agencies Volcker foreign fund; OCC versus CSBS on fintech charter; FDIC risk exam manual; Agency loan appraisal relief [Page 2](#)
- US Consumer:** Fed payment system reviews; Congress reject CFPB arbitration rule; CFPB HMDA home equity exclusion; House bills community banks; CFPB low-income credit score; FHFA credit risk transfers [Page 3](#)
- US Securities and Investment Management:** MSRB conflict issuer muni counsel; NASAA access to client accounts; NFA swap dealer exam review; CFTC EU ESM swaps relief; CFTC cross-border relief; CFTC swap value disputes [Page 4](#)
- Canada:** Canada pension plan funding; CSA advisor custody registration; CSA OSC reasoning of tribunals; OSFI delay Basel FRTB rules; OSFI 'bank' word restrictions; OSFI insurance P&C reports [Page 5](#)
- International:** LEI ROC corporate actions; GFXC FX public affirmations; FSB backs IFRS 17 standard; APRA bank capital benchmarks; MAS banking leverage ratios; Australia bank executive responsibility [Page 6](#)
- EU:** ECB FX global conduct code; EC prevention of investment disputes; EC cross-border trading fees; Ireland entity relocation for Brexit; EU council blue card directive; ESRB IFRS financial stability [Page 7](#)
- UK:** FCA moving away from LIBOR; PRA MREL link to buffers; FCA insurance distribution IDD; FCA extend senior manager regime; Treasury bank client data access; FCA investment platform review [Page 8](#)
- AML & Enforcement:** SEC virtual coin offer; UK Treasury new AML watchdog; OFAC 13 Venezuela officials; FINRA market access fines [Page 9](#)

Regulatory Watch List

- ↑ Chartist** Acting [OCC head](#) defends federal license for non-bank fintech companies, against [lawsuit](#) from States. Clams CFPB arbitration ban has [systemic risk](#) concerns, and that inquires against bank on [Russia ties](#) is unfair.
- ↓ Coining it** SEC issued long-awaited [guidance](#) on regulation oversight of virtual money issuance as [securities](#). DoJ and FinCEN close \$4B dark web [launderer](#), after arrest of founder in Greece, in extra-[jurisdictional](#) move.

US Banking

Treasury Secretary Reform Testimony

On July 27, Treasury Secretary Mnuchin testified at HFSC hearing on Administration reform plans.

- HFSC chair Hensarling backed deregulation plans, as consistent with House CHOICE Act.
- Treasury cited leadership role in international financial institutions to make more effective.
- Multilateral development banks should raise assistance and lower US budget contribution.
- Priority is to better tailor capital requirement for smaller and mid-sized, regional banks.
- Structural reform should identify single, lead regulator, remove overlap or duplicated effort.
- Legislative remedy to the complex Volcker Rule, and make the CFPB more accountable.
- Central component to the agenda for growth is passage of comprehensive taxation reform.
- Joint Statement by Treasury, House Speaker, Senate Majority Leader, on principles for tax

Fed Volcker Fund Seeding Period

On July 24, Fed issued procedure to extend fund-seeding period, as an exception to Volcker Rule.

- Procedure for bank to request an extension of one-year seeding period for covered funds.
- Issued list of factors to be addressed, Agency contacts, and sample acknowledgment letter.
- Revision to extension procedure, will now allow regional Fed banks to make decision.
- Regulations permit bank to acquire and retain an ownership in a fund, subject to limitations.
- To retain ownership interest in a fund that the bank organizes and offers, to help establish it.
- Where banks are actively seeking unaffiliated investors, to reduce their investment in fund.
- Any extension would be granted for period up to two years, as per the Volcker regulation.

Agencies Volcker Foreign Fund

On July 21, Agencies issued review of impact of the Volcker Rule on foreign funds.

- SEC, FDIC, OCC, CFTC, Fed joint review treatment of foreign funds per Volcker Rule.
- Due to Volcker Rule complexity, excluded funds may have been inadvertently included.
- May arise due to governance arrangements, used, or investments held by foreign bank.
- If foreign bank owns large amount of fund, selects board of directors, or acts as general partner or trustee, a foreign bank may be deemed by law to control that fund.
- Foreign fund controlled by foreign bank will be affiliate of foreign bank per BHC Act.
- Law subjects bank affiliate to US restrictions on covered fund and proprietary trades.

OCC Versus CSBS on Fintech Charter

On July 19, OCC acting head, spoke on Fintech charters, which the CSBS had sued as not legal.

- OCC responded to CSBS, NYDFS lawsuits that challenged OCC chartering authority.
- Reiterated OCC had the authority to grant Fintech charters, and law is clear thereon.
- If chartered, an entity would be regulated in same way similarly placed national banks.
- Due to Fintechs coming out of the shadows, rules would promote safety and soundness.
- DFA expanded federal consumer protection, and State laws continue to apply to Fintechs.
- OCC not yet chartering Fintechs, will be in reliance on contested provision in Sec. 5.20.
- There were other avenues to special purpose bank chartering, which are uncontested.
- CSBS claimed OCC Fintech charter lacked legal authority, published their own policy.
- NY DFS also stood by position that OCC lacked the authority to charter nonbanks.

FDIC Risk Examination Manual

On July 26, FDIC updated Risk Management Manual of Examination Policies used for banks.

- Manual sections cover S. 16.1 instructions; S. 17.1 Bank of Anytown; S. 4.5 violation.
- Exam instructions updated primarily re guidance on supervisory recommendations.
- Matters requiring board attention (MRBA), and for deviations from policy on safety.
- Instructions on the new report of exam schedules, or update on existing schedules.
- Communicate clearly in writing in Report of Examination (ROE), or in an FDIC letter.
- Recommendation in ROEs communicated on examination conclusion and comments.
- Concentration schedule, officer questionnaire, Information technology, and operations risk.

Agency Higher Loan Appraisal Relief

On July 19, 2017, FDIC, Fed, OCC, proposed rules to raise loan threshold needing appraisal.

- FDIC also issued financial institutions letter explaining the impact of the rule to banks.
- Level of commercial property trades needing appraisal, raised to \$400k from \$250k.
- Commercial real estate transactions below threshold instead only needed an evaluation.
- Evaluations are less detailed, will not need to be done by State licensed, certified appraiser.
- However, still provide market value estimate, of any real estate that is pledged as collateral.
- Last increased in 1994 from \$100k, it would only apply to commercial not residential.

- Commit to not take action under S. 619 on qualifying foreign excluded fund, for one year.

- FDIC Chair Gruenberg said threshold same for 23 years, now is good time to update it.

US Consumer

Fed Payment System Reviews

On July 24, Fed announced the conclusion of their task force on moving to faster payments.

- Completed work with July 21 issue of final report path to faster payments, and call to act.
- Aim for providers to receive faster payments, make funds available to clients in real time.
- Cited 16 proposed solutions by effectiveness criteria, and discuss challenges to attain them.
- Ten recommendations relate to industry action, several also call for action or support of Fed.
- Recommendations also describe impact upon infrastructure, security threat, IT innovation.

Congress Reject CFPB Arbitration Rule

On July 10, CFPB issued rule to ban mandatory inclusion of arbitration clause in client contracts.

- Cordray called it win for consumers, HFSC Chairman Hensarling said helps trial lawyers.
- Rule restored consumers' right to file or join group lawsuits, so arbitration is transparent.
- Companies must file records, initial claims, counterclaims, response, size of final awards.
- Rule applied to banks, credit card companies, with regard to consumer finance agreements.
- Clauses are already prohibited in residential mortgage market under Military Lending Act.
- Rule would not apply to entities regulated by CFTC or SEC, (e.g., broker-dealers, IAs).
- GOP Senators started process to rescind rule per congressional review, HFSC also oppose.
- Acting OCC head Noreika asked CFPB to halt rule, due to concerns on systemic impact.
- In response, CFPB Cordray said surprised by Noreika's concerns as extensively consulted.
- On July 19, CFPB issued the rule in Federal Register, effective date will be September 19, 2017.
- On July 20, 2017, House Republicans also introduced a resolution CRA to repeal ban.
- On July 25, House in full voted 231-190 to block CFPB rule to ban arbitrations, by CRA.
- Prevent CFPB issuing similar rule in future, Senate simple majority approval also needed.

CFPB HMDA Home Equity Exclusion

On July 20, CFPB proposed rule on exclusions from HMDA reporting for home equity loans.

- Amend exclusion from reporting for smaller firms with under 100 open-end lines of credit in two prior years, and raised to 500 lines.
- Responded to comments that exclusion was set too low, eased burden on small banks.
- Do not begin collecting data, on open-ended home equity (HELOC) loans to January 1, 2020.

House Bills Community Bank Easing

On July 12, House financial committee reviewed bills to ease community bank regulations.

- To ease regulatory burden on community institutions, encourage consumer lending.
- HR 2133 would amend several provisions of TILA on mortgages, if loan held by banks with less than \$50B in assets, exempt from appraisal requirements under \$250k loan.
- Raise consolidated asset threshold from \$1B to \$10B for small bank holding companies.
- Limit CFPB powers on abusive practices, by same rules as Federal Trade Commission.
- Raise CFPB financial institution exam supervisory threshold from \$10B to \$50B.
- Additional amendments on TILA relating to mortgage disclosures, qualified ones.
- HR 864 would classify debt buyers as debt collectors under FDCPA, requires GAO study.
- Redefine some terms, debt collectors cannot charge fees more than 10% of recovery.
- On July 25, FSC chair Hensarling criticized ranking member Waters, that 'too many folks' believe community banks needed relief.

CFPB Low-income Credit Score

On July 17, CFPB analysis credit profiles from States and cities and how they can be improved.

- How consumers establish credit history can differ based on economic background
- Research based on sample of consumer files from a large credit-reporting company.
- Found most people begin building a credit history at a young age, and their records are more frequently created as result of credit cards than any other financial product.
- For awareness on how organizations can help people in communities be credit visible.
- Steps to take in community included helping consumers find out their credit status.

FHFA Credit Risk Transfers

On July 26, FHFA issued report on Fannie and Freddie transfer of credit risk to private sector.

- Provides data, definitions, and principles to oversee credit risk transfer (CRT) program.
- Transfer through a variety of transactions in both single-family and multifamily market.
- In first quarter 2017, GSEs transferred \$5.5B of credit risk, on \$174B of mortgages.
- Total since 2013 to more than \$54B of credit risk transferred on \$1.6 T UPB.
- In 2017, GSEs modified first loss structure of debt issuance to retain first 50 bps of loss.

- Do not intend to burden small banks, where cost of compliance does not justify benefit.
- Means the GSEs are now selling most of the credit loss between 50 to 100 basis points.

US Securities and Investment Management

MSRB Conflict Issuer Muni Counsel

On July 27, MSRB issued guidance on conflicts re designation of deal counsel by the muni issuer.

- For practice where muni issuers designate the counsel that is used by their bond underwriter.
- Or, if they influence underwriter's selection of counsel, this would be of concern to MSRB.
- As investors may be harmed where offering does not have the use of independent counsel.
- Need for review, guidance and counseling by independent, competent, critical counsel.
- Aims to minimize conflicts of interest, and reduce the risk of influence from an issuer.
- Suggest issuer refrain from involvement in underwriter selection of counsel, or limit this.

NASAA Access to Client Accounts

On July 25, NASAA proposed rule on access to client accounts by investment advisor.

- Rule is applied to investment advisers, their representatives, or federal covered advisers.
- Restrict IA access to client account using the client's own unique ID, username, password.
- Concern that such access may impact upon custody and recordkeeping obligations.
- Access rises to level of having custody, if IA has obtained authority to obtain possession.
- Difficult to distinguish log-ins initiated by IA vs. those by a client for transactional review.
- Access may cause client to violate the firm's user agreements, with the website provider.
- User agreements often ban clients providing another person their username and password.
- Risk that impacted company could use the adviser's account access to disclaim liability.

NFA Swap Dealer Exam Review

On July 24, NFA issued guide on exam submission by swap dealers (SDs) under S. 4s of the CEA.

- SDs must file documentation on their method of compliance with CFTC rules re Section 4s.
- SD will no longer be required to submit such documentation for most topic areas of Section 4s.
- Exception is for certain documentation related to an SD's risk management program.
- NFA will no longer issue feedback letter, SD will file attestation that it adopted policies.
- Once CFTC adopt rules for remaining 4s topic areas, SD will be able to get registration by submitting attestation in topic areas.
- However, for risk management 4s topic area, new SD applicants will require risk policies.
- SD that does not file attestation by required deadline must notify NFA and detail reason.

CFTC EU ESM Swaps Relief

On July 24, CFTC issued relief to uncleared swaps trades to European Stability Mechanism (ESM).

- Provided relief from Reg 23.150-159, 161 on uncleared swaps with ESM as counterparty.
- Relief is to swap dealers (SD), from CFTC margin rules, for uncleared swap with ESM.
- Noted CFTC 2016 final margin rule already does not require SD to collect margin from, or post margin to, a counterparty that is neither a swap entity nor a financial end user.
- ESM created following euro area debt crisis by the countries in EU that use euro.
- ESM is intergovernmental financial institution similar to multilateral development banks, listed in CFTC reg. 23.151, e.g. ADB.
- Under EU EMIR, ESM is exempt from margin rules on uncleared OTC derivative, where they enter uncleared swaps with SDs, to hedge the interest rate and currency risks.

CFTC Cross-Border Relief

On July 25, CFTC extended relief, from September 30, 2017, until date adopt final cross-border rules.

- Now expires on effective date of CFTC action on whether trade-level rules are applicable.
- Applied to CFTC registered swap dealers, established under law of country outside US.
- When such SDs are entering swaps with a counterparty that is not a US person.
- Relief is from certain transactional-level requirements under Commodity exchange act.
- From rules on activities in swaps arranged, negotiated or executed in the United States.
- Where non-US parties that use personnel or agents in US to arrange, negotiate, or execute.
- Apply substituted compliance concept when overseas rules judged comparable to US.
- Determination for six countries: Australia, Canada, EU, Hong Kong, Japan, Switzerland.

CFTC Swap Value Disputes

On July 20, NFA issued guidance on method of compliance with swap valuation dispute filings.

- Rule will become effective for dispute notices required to be filed after January 2, 2018.
- Amend any previously filed notices, on 15th day and last business day of each month, if the amount of the dispute has increased or decreased in \$20M incremental bands.
- Firm should terminate prior-filed dispute when it is resolved or falls below \$20M.
- Termination of previously filed notice is due on 15th and last business day of a month.

Canada

Canada Pension Plan Funding

On July 13, OSFI issued consultation on the future funding and allocation of pension plans.

- Issued by Canadian Association of Pension Supervisory Authorities (CAPSA).
- Sought feedback on proposed changes for multi-jurisdictional pension plans in Canada.
- Related to funding and allocation of assets under future agreement on the pension plans.
- Multi-jurisdictional plans are required to have assets in more than one province.
- Plans are subject to regulation by pension regulators from more than one province.
- 2016 agreement clarified how participating government pension legislation will be used.
- Also simplified rules by only applying the rules from one jurisdiction.
- Active plan members are employed to key aspects of these plans' operations.
- Plan meant as interim measure, needs future agreement to be signed by all, consultation.

CSA Advisor Custody Registration

On July 27, CSA issued amendments on custody of client assets by brokers and investment advisors.

- Issued NI 31-103 registration requirements, exemption; NI 33-109: registration information.
- Expanded exemption of dealer registration requirements, to apply to registered advisers.
- If advisor traded in the securities of affiliated investment funds in client managed accounts.
- Make permanent 2015 temporary CRM2 relief, issue guide on delivery of information.
- The new amendments, other than those related to custody, come into force on December 4, 2017.
- Subject to obtaining ministerial approvals, custody amendment is in force June 4, 2018.

CSA OSC Reasoning of Tribunals

On July 24, CSA OSC announced transparency of the decisions made by its tribunals.

- Tribunal reasons made available in Canadian Legal Information Institute website.
- CanLII is a non-profit organization that makes law accessible and searchable for free.
- OSC tribunal reasons will be added to the CanLII website, as part of Ontario database.
- Including OSC tribunal reasons on CanLII, will enhance accessibility and transparency.
- To enable parties and public to search for OSC tribunal reasons online free of charge.
- Mandate to provide protection to investors from unfair, improper or fraudulent practice.
- Seek to foster fair and efficient capital markets, raise confidence in functioning of market.

OSFI Delay Basel FRTB Rules

On July 20, OSFI deferred rule on Fundamental Trading Book Review (FRTB) under Basel.

- Deferred timeline for implementing minimum capital requirements for market risk.
- However, since Basel published rules in January 2016, complexity level has become evident.
- Both with rule text, as well as the IT system-changes required to comply with them.
- OSFI is still unclear if requirements will be implemented in key competitor countries.
- Basel required national supervisors finalize their domestic FRTB rules by January 2019.
- To start new reporting as at end-December 2019, or, for Canadian banks, fiscal Q1 of 2020.
- Thus, OSFI has advised Canadian banks of extended implementation by at least a year.
- First regulatory reporting under FRTB rules will commence no earlier than Q1 of 2021.
- In interim, banks subject to market risk rules should develop plans to implement FRTB.

OSFI 'Bank' Word Restrictions

On July 27, OSFI issued guidance on process for changes of name and reservations in advance.

- Followed OSFI June 30 restrictions on use of banking-related terms by non-bank entities.
- In light of greater use of banking-type words, by non-banking financial service providers
- OSFI expected non-banks to adjust required names on website, prior to December 31, 2017.
- Exceptions apply where use of words is not in relation to financial services business.
- Entity may change name via a letters patent process or through amendment to by-laws.
- Proposed name can be reserved with OSFI, for a period of up to 90 days, per legislation.
- A No. 5 letter patent; A No. 6 foreign entity; DA No. 9: by-law; A No. 20: reservation.
- Bank is to provide certified copy of resolution authorizing the name change in its records.
- Include name of the entity in English, French, or both (as required), and name search report.

OSFI Insurance P&C Reports

On July 26, OSFI issued templates for property and casualty insurers to file financial reports.

- Issued the final financial return templates and the instructions for completion for 2017-18.
- Forms are to be filed by Canadian and foreign Property & Casualty insurance companies.

International

LEI ROC Corporate Actions

On July 26, [LEI ROC](#) proposed rules on reflecting data from corporate actions for identification.

- Identified 17 corporate actions which impact data in global LEI system (GLEIS) on entities.
- Seeks input on how data in GLEIS should be made granular to enable subsequent analysis.
- Proposed making data on changes in names, address or legal status easily searchable.
- To provide a history of data record changes due to corporate events and actions.
- Add LEI reference data to reflect the effective date of the change (not when it is recorded).
- GLEIS currently provides easy access to information on successor of merged entity.
- Comment sought on data to keep in complex acquisitions, such as reverse takeovers.
- Need for creation of spin-off relationship, the reporting of which might be optional.
- Plans to clarify definition of inactive entities, considering liquidation data element.

GFXC FX Public Affirmations

On July 25, Global Forex Committee ([GFXC](#)) recommended establishing global public registers.

- Use public register to make known market participants commitment to code of conduct.
- On their recognition of and commitment to good practices set out in the FX Global Code.
- Does not expect a public register to assume responsibility for the accuracy of statements.
- Nor to monitor adherence or verify if market participant within scope of the public register.
- Proposed publicly identifying participant's name, statement date, market participant type.
- Describe the process by which participants were admitted to, or removed from, register.
- Set out how often register is maintained and frequency of renewing the original statement.
- A global index would not list names, but instead list links to other maintained registers.

FSB Backs IFRS 17 Standard

On July 17, [FSB](#) issued statement backing IFRS 17 standard in the insurance sector.

- FSB welcomed account standard on IFRS 17, as single approach for insurance contracts.
- Subject to endorsement and adoption, standard is due to become effective January 2021.
- FSB encouraged firms to start implementation as soon as possible, and engage with IASB.
- Insurance regulators should be part of dialog, consider how to give support to sector.
- Relevant disclosures from reporting entities would aid understanding of methodologies.

APRA Bank Capital Benchmarks

On July 18, [APRA](#) reported on the need for strong bank capital [benchmarks](#).

- Require four major Australian banks to have CET1 capital ratios of at least 10.5%.
- To meet 'unquestionably strong' benchmark, APRA will set specific prudential standards.
- Increased requirements for all IRB banks, by the equivalent of around 150 basis points.
- For other banks, effective increase in capital requirements will be around 50 basis points.
- All banks expected to meet the new benchmarks from January 1, 2020.
- Announced assessment on additional capital requirement for Australian banking sector.
- On July 26, [APRA](#) consulted on [rules](#) on wider forms of capital for mutual banks.

MAS Banking Leverage Ratios

On July 25, [MAS](#) proposed [rules](#) setting minimum leverage ratios for bank sector.

- Amendments to MAS Notice 637 on capital requirements for banks in Singapore.
- Rules introduce minimum three percent leverage ratio requirement and technical enhancements.
- Proposed amendments to enhance clarity of treatment of equity investments in funds.
- Amendments exclude equity investments in funds held in banking book from IRBA(EQ).
- Or any equity investment in funds where IRBA(EQ) used to calculate credit exposure.
- Exclusion also applies to SA(EQ) exposures for equity investments in the banking book.
- Banks to maintain minimum leverage ratio of three percent at both solo and consolidated level.
- Required that banks calculate credit risk-weighted exposure as per division 5.

Australia Bank Executive Responsibility

On July 13, [Australia](#) Government issued proposals on bank executive [accountability](#).

- Follows 2017-18 Budget in which Government brought forward a package of reforms.
- Legislation to introduce the Banking Executive Accountability Regime (BEAR) as one part.
- Intent of BEAR is to enhance responsibility of bank management executives and directors.
- BEAR will provide clarity on responsibilities, impose heightened expectations of behavior.
- Where these expectations are not met, APRA empowered to remove or disqualify personnel.
- Ensure bank remuneration policies result in financial consequences, and substantial fines.
- Require banks register individuals with APRA before appointing them as senior executives.

EU

ECB FX Global Conduct Code

On July 26, ECB issued approach to adopt global forex code of conduct in its jurisdiction.

- Follows Basel May 2017 final version of FX global code for best practices in FX markets.
- ECB invited its foreign exchange trading counterparties, to commit to FX global code.
- Adherence to the code will be a prerequisite for membership of ECB forex contact group.
- ECB reaffirmed commitment to the principles in the code, and asked for comments on these.
- Asked trade counterparties to commit publicly to comply with the principles in code.
- By endorsing a statement of commitment annexed to code, prior to end of May 2018.
- Counterparties are encouraged to reaffirm commitment after any future updates to code.

EC Prevention of Investment Disputes

On July 25, EC issued report on method to resolve and prevent investment disputes within EU.

- Statistics suggested that number of disputes between EU investors has increased recently.
- Intra-EU investment arbitration excluded any judicial review by national courts, and ECJ.
- International treaties overlap and create risk of conflict with the provisions of primary law.
- EC pursuing infringements, so States terminate intra-EU bilateral investment treaties.
- At EU-level, there is no secondary legislation to allow the amicable resolution of disputes.
- EU should consider EU legal framework for mediation, to enable amicable resolutions.
- EU-wide mediation agency acts as administer of mediation services and mediator.

EC Cross-Border Trading Fees

On July 25, EC proposed rules on fees for cross-border payment transactions.

- Followed EC July 2017 assessment of impact of cross-border payment regulations.
- EC consumer financial services action plan: sought to improve products, widen choice.
- Proposed amended regulation on cross-border payments to reduce level of fees in EU.
- Would extend the regulation's equalization of fees to apply to non-euro currencies.
- Called for feedback on cost of cross-border transactions, in euros and non-euros.
- Questions whether current disclosure of fees covering currency conversions are adequate.
- Whether merchants or ATM operators should be obliged to reimburse the fees received.
- Discussed dynamic currency conversion, as a means to reduce fees charged for FX.

Ireland Entity Relocation for Brexit

On July 26, CBOI issued an update on industry preparedness for Brexit relocations from UK.

- Highlighted ESMA opinions to EU States on approach to take to Brexit relocations.
- Opinion designed to foster convergence in terms of how NCAs respond to relocations.
- Highlighted that regulator should undertake additional scrutiny on choice of EU state.
- CBOI will seek to assess if is any objective justification for the decision of an applicant.
- Will also be applied to outsourcing, location of HR and technical resources or branches.
- Trading venues relocating from the UK will need to provide clarification of outsourcing.
- CBOI key consideration is that oversight and control of outsourced activities is in Ireland.

EU Council Blue Card Directive

On July 26, EU Council mandated directive on condition of residence to allow staff relocation.

- Covered mandate for negotiations on draft directive for entry and residence conditions.
- Applies to highly qualified workers coming from third countries (Blue Card Directive).
- Represented European residence and work permit, to compete with US green card.
- Provided more inclusive admission criteria, including reducing the salary threshold.
- Member State may apply lower threshold to recruit recent graduates in specific field.
- Makes the procedures faster by introducing possibility to apply simplified procedures.
- Allows blue cardholders to engage in parallel self-employed activities alongside main.

ESRB IFRS Financial Stability

On July 17, ESRB issued report on implications of IFRS 9 for EU financial stability.

- IFRS 9 represented major improvement in comparison with earlier IAS 39 standard.
- Expected to lead to substantial benefits from a financial stability perspective.
- Contains policy considerations to mitigate negative financial stability implications.
- The considerations are not to be understood as formal ESRB warnings under Article 16.
- EP to consider measurement at amortized costs for assets being held as liquid reserves.
- Concern on IFRS 9 is procyclicality, sudden early recognition of expected credit losses.
- Standardized approach to capital designed when the expected loss models not in use.
- ESRB report is accompanied by occasional paper of cyclical implications from IFRS 9.

UK

FCA Moving Away from LIBOR

On July 27, [FCA CEO Bailey](#) spoke on transition away from the use of LIBOR by end of 2021.

- Since the crisis, there have been significant improvements to way that LIBOR operated.
- Benchmark administrator has oversight panel for independent challenge on how operated.
- Since July 2014, there has been move to base LIBOR on the rates of actual transactions.
- That change proved more difficult to realize than the improved governance arrangements.
- Not because unrepresentative, but because wholesale lending is no longer active enough.
- In a currency-tenor combination, panel of 12 banks executed just fifteen trades in a year.
- Data showed few eligible term-borrowing transactions by large banks to base rate on.
- Plan transition to alternative reference rates that are based firmly on transactions.

PRA MREL Link to Buffers

On July 27, [PRA](#) proposed rules on relationship of minimum-required equity (MREL) and buffers.

- Minimum-required own funds and eligible liabilities (MREL), link to leverage buffers.
- Sets out PRA expectations on the relationship between MREL and buffer requirements.
- Update SS16/16, which stated firms could not use CET1 towards both MREL and buffer.
- PRA aware some firms calibrated MREL on basis of single capital regime (e.g., leverage).
- Amended for firms that derive MREL from one regime, MREL will be going concern.
- Expected CET1 capital not counted towards buffer and MREL to be a buffer amount.
- Should be equal to amount of CET1 that is usable, considering going-concern regimes.
- Firms should compare own funds, etc. against risk-weighted capital, leverage and MREL.
- Regimes enforced separately, consequences of insufficient funds vary by regime.

FCA Insurance Distribution IDD

On July 24, [FCA](#) proposed rules to implement EU insurance distribution directive (IDD).

- Follows March 2017 [FCA](#) proposed rules, new proposals on how it plans to implement IDD.
- Additional requirements for distribution of insurance-based investment products (IBIPs).
- Covered life insurance business, including information, and the distribution of IBIPs.
- Sets out rules for general obligations on IBIPs, information disclosure to customers.
- Provisions on inducements, suitability and appropriateness assessments (in Chapter 8).

FCA Extend Senior Manager Regime

On July 26, [FCA](#) proposed rules to extend senior manager regime (SMR) to all types of FCA firms.

- Proposes applying core regime from senior managers' regime to every registered firm.
- Included three SM&CR elements: on senior managers' regime, certification and conduct.
- Rules also define the roles that are senior management functions, depending on firm.
- Anyone holding senior management function needs to be approved first by the FCA.
- On July 26, [FCA](#), and [PRA](#) also proposed rules to extend SMR regime to insurers.
- Plan to introduce full SM&CR to Solvency II firms, and large non-directive firms (NDFs).
- To set out approach SM&CR for appointed representatives in a follow-up consultation.
- All insurers are subject to certification regime, fit and proper tests, and conduct rules.
- Senior managers' regime applies to all insurers apart from some small NDFs and ISPsVs.

Treasury Bank Client Data Access

On July 19, [Treasury](#) announced wider consumer access to all bank data held on them.

- From January 2018, new regulation will give consumers more control of their bank data.
- Aims to transform way people engage with their finances, and make better decisions.
- FinTech firms will - at request of customer- have access to the data in all their accounts.
- May spur innovation e.g., managing all bank accounts from single application.
- Thus, enable effective budgeting, or help consumers to avoid unwanted overdrafts.
- Make automatic payments between bank accounts, e.g., when funds are running low.
- Make personal recommendations, based on exactly how consumers spend their money.
- Suggested savings product that best suited the individual, based on saving habits.

FCA Investment Platform Review

On July 17, [FCA](#) issued the terms of reference of the study investment platform.

- Noted investment platforms are increasingly used by consumers and financial advisers.
- Platform market steadily grown over last eight years, to £500B funds under management.
- Many offer investors and advisers a range of information and tools to make decisions.
- FCA to look at how platforms compete in practice and bargaining power with investors.
- Will explore what impact platforms have on overall charges investors pay for products.

- These include conflicts of interest (Chapter 9), governance (Chapter 10) and organizational.
- To also study whether platforms' tools meet investor expectations on way to explain risks.

AML & Enforcement

SEC Virtual Coin Offer Security

On July 25, SEC issued report that virtual offers of currency tokens may be deemed securities.

- SEC Investor Education Office issued Investor Bulletin on Initial Coin Offerings (ICOs).
- Laws may apply to offers, sales, trading in virtual organizations such as DAO.
- Follow SEC investigation into whether DAO violated US law with unregistered offerings.
- As well as company sales of DAO tokens, in exchange for Ether, as a virtual currency.
- Such offers and sales have been referred to as both initial coin offerings and token sales.
- Distributed ledger issuer or blockchain tech securities must register the offer and sale.
- Those participating in offerings may also be liable for violations of the securities laws.

UK Treasury New AML Watchdog

On July 20, UK Treasury announced creation of new AML watchdog, consulted on oversight.

- New office for professional body anti-money laundering supervision (OPBAS) announced.
- To tackle potential weaknesses in supervisory system criminals, terrorists may exploit.
- Twenty-five AML supervisors in UK, 22 that cover sectors of accounting, real estate agents.
- Also, cover providers of legal services, and other types of professional bodies.

FINRA Market Access Control Fines

On July 27, FINRA fined four firms total of \$4.75M for market access control violation.

- Found firms failed to comply, with one or more provisions of market access rule.
- Did not have controls, designed to prevent entry of erroneous or duplicative orders.
- To prevent the entry of orders that exceeded pre-set credit or capital thresholds of firms.
- Did not supervise customer trades to detect, prevent violative and manipulative activity.

OFAC 13 Venezuela Officials

On July 26, Treasury OFAC named 13 Venezuelan Government officials as subject to sanctions.

- Ahead of the planned July 30, 2017 election arranged by Venezuelan President Maduro.
- To elect national constituent assembly (ANC) with powers to rewrite federal constitution.
- In flawed election, the majority of members may well represent the interests of Maduro.
- A consultation by opposition on July 16, 2017, overwhelmingly opposed the ANC process.
- Opposition estimates to 15,000 civilians wounded, 3,000 arrested and 431 detained.



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