

Being better informed

FS regulatory, accounting and audit bulletin



PwC FS Risk and Regulation Centre of Excellence

October 2018

In this month's edition:

- Insurance: PRA raises actuarial concerns
- Investment firms: Analysis of prudential regime proposals
- Conduct: CMA investigating treatment of long-standing customers
- LIBOR transition: UK regulators write to CEOs

Executive summary



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'Welcome to this edition of 'Being better informed', our monthly FS regulatory, accounting and audit bulletin, which aims to keep you up to speed with significant developments and their implications across all the financial services sectors.'

As we enter the final quarter of the year, regulatory activity is increasing, with particularly noteworthy developments in the past month on the actuarial function in general insurers, LIBOR transition and the new prudential regime for investment firms.

Regulators continue to urge firms to prepare for the move away from LIBOR. The PRA and FCA wrote joint letters to the CEOs of large banks and insurers requiring details of their transition plans. The regulators are seeking assurance that senior managers and boards understand the risks associated with the transition away from LIBOR and are taking action to transition to alternative RFRs by the end of 2021. They've asked firms to respond to the letters by mid-December. In addition, the working group on euro RFRs recommended ESTER to replace Euro OverNight Index Average (EONIA) as the euro risk-free rate. The ECB expects to produce the new rate by October 2019, and UK firms should quantify their exposures to EONIA and prepare accordingly.

In the insurance sector, the PRA highlighted concerns about the actuarial function. It wrote to all general insurance chief actuaries, detailing the regulator's concerns that optimism in pricing, underwriting and claims functions is feeding into business planning, reserving and capital. Building on previous messages, the PRA sets out

detailed and substantial expectations of the actuarial function which firms must ensure they are meeting. It particularly focuses on: effective challenge by the actuarial function to the board, appropriate capability to assess premium adequacy, and the impact of optimism on reserving.

Insurers will also be preparing for the extended SM&CR which comes into effect for insurers on 10 December 2018. The PRA issued a consultation paper outlining its proposed rules for the implementation of the SM&CR transitional arrangements for insurers. It's consulting on some technical changes and administrative amendments to the rules, which impacted firms should consider as they prepare for the extended regime.

The fair treatment of long-standing and vulnerable customers continues to be a priority for UK regulators. The CMA announced it is investigating concerns that consumers who stay with their provider can pay significantly more than new customers, with vulnerable customers disproportionately affected, following a 'super-complaint' from Citizens Advice. The CMA's review will cover savings accounts, mortgages and household insurance. It's due to issue a response within 90 days, and outcomes could include action by the FCA, so firms in relevant sectors should keep up to date with progress on the review.

Meanwhile, the EU's proposals for a new prudential regime for investment firms continue to progress through the legislative process. In our feature article this month, we take a look at how the regime is set to impact firms, the latest developments in the EU legislative process, and the steps firms should be taking to prepare.

Looking ahead, we expect the FCA to issue the findings of its review of cryptocurrencies, as well as its insurance review of value in the distribution chain, in the coming weeks.

We hope you found the above summary helpful and enjoy reading the more detailed articles in this month's publication.

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Investment firms review: time to prepare as regime takes shape



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The EC's December 2017 legislative proposals for a *new prudential regime* for investment firms ('investment firm review' - IFR) present a significant revision to the existing prudential framework for investment firms. The proposals comprise a new Investment Firm Regulation and Investment Firm Directive, which introduce a more proportionate and fit-for-purpose regime for investment firms.

Whether subject or not to the complex CRD IV framework, most investment firms are currently subject to regulatory requirements which were designed for banks and not calibrated to the particular risks investment firms face. The proposed regime introduces tailored rules for investment firms in a number of areas including capital and liquidity, reporting and disclosure, governance and remuneration, and consolidated supervision. It categorises all investment firms into three classes according to their level of systemic risk. The regime introduces a tailored prudential framework for each class. The new regime proposes to keep 'bank-like' (Class 1) firms subject to CRD IV and the SSM supervision, but introduces a new and tailored prudential framework for the 'non-systemic' (Class 2) firms. And it subjects 'non-

interconnected' (Class 3) firms to much lighter prudential rules.

The package is currently going through the EU's legislative process. While the EP's ECON Committee *adopted* the parliamentary position on 24 September 2018, negotiations within the Council are still ongoing. The final trilogue discussions between the EU institutions will begin once the Council decides on its common negotiating position. If the Council determines its common stance by the end of this year and trilogue negotiations begin in early 2019, the new prudential regime for investment firms is likely to be finalised ahead of EP elections in June 2019.

Although the new prudential regime for investment firms is taking shape, some pinch points and areas of disagreement remain. In this article, we look at some of the most controversial aspects of the proposed regime, the latest developments in the EU legislative process, and the steps firms should take to prepare.

Third country equivalence

The new prudential framework includes some important provisions in relation to the MiFID II/MiFIR third country equivalence regime to ensure that EU investment firms are not placed in a less favourable position.

It also introduces a requirement for third country groups to establish EU holding companies should the competent authorities deem their home country regimes non-equivalent.

But these have caused disagreement particularly within the EP, where the French Members of the EP have proposed more fundamental changes to the third-country equivalence regime. They argue that the current equivalence regime treats third-country investment firms more favourably and does not ensure adequate investor protection. Suggesting that the timing is not right for a fundamental change to the equivalence regime, other Member States have disagreed with these proposals. While the latest compromise amendments do not include these proposals, we can expect a renewed debate when the trilogues take place.

The EP has also been arguing that tighter equivalence rules should be put in place for third country investment firms. It proposes to exclude proprietary trading and underwriting from the list of services that could benefit from a third country equivalence regime. In addition, the EP has been adamant that third country investment firms planning to conduct bank-like activities in the EU should set up an EU

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subsidiary. It goes further and proposes that those third country groups aiming to provide services of systemic importance in the EU should be subject to a rigorous assessment by the EC and regulatory monitoring by ESMA. Accordingly, the compromise amendments now require the equivalence decision to be adopted via delegated acts procedure, including a review obligation for the EC and an annual update to the EP.

Any changes to the equivalence provisions will obviously have an impact on UK investment firms post Brexit. Those firms should therefore watch closely the developments in this area and plan accordingly.

Categorising firms

Given the idiosyncrasies of the investment firm population across the EU, the criteria proposed by the EC to determine which firms should be included in Class 1 have received a mixed reception.

A number of stakeholders have argued that the scope of Class 1 firms might be too narrow, and the new prudential framework should include other relevant criteria alongside the asset size. For instance, *the ECB* has suggested that the framework should also take into account the significance of firms' cross-jurisdictional activity or the level of their interconnectedness. The compromise amendments now give competent authorities the option to subject certain

investment firms below the Class 1 threshold that carry out trading on own account and provide underwriting services to CRD IV if their activities pose systemic risk.

The ECB has also cautioned that the framework is not clear on the proposed asset size threshold of €30bn for Class 1 firms and recommends that the EBA provides more detail on its calculation. Accordingly, the compromise amendments now explicitly include the assets of each branch of the third country group authorised in the EU in the combined total value of the assets of all undertakings in the group. There are further calls in the Council to lower the threshold to €5bn, rather than the €30bn in the initial proposal.

Further, the EP has proposed to make the transition from Class 3 to Class 2 more predictable by extending the period during which thresholds must be exceeded. Class 3 firms would be reclassified when a firm exceeds the thresholds for assets under management, client orders handled, client money held, assets safeguarded and administered for six months on an average rolling basis. For the daily trading flow, net position risk and trading counterparty default, it has proposed a period of one year.

The K-factor formula

The proposed regime introduces a new methodology called the 'K-factor formula' to calculate the capital requirements for Class 2 firms. This novel approach introduces a

set of factors ('K-factors') to capture the potential risk to customers (RtC), risk to market (RtM) and risk to the firm itself (RtF). K-factors are multiplied by prescribed coefficients to calculate the capital requirement as the sum of RtC, RtM and RtF.

While there is a broad consensus that K-factors are a proportionate and risk-sensitive methodology, various elements have caused controversy.

For instance, despite the EC's proposal that firms should calculate the RtM K-factor as the higher of either the K-factors for net position risk (K-NPR) or clearing member guarantees (K-CMG), the EP has proposed that this should be calculated by any of these two measures.

The EP has also been discussing whether non-discretionary (advisory) arrangements should be included in the definition of K-factor for assets under management (K-AUM) under RtC. The EP has proposed to reword the K-AUM definition by including only the client assets under management and not the ongoing advisory services. The EP's recent compromise amendments have also proposed changes on the client orders handled (K-COH). The EP proposes to allow investment firms to exclude from the calculation those orders that have not been executed due to timely cancellation. It also proposes not to require firms to double count K-COH with K-AUM, where the firm

already calculates the latter in respect of its client's investments.

Additionally, the Council has proposed amendments to make the K-factors for RtM more proportionate for those firms dealing on own account under the responsibility of a clearing member. Negotiations within the Council have been focusing on whether the client margining guarantee (K-CMG) should become a separate way to calculate market risk capital requirements and be used as an alternative to net position risk (K-NPR) to eliminate the need to calculate both K-CMG and K-NPR.

Another controversial issue has been the requirement for firms to have a trading book size of less than €300m to be allowed to use the CRR standardised approach for market risk to calculate K-NPR. A recent non-paper at the Council proposed to eliminate this threshold. Accordingly, the compromise amendments have now scrapped this requirement.

Several aspects of the K-factor for client money held (K-CMH) have also been subject to debate. A non-paper in the Council highlighted the lack of a harmonised definition for controlling or holding client money, arguing that the word 'controls' should be removed from the definition of K-CMH. The Council has also been arguing that Class 3 investment firms which hold client money should be able to hold a certain amount of client money or

assets without being re-categorised as Class 2.

Remuneration policies and practices

The new prudential regime introduces new and proportionate rules on firms' remuneration policies and practices. While it explicitly requires all firms to set an appropriate ratio between fixed and variable components, only Class 2 firms have to set up risk and remuneration committees similar to CRD IV regulations. Class 3 firms will remain subject to MiFID remuneration rules.

The Council and the EP have had differing priorities during negotiations. The Council's main concern has been to ensure greater proportionality by reducing the disclosure burden on Class 3 firms. The EP's priority, on the other hand, has been to reinforce non-discriminatory remuneration policies by calling for a rule to ensure firms remunerate the same or similar jobs equally regardless of gender.

It has also raised counter-proposals regarding the variable remuneration policies. For instance, the EP has proposed that at least 50% of the variable remuneration shall be deferred over five years, instead of 40% and three years as proposed by the EC. It has also argued that 40% of variable remuneration should consist of certain instruments, instead of 50%. The compromise amendments now reflect the Council and the EP's positions by

calling for proportionality in remuneration policies for smaller firms and applying the requirement to set up risk and audit committees to all investment firms which have on and off balance sheet assets higher than €100m.

What should firms do now?

Once the EC's proposed framework is formally adopted by the Council and the EP, it will come into force within 18 months. This means that firms would have to implement the new regime by late 2020 or early 2021. So firms should closely monitor progress of the political discussions on the new prudential framework. Even if Brexit will overlap to some extent with the implementation of this new proposed regime, the UK is likely to mirror the regime, at least initially, considering the FCA significantly contributed to its development.

Given the new regime applies to all MiFID II firms and that it will have important repercussions for most investment firms, they should start planning now by undertaking an impact analysis of the proposed regime on their business.

Firms which are likely to fall into Class 2 should assess the different components of the K-factor formula they would need to calculate and identify the functional requirements, and enhancements to their data and risk management systems to adopt the K-factor approach. They should also revamp their reporting and disclosure

procedures to prepare for the additional granular reporting on capital and liquidity as well as pillar 3 disclosures. Governance and remuneration impact should also be assessed.

Both Class 2 and Class 3 firms would be well advised to consider how to avoid exceeding the categorisation thresholds. In addition, they should undertake a review of their stock of liquid assets to see whether they meet the criteria of LCR high quality liquid assets. This may require them to change the composition of their stock of assets to include better quality assets.

While the new regime will bring benefits for investment firms through improved proportionality, this is a complex legislative proposal with a number of pinch points. All investment firms should follow developments closely and start the work early to ensure they get this right. Planning ahead will make the transition to the new regime less painful for all investment firms.

Cross sector announcements

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A brief round up of other regulatory developments



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Regulation

Brexit

Giving Brexit guidance on data protection

The Department of Digital, Culture, Media and Sport published a guidance note: *Data protection if there's no Brexit deal* on 13 September 2018. The note sets out the potential implications for data protection in a 'no deal' Brexit scenario. The guidance states that although a no-deal Brexit is an 'unlikely' outcome, the Government recognises that as we get closer to March 2019 it should provide technical notices to give guidance on potential implications to assist businesses to make plans and preparations.

The guidance notes that there are restrictions on transfer of data outside the EU. Personal data can only be transferred outside the EU/EEA to another country (third country) where there is a lawful basis for such a transfer e.g. EU standard contractual clauses. Data can also be transferred to a third country where there is an adequacy decision, taken by the EC, in place.

The guidance explains that if the UK is not given adequacy status, then post-Brexit, UK data importers will need to rely on mechanisms to legitimise data transfers

from the EU, such as EU standard contractual clauses.

Conduct

Enhancing behaviour in equity capital raising

IOSCO issued its final report on *Conflicts of interest and associated conduct risks during the equity capital raising process* on 18 September 2018. The report identifies eight actions regulators should consider to address conflicts of interest during the pre-offering phase, the allocation of securities and the pricing of securities offerings. IOSCO also gives regulators guidance on dealing with conflicts of interest and conduct risks that may arise due to personal transactions by employees in firms managing a securities offering.

IOSCO's guidance seeks to set standards of conduct to improve the integrity and efficiency of the equity capital raising process. Market intermediaries should review their equity capital raising procedures for the risks identified and remediate any deficiencies as regulators may focus their supervisory efforts in this area.

CMA investigates loyal customer 'penalty'

The CMA *announced* on 28 September 2018 that it's investigating concerns that consumers who stay with their provider can

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pay significantly more than new customers, following a 'super-complaint' from Citizens Advice. In its *super-complaint*, Citizens Advice argues the CMA needs to act to address the 'penalty' paid by loyal consumers, particularly in savings accounts, mortgages, household insurance, mobile and broadband. It states that vulnerable customers are disproportionately affected.

The CMA is seeking evidence and views on the issue by **14 October 2018**, and intends to publish a response to the complaint within 90 days. Possible outcomes include making recommendations to Government to change legislation, and action by sectoral regulators. The FCA issued a *statement*, committing to work closely with the CMA as it investigates the complaint.

ESMA extends intervention measures

ESMA is renewing its intervention measures, *formally adopted* in June 2018, prohibiting the marketing, distribution or sale of contracts for difference (CFDs) and binary options (BOs) to retail clients. On 28 September 2018 it agreed to extend the *prohibition* on retail CFDs for a further three months beginning 1 November 2018.

Similarly, ESMA issued a *notice* and published a *decision* in the Official Journal on 1 October 2018 extending the ban on BOs for three additional months from 2 October 2018. ESMA also updated its *Questions and Answers* on product restrictions for CFDs and BOs

confirming the measures apply to rolling spot forex products.

Finance

ESMA declines amendments to SFTR standards

ESMA published an *opinion* on 5 September 2018, declining the EC's proposed amendments to draft technical standards for SFTR with respect to forthcoming reporting standards.

Specifically, the EC and ESMA disagree on which of them has the right to endorse pending standards regarding LEIs and UTIs for reporting to trade repositories. Based on the need for legal clarity and consistency with EMIR and global standards, ESMA asks the EC to accept the draft technical standards permitting ESMA to endorse future reporting standards. The draft technical standards can now be amended or adopted by the EC.

Financial stability

JCESA highlights risks and vulnerabilities

The JCESA published a *Report on risks and vulnerabilities in the EU financial system* on 11 September 2018. In the report, the JCESA highlights three imminent risks. First, it cautions that risks related to abruptly increasing yields may generate substantive asset price volatility and potentially result in losses across asset classes. Second, it discusses that risks related to the repricing of risk premia and a

potential increase in interest rates may result in system-wide contagion. Third, the JCESA points out that uncertainties around the terms of the UK's withdrawal from the EU have the potential to expose the EU27 and the UK to economic and financial instability.

The JCESA recommends that NCAs: continue conducting and developing further stress test exercises across all sectors; pay continued attention to the risk appetite of financial institutions; contribute to address possible contagion risks; and continue their efforts in the monitoring and improving of lending standards and asset quality. It particularly advises banks to accelerate addressing their stocks of NPLs and adapt their business models to improve their profitability in a sustainable way.

The JCESA also warns that all market participants including financial institutions, their counterparties, investors and retail consumers should start planning appropriate mitigating actions to prepare for the UK's withdrawal from the EU. It advises financial institutions to take prompt action to address any risks that inconclusive agreements on withdrawal terms would pose with clear implementation timelines and inform their NCAs about their action plans. It recommends that NCAs continue to monitor firms' contingency plans and encourage their speedy implementation.

Governance

FCA trails SM&CR for CMCs

The FCA proposed draft rules and guidance on applying the SM&CR to claims management companies (CMCs), in *CP18/26: CMCs: how we propose to apply the SM&CR* on 20 September 2018. The FCA becomes the regulator of CMCs on 1 April 2019, and the SM&CR applies to these firms from December 2019. It proposes making a small number of senior roles within CMCs SMFs. The applicable SMFs depend on whether a firm is a Class 1 CMC (with annual total income of £1m or more), a Class 2 CMC (with annual total income below £1m) or other firm (such as a lead generator).

The FCA hopes the SM&CR will prevent the following issues in this sector: distress caused by poor service and delays, customers locked into services that are unsuitable or priced unfairly as well as harassment and aggressive sales practices.

The consultation closes on **6 December 2018**, and the FCA plans to issue final rules in a policy statement in Q1 2019.

Market infrastructure

ESTER recommended as euro RFR

The working group on euro RFRs *recommended* ESTER as the euro RFR on 13 September 2018. *ESTER* reflects wholesale euro unsecured overnight borrowing costs of euro area banks and the working group recommends it to firms as a

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replacement for EONIA. The working group also states that it will use ESTER as a basis for developing fallbacks for contracts referencing the Euribor.

In response to this development and in line with BMR Article 28(2), UK firms using EONIA as a reference benchmark in their contracts shall:

- establish robust written plans with steps to take for the likely event of EONIA cessation
- nominate at least one alternative fallback rate (ESTER could be the alternative rate if it meets a firm's future needs)
- reflect those plans in their contractual arrangements with clients.

The ECB expects to produce the new rate by October 2019. Until ESTER becomes available, the ECB plans to publish 'pre-ESTER' figures so that market participants can assess the suitability of the new rate.

ECB updates on euro benchmarks

Benoît Cœuré, ECB Executive Board Member, gave a *speech* about the future of euro interest rate benchmarks on 25 September 2018. In particular, Cœuré welcomed the recommendation to create a new euro area benchmark to replace EONIA – *ESTER* – which the ECB will administer. He reconfirmed the ECB's intention to publish ESTER by October 2019, but also made clear that publication would be

subject to the ECB being confident that the new rate is reliable and robust.

While making the case for developing term rates, Cœuré made it clear that the ECB would not produce these rates. In addition, he claimed that the working group for euro area RFRs should continue to develop term rates as fallbacks for EURIBOR, whose continuation after January 2020 remains uncertain.

Lastly, Cœuré encouraged market participants to redouble their efforts to ensure a smooth transition towards ESTER, set up sufficient safeguards in their EURIBOR-linked contracts, and inform their smaller and less sophisticated counterparts to actively prepare for the new benchmarks.

ESMA's clearing proposal for intragroup transactions

ESMA published a *final report* on the EMIR clearing obligation on 27 September 2018. The report contains a new set of draft RTS related to the treatment of certain intragroup transactions with a third country group entity.

ESMA proposes to postpone until 21 December 2020 the dates when the clearing obligation is due to apply for these intragroup transactions. Currently, under the EC's delegated regulations on the clearing obligation, intragroup transactions with a third country group entity that meet certain conditions are temporarily exempted from the clearing obligation. This

stems from EMIR, which states that 'intragroup transactions may be necessary for aggregating risks within a group structure and that intragroup risks are therefore specific'.

By postponing the application date, ESMA aims to preserve the efficiency of intragroup risk management but also ensure that the exemption does not increase systemic risk. ESMA has sent the report to the EC for endorsement.

Regulatory request for firms' LIBOR plans

The PRA and the FCA wrote joint letters to the CEOs of *large banks* and *insurers* on 19 September 2018, in relation to their LIBOR transition plans. The regulators are seeking assurance that senior managers and boards understand the risks associated with the transition away from LIBOR and are taking action to enable transition to alternative RFRs before end-2021.

In response to the letter, firms have to:

- provide a board-approved summary of their assessment of key risks relating to LIBOR discontinuation and of the mitigating actions they plan to take
- identify the Senior Manager(s) who will oversee the response to the letter and the implementation of the firm's transition plans.

Insurers also need to understand the risks from LIBOR transition and any dependencies on Solvency II requirements.

Firms must respond to the regulators by 14 December 2018.

Supervision

EP calls for equivalence overhaul

The EP adopted a resolution on *Relationships between the EU and third countries concerning financial services regulation and supervision* on 12 September 2018. The resolution makes a number of recommendations regarding changes to the EU's approach to equivalence and could influence the EU's stance on UK access to the bloc's markets post-Brexit. The EP argues that equivalence decisions should remain a unilateral decision by the EU but that the process around it should be more transparent, objective, proportionate and risk sensitive. The resolution also calls for equivalence decisions to be dependent on satisfactory rules on tax evasion, tax fraud, tax avoidance and money laundering in third countries.

Accounting

Our publications

IFRS 3 Common pitfalls

This *podcast* looks at IFRS 3 business combination accounting and helps us get to grips with some common questions: What payments are consideration for a business acquired and what payments are not? What liabilities are overlooked? And what transactions are not part of a business combination?

Also this month

BoE

The BoE launched a Public Register of the UK Money Markets Code on 17 September 2018, listing banks and other financial and non-financial institutions that display their statements of commitment to the Code on the public register. The Code provides a common set of principles for participants in the deposit, repo and securities lending markets.

EBA

The EBA published a presentation relating to the public hearing it held on 4 September 2018 concerning its consultation on Draft RTS on conditions to allow institutions to calculate KIRB in accordance with the purchased receivables approach under Article 255 of Regulation (EU) 2017/2401 amending CRR. The EBA is due to submit the finalised draft RTS to the EC by 18 January 2019.

EC

- The EC notified ESMA of its intention to endorse proposed changes to RTS 1 on 8 August 2018, proposing to apply the tick size regime to SI quoting prices for equity and equity-like instruments.
- The EC Delegated Regulation (EU) 2018/1229 of 25 May 2018 supplementing CSDR with regard to RTS on settlement discipline was published in the Official Journal on

13 September 2018. The regulation harmonises the measures to be taken by investment firms and CSDs to prevent and address failures in the settlement of securities transactions. It will enter into force in September 2020.

- As part of the EC's review of ESAs' powers (launched in September 2017), it drafted a directive to transfer responsibility for the authorisation and supervision of data reporting service providers from national authorities to ESMA, and to enhance EIOPA's role with regard to insurers' internal models. The EP published Amendments on the proposal for a directive of the EP and of the Council amending MiFID II and Solvency II on 11 September 2018. It outlines a number of modifications to the original proposals following the consultation period.

ESMA

- ESMA moved its register for benchmark administrators and third country benchmarks to the ESMA registers portal on 7 September 2018.
- ESMA updated the monthly double volume cap (DVC) data on 7 September 2018. The DVC mechanism limits the amount of permissible dark trading benefiting from transparency waivers. ESMA notes that DVC data corrections are limited to the previous six-month period, after which the regulator will no

longer lift suspended trading waivers based on corrected data.

- ESMA issued an opinion on 20 September 2018, providing its assent to the EC's proposed amendments to MiFIR RTS 1, which governs transparency requirements for equity and equity-like instruments. The amendment applies the tick size regime to SI quotes for shares and depository receipts.
- ESMA updated its CSDR Q&As on 27 September 2018. The new Q&As relate to book entry form, general organisational requirements and settlement discipline.
- ESMA updated its EMIR Q&As on 26 September 2018. The new Q&As relate to access to CCPs and reporting of FX swaps.
- ESMA announced on 27 September 2018 that it will publish new data completeness indicators for trading venues under MiFID II. The purpose of the two indicators – the completeness ratio and the completeness shortfall – is to assist trading venues in delivering complete and accurate data on double volume cap and bond liquidity on a timely basis. ESMA expects to start publishing the indicators on 8 October 2018 for double volume cap data, and by 1 November for bond liquidity.

- ESMA updated its Q&As on MiFIR data reporting on 26 September 2018. It added two new Q&As related to reporting of FX swaps and interest rate swaps, and updated an existing Q&A.
- ESMA updated the BMR Q&As on 27 September 2018. It provides answers to outstanding questions about: when financial instruments traded on SIs are under the scope of BMR, when banks issuing certificates are users of benchmarks, whether the net asset value of an investment fund can qualify as a benchmark, and whether a single endorsement application can be submitted for a family of benchmarks. ESMA also covers the written plans that users need to produce and maintain for potential changes to and cessation of a benchmark.

FCA

- The FCA consulted on changes to reporting requirements in its supervision manual and changes to its supervisory principles, in CP18/24: Quarterly Consultation No 22 on 7 September 2018. The consultation closed to comments on 7 October 2018 for chapter 3, and closes to comments on **7 November 2018** for chapter 2.
- The FCA published its approach to overseas market operators seeking to apply to become a recognised overseas investment exchange on 14 September 2018. The FCA's purpose is to allow

overseas operators carrying on regulated activities in the UK to continue to do so, should they no longer be able to rely on MiFID II passporting rights after Brexit. The approach *explains* how an overseas market operator can apply.

- The FCA published interim consumer research on the impact of the FAMR – *The changing shape of the consumer market for advice* – on 24 September 2018. Among other findings, the research reports an increase in the number of consumers who've chosen to obtain regulated financial advice in the past year. The FCA plans to carry out a full review of the FAMR as well as the final post-implementation review of the RDR in 2019, and intends to publish the results in early 2020.
- Andrew Bailey, CEO of the FCA, delivered a *speech* calling for a renewed commitment to international trade in financial services and globally consistent regulatory standards. Speaking on 6 September 2018, Bailey also cautioned against any attempt by the EU to implement an EU location policy for certain financial services.
- The FCA summarised changes to its Handbook recently approved by the board, in *Handbook Notice No 58* on 28 September 2018. The changes relate to: assessing creditworthiness in consumer credit, the extension of the SM&CR,

calculating fees and levies, and reporting for insurance firms.

FIA Technology Services

FIA Technology Services (FIA Tech) launched the *2018 FIA Tech Give-Up Agreement Transfer Protocol* on 19 September 2018, in the context of a potentially disruptive Brexit. To service EU27 clients, the Protocol is intended to help clearing firms prepare for the transition of trading and clearing systems for exchange-traded derivatives to EU27 affiliates. FIA Tech argues that, without the Protocol, the brokerage execution (give-up) agreements would require redrafting and execution by all parties, likely with serious cost and time implications.

FMLC

The FMLC published a *report* (dated July 2018) on 14 September 2018, in response to the EC's proposals for recognition and supervision of third-country CCPs under EMIR. The report highlights the legal uncertainties that would affect third-country CCPs and market participants, and recommends a number of potential solutions to those uncertainties.

FSB

On 26 September 2018 the FSB published a *Status Report* of The Task Force on Climate-related Financial Disclosures (TCFD), which reviewed financial disclosures from over 1,700 firms. TCFD was pleased to find the majority of firms

had implemented one or more of the *TCFD recommendations*, but found few firms were disclosing the direct financial impact of climate change upon their company. TCFD encourages firms to implement its recommendations ahead of the status review next year so investors, creditors and other users can be better informed.

GFXC

The Global Foreign Exchange Committee launched the *FX Global Code Survey 2018* on 28 September 2018. The survey measures the awareness of market participants, and adoption of the Code. Interested firms can respond by **19 October 2018**.

IOSCO

IOSCO published a *Report on Retail OTC Leveraged Products* on 19 September 2018, providing three toolkits with actions securities regulators can take to protect retail investors from the risks of OTC leveraged products. IOSCO also issued a *statement* warning of the risks of investing in illegal or fraudulent binary options.

ISDA

- ISDA updated the *FAQs* in relation to its consultation on IBOR fallbacks for derivatives on 17 September 2018. The updated version covers questions that market participants have raised since ISDA launched the consultation on 12 July 2018. At the same time, ISDA

released a second *webinar* covering many of the FAQs.

- ISDA published the *ISDA Benchmarks Supplement* and related *FAQs* on 19 September 2018. The publication aims to allow firms to improve the robustness of their derivatives contracts that reference certain benchmarks. In particular, it contains fallback arrangements which firms using benchmarks can incorporate and apply if (a) a benchmark ceases to exist permanently, or (b) a benchmark or its administrator is not legally approved, approval has been withdrawn/suspended, or the use of the benchmark prohibited.

JCESA

The JCESA issued its *Report on the results of the monitoring exercise on 'automation in financial advice'* on 5 September 2018. It concludes that due to the slow growth of the automated financial advice market, and the limited changes to the potential risks it had previously identified, no immediate further action from the ESAs is necessary. But the JCESA said it will carry out a new monitoring exercise if and when the development of the market warrants this work.

TC

The TC published a *Report on Cryptoassets* on 19 September 2018, where it described the current regulatory situation for cryptoassets as the 'Wild West'. The TC

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highlights key issues such as price volatility, account security, AML controls and misleading advertisements. To improve the situation, the TC urges proportionate regulation of cryptoassets to improve customer outcomes, promote sustainable growth and enable the UK to become a global centre for cryptoassets.

TPR

TPR set out changes to the way it regulates pension schemes, in *Making workplace pensions work: TPR Future – our new approach* on 17 September 2018. The regulator says it will introduce one-to-one supervision for 25 of the biggest pension schemes from October 2018, and increase the volume of supervisory interaction for schemes of all sizes.

UK-US FRWG

The UK-US Financial Regulatory Working Group (FRWG) met for the first time on 12 September 2018. The group is made up of UK and US Treasuries as well as regulators from both countries and will seek to achieve deeper regulatory cooperation to facilitate further financial services activity between US and UK markets. The group published a joint *statement* on 18 September 2018.

Banking and capital markets

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A brief round up of other regulatory developments



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Regulation

Capital and liquidity

Ensuring Euro area internal model consistency

The ECB published for consultation its *guide to internal models – risk type specific chapters* on 7 September 2018. This follows the March 2018 consultation on the *general topics chapter* of the guide. Through this guide, the ECB seeks to ensure a common and consistent application of relevant regulation on internal models for banks directly supervised by the ECB. It also intends to provide transparency over the way the ECB understands the applicable regulation for using internal models to calculate own fund requirements.

The ECB released a *preliminary version* of the whole guide in February 2017 and this draft already draws on initial feedback from banks as well as experience from its targeted review of internal models project in 2017 and 2018.

The revisions include:

- credit risk – additional content relating to low-default portfolios including medium sized and large corporates, financial institutions and specialised lending

- market risk – a revised framework for ‘risks not in the model engine’
- counterparty credit risk – the development of two approaches for alternative exposure calculations (previously labelled fall-back solution) on which the ECB seeks feedback.

The ECB plans to hold a public hearing on 17 October 2018 and the consultation closes on **7 November 2018**.

Conduct

Reviewing credit broking remuneration models

The FCA published findings from its thematic review on the impact of credit broking remuneration models, in *TR18/2: Impact of credit broking remuneration models at the point of sale* on 27 September 2018. The FCA looked at whether inter-firm remuneration (such as commission) was resulting in harm to consumers across a range of credit broking services, excluding motor finance brokers.

While the FCA did not find any evidence of significant consumer harm at the point of sale, it did find isolated cases of poor practice. These included pressurised sales in the home, unnecessary finance products and prioritising products offered to customers based on commission received. It is important for firms to review their business in light of these poor practices

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because the FCA will continue to monitor credit brokers and address harms where found.

Payments

Finalising PSD2 rules

The FCA consulted on its [*Approach to final RTS and EBA guidelines under PSD2 \(CP18/25\)*](#) on 17 September 2018. It proposes changes to reflect final RTS and EBA guidelines on PSD2 as well as new complaints reporting rules for authorised push payment (APP) fraud.

The FCA focuses on the RTS on strong customer authentication and common and secure communication (SCA-RTS) that take effect on 14 September 2019. In particular, it wants feedback on its approach to implementing draft EBA guidelines for an exemption relating to application programming interfaces (APIs) developed by account servicing providers (ASPPs) for use by third parties providing account information services or payment initiation services (TPPs). The exemption means that ASPPs do not have to comply with requirements in the SCA-RTS for a back-up contingency mechanism in case APIs fail and TPPs lose access.

The regulator is consulting ahead of final EBA guidelines so firms have clarity as early as possible about systems requirements and applying for the exemption. It plans to make the exemption process available from January 2019 and encourages firms to contact it in good time before making an

exemption request to minimise the chances of the request being unsuccessful.

In addition, the FCA is proposing changes to its Payment Services and E-Money Approach Document, rules and PERG to ensure they reflect final RTS and EBA Guidelines, align with RTS reporting requirements and include APP reporting rules. It also amends the Approach Document to reflect its practical experience of authorising and registering PSD2 firms and to address issues identified since its last policy statement.

The consultation closes on **12 October 2018**.

Reporting

Aligning PRA and EBA regulatory reporting

The PRA published consultation paper [*CP19/18 – Regulatory reporting: EBA Taxonomy 2.9*](#) on 12 September 2018. The proposals relate to certain COREP and FINREP [*supervisory reporting changes – reporting framework 2.9*](#) proposed by the EBA in August 2018 that the PRA intends to reflect in its own reporting requirements.

This brings selected changes to the PRA's capital forecast templates and to ring-fenced bank template – RFB04. It also affects FINREP reporting that the PRA recently extended beyond EBA FINREP reporting by listed consolidated groups. The EBA proposes changes that provide additional data on performing, non-

performing, forborne exposures and related collateral. The PRA plans to incorporate this additional reporting – but only for banks which already FINREP report and whose non-performing loans exceed 5% of their loans and advances.

It plans to align these changes with the proposed EBA changes, currently intended to take effect from March 2020. The consultation closes on **12 December 2018**.

Supervision

ECB consults on licensing guide

The ECB published [*Draft guide to assessments of licence applications – part 2, Assessment of capital and programme of operations*](#) on 14 September 2018. This complements its [*Guide to assessment of licence applications*](#) issued in March 2018.

The ECB hopes the guide will promote a common interpretation of the licensing criteria. Whilst licensing assessments are conducted jointly with NCAs, the ECB is the competent authority that makes the final decision to grant, extend or withdraw a banking licence in the euro area. The consultation closes on **25 October 2018**.

Also this month

Basel Committee

- The Basel Committee set out in a [*press release*](#) details of its meeting on 19/20 September 2018. It covered finalising

stress-testing principles, revisions to the market risk framework, reviewing ways to stop regulatory arbitrage behaviour, agreeing its annual G-SIB list as well as discussing the impact of the leverage ratio on client clearing and cryptoassets.

- The Basel Committee published [*frequently asked questions*](#) on the liquidity risk treatment of settled-to-market derivatives on 20 September 2018. It clarifies the treatment of variation margin in the LCR and NSFR.

EBA

- The EBA published its [*Guidelines on fraud reporting under PSD2 \(EBA/GL/2018/05\)*](#) translated into the official EU languages on 17 September 2018. The guidelines apply from 1 January 2019.
- The EBA published a revised version of its [*non-performing loan \(NPL\) data templates*](#) on 12 September 2018. It intends that the data collected using the templates should facilitate NPL sale transactions by providing a common data set for screening, financial due diligence and valuation.
- The EBA published a set of [*Basel III quantitative impact study templates*](#) on 6 September 2018. This is to support the EC's call for advice on the impact of the Basel Committee's December 2017 Basel III post-crisis reform standards. This data gathering is in addition to the

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Committee's existing [*Basel III impact monitoring programme*](#).

- The EBA announced the launch of its [*2018 EU-wide transparency exercise*](#) on 24 September 2018. This involves the public disclosure of data relating to 130 EU banks covering capital positions, risk exposure amounts, sovereign exposures and asset quality. It intends to publish this fifth annual data set alongside its eleventh annual risk assessment report on the European banking system in December 2018.

EC

The EC published a [*proposal for a regulation*](#) on 12 September 2018 to combat money-laundering and terrorist financing threats by strengthening supervision of EU financial institutions. This was a key focus of the [*2018 State of the Union speech*](#) by EC President Jean-Claude Juncker.

ECB

- The ECB published its [*SSM thematic review on profitability and business models*](#) together with related [*FAQs*](#) on 18 September 2018. The results of the review feed into the 2018 SREP as well as giving rise to bank-specific recommendations.
- The ECB published its [*Guide to on-site inspections and internal model investigations*](#) on 21 September 2018 together with a related [*feedback statement*](#). It intends that the guide

provides transparency to the banks that are subject to inspections as well as a reference for supervisory inspections teams.

HMT

- HMT published a draft of [*The Credit Transfers and Direct Debits in Euro \(Amendment\) \(EU Exit\) Regulations 2018*](#) and [*Explanatory Note*](#) on 5 September 2018. It aims to maximise the prospect of the UK maintaining access to SEPA after withdrawal from the EU.
- HMT published draft [*Electronic Money, Payment Services and Payment Systems \(Amendment and Transitional Provisions\) \(EU Exit\) Regulations 2018*](#) and [*Explanatory Note*](#) on 5 September 2018. It proposes a temporary permissions regime for payments and e-money institutions for up to three years to allow new UK subsidiaries to become fully operational post-authorisation. It also permits the holding of safeguarding accounts anywhere in the world subject to conditions.
- HMT launched a [*technical consultation*](#) to implement the [*Bank Creditor Hierarchy Directive \(EU\) 2017/2399*](#) by a [*draft Banks and Building Societies \(Priorities on Insolvency\) Order 2018*](#) on 12 September 2018. It proposes splitting non-preferential debt into three classes: ordinary non-preferential debt ranking first, then secondary non-

preferential debt required by the directive, followed by tertiary non-preferential debt comprising additional Tier 1 and Tier 2 instruments and subordinated debt. The consultation closed on 10 October 2018.

PRA

- The PRA updated its [*CRD IV webpage*](#) on 19 September 2019 to remind banks that the [*EBA Guidelines on the management of interest rate risk arising from non-trading \('banking'\) book activities \(IRRBB\)*](#) are due to apply from 30 June 2019. It encourages any banks which have concerns about their ability to comply by the deadline to get in touch with their usual supervisory contacts.
- The PRA published the first version of [*PRA 110 reporting template and instructions: Q&As*](#) on 28 September 2018. This liquidity cash flow mismatch reporting takes effect from 1 July 2019 but the PRA has asked participating banks to commence interim reporting for testing purposes, starting with end October 2018 data.
- The PRA published a report examining the current thinking regarding [*the impact of climate change on the UK banking sector*](#) on 26 September 2018. It encourages firms to think strategically about the credit, market and operational risks posed by climate change and the future impact of a low-carbon economy

upon business models. The PRA plans to publish a consultation paper on the supervisory expectations regarding climate change in the future.

PSR

- The PSR announced on 28 September 2018 plans to [*consult by December 2018 on directing PSPs participating in the Faster Payments System to implement confirmation of payee*](#). It sees this as an important tool in preventing Authorised Push Payment scams. It proposes that PSPs receive and respond to confirmation of payee requests by 1 April 2019 and provide customers with details of requests and responses by 1 July 2019.
- The PSR issued for consultation [*Draft Specific Direction 8 requiring the adoption of appropriate policies and measures and reporting obligations regarding protected ATMs \(LINK\)*](#) on 25 September 2018. It aims to ensure that the operator of LINK can maintain the broad geographic coverage of free-to-use ATMs in the UK and has the resources to do so. The consultation closed on 9 October 2018.
- The Authorised Push Payments (APP) Scams Steering Group set up by the PSR published a [*Consultation Paper*](#) on its [*Draft Contingent Reimbursement Model Code*](#) on 28 September 2018. The code aims to prevent APP scams and reimburse consumers who have acted

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with requisite care. The consultation closes on **15 November 2018**. Publication of the final code is expected in early 2019.

Asset management

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A brief round up of other regulatory developments



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Also this month

ECON

The ECON Committee agreed with the EC's proposed prudential regime for investment firms on 24 September 2018, adopting the draft reports on prudential supervision and capital requirements. Trilogue negotiations between the EU institutions will begin after the Council finalises its common stance on the new regime.

For more detail on the proposed regime see our feature article on p. 3.

ESMA

ESMA opened a public consultation on internal stress testing for European MMFs on 28 September 2018. It plans to update its 2017 MMF stress testing guidelines in Q1 2019 based on the responses received. The consultation closes on **1 December 2018**.

Insurance

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A brief round up of other regulatory developments



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Regulation

Corporate governance

PRA demands realism from chief actuaries

The PRA published a letter to chief actuaries on *Joining the dots - the Actuarial Function, underwriting, capital and reserving* on 17 September 2018. It follows on from the PRA's letter on *General insurance Actuarial Function Reports (AFRs)* (February 2018) and outlines issues identified by its work on actuarial function reports and its inaugural Chief Actuary Forum.

The PRA outlines its view on firms 'joining the dots' between the actuarial function, underwriting, capital and reserving. It highlights concerns around an observed market-wide reduction in reserve strength, demonstrated by recent underwriting years across the industry reserved at lower loss ratios than historical experience. It also references changes to terms and conditions that indicate possible inadequacy of large claims reserves for casualty business, in addition to unrealistic profitability assumptions in business plans and the unrealistic pricing of new business.

Specific matters for consideration include board engagement with the actuarial function, appropriate capability in the actuarial function to assess premium adequacy and the impact of optimism on reserving.

The PRA plans to monitor firms' response to these detailed findings and the weaknesses identified in its *Letter from Anna Sweeney: Market conditions facing specialist general insurers: Feedback from recent PRA review work* (May 2018).

Insurers need to understand the importance of these requirements and chief actuaries should assess how to act upon them. See our *At a glance – PRA concerns on underwriting and pricing optimism reiterated amongst new calls for GI Chief Actuaries to take action* for more details

Disclosure and distribution

CMA proposes extending information document requirements

The CMA published its *Review of the PPI Market Investigation Order 2011 – Provisional decision* on 27 September 2018. It proposes revising the PPI order in line with option one from its limited *Review of the PPI Order* launched on 6 September 2018. This requires insurers to send

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policyholders of all new, renewable and existing PPI policies an annual information document in the format of the IDD's Insurance Product Information Document. The proposal encompasses all run-off PPI policies, even though these are not covered by the IDD.

The comment period ends on **29 October 2018** and the CMA plans to publish its final decision in November 2018.

Governance

SM&CR: PRA refines implementation process

The PRA published *CP20/18 - Strengthening accountability: implementing the extension of the SM&CR to insurers (Part 2)* on 17 September 2018. It proposes changing its rules for the implementation of the SM&CR, relating to the 'current approved person approval' status of those individuals who will be in a designated senior management function following the commencement of the extension of the SM&CR to insurers. In addition, the consultation includes some minor administrative amendments.

The PRA intends to implement these rule changes on 10 December 2018 (with the exception of one minor change applying from 1 January 2019) at the same time as the extended SM&CR for insurers

applies. The comment period ends on **17 October 2018**.

Alongside the consultation, the PRA published a note on *Redesignation of Senior Insurance Management Functions to Senior Management Functions, and the change-over to 'Statements of Responsibilities' by insurers*. It outlines the PRA's position regarding the re-designation of SIMFs to SMFs, and the provision of 'Statements of Responsibilities' to the PRA by insurers. Likewise the FCA expects firms to consult its *Guide to the SM&CR for Insurers* and consider what actions they need to take.

Retail products

MoJ examines Civil Liability Bill reporting

The Civil Liability Bill completed its *committee stage* on 11 September 2018. Prior to this, the MoJ published a *Policy note* on 6 September 2018. The MoJ details the expected Regulations to require insurers to provide information relating to the impacts of the Civil Liability Bill.

The Civil Liability Bill reforms the system for whiplash claims as well as the framework for the discount rate for personal injuries. The Government is planning to impose new disclosure requirements on insurers to monitor whether they are standing by public commitments to pass on

the benefits of these reforms to consumers. In this policy note, the MoJ outlines in detail the likely content of these disclosure requirements.

The Government is proposing that insurers send the required information to the FCA in an audited return, covering each of the preceding three years.

Insurers are expected to complete and submit this without delay after 1 April 2023 and no later than 1 April 2024. An option of applying an earlier start date than 1 April 2020 is also included. It proposes that the FCA and HMT then use the findings to compile a report summarising the effect of the bill and giving a view on whether and how individuals who are policy holders have benefitted from any reductions in costs for insurers. HMT is expected to lay this report before Parliament by March 2025.

Solvency II

EIOPA updates Q&As

In September 2018, EIOPA published answers to questions on:

- *(EU) No 2015-2451 with regard to internal models*
- *(EU) No 2015-2450 – templates for the submission of information to the supervisory authorities*

- *(EU) No 2015-2451 – templates and structure of the disclosure of specific information by supervisory authorities*
- *(EU) No 2015-35 supplementing Directive 2009-138*
- *(EU) No 2015-2452 procedures formats and templates of the SFCR*
- *guidelines on valuation of technical provisions*
- *guidelines on reporting for financial stability purposes*
- *guidelines on classification of own funds*
- *symmetric adjustment of the equity capital*

EIOPA publishes *Q&A on Regulation* to ensure consistent and effective application of EU regulation and to aid supervisory convergence.

Supervision

Insurance supervision – PRA reviews current issues

David Rule, PRA Executive Director of Insurance, gave a *speech* on a 'D to Z' of current issues in insurance supervision on 26 September 2018. He covered issues including:

- an update on progress towards a global Insurance Capital Standard

- the fledgling UK market for ILS and the PRA's new insurers unit
- underwriting and reserving in wholesale insurance and reinsurance markets
- capital management
- the sensitivity of the capital surpluses of UK life insurers to various market movements
- disclosure of sensitivities by insurers and the drivers of changes in their capital positions over time.

Regarding reporting, Rule would like to see insurers improve the quality and consistency of disclosures of market risk sensitivities and the Solvency II 'P&L'. He also expressed concerns that the PRA still sees evidence of analysts and investors not fully understanding insurers' Solvency II balance sheets, but hopes progress towards an International Capital Standard might help.

In general, Rule argued it's vital that insurers maintain discipline in underwriting, reserving and capital management, notwithstanding tough trading conditions in some parts of global insurance markets.

Sustainability

EIOPA launches sustainability survey

Following a request from the EC for technical advice on its package of measures on sustainable finance (adopted in May 2018), EIOPA published an [*online survey on the integration of sustainability risks and sustainability factors in the delegated acts under the IDD and Solvency II*](#) on 13 September 2018. Prior to consultation, EIOPA is seeking input from market participants and stakeholders to help it develop a robust policy recommendation.

The EC's package includes proposals aimed at establishing a unified EU classification system of sustainable economic activities; improving disclosure relating to sustainable investments and sustainability risks; and creating a new category of benchmarks to help investors compare the carbon footprint of their investments.

The survey considers potential amendments to the delegated acts under the IDD and Solvency II with regard to the integration of sustainability risks and sustainability factors. It closed to responses on 3 October 2018.

Accounting

IFRS 17

EFRAG highlights IFRS 17 concerns

The European Financial Reporting Advisory Group (EFRAG) published a letter to the IASB on [*IFRS 17 Insurance Contracts: Issues raised by constituents*](#) on 4 September 2018. It highlights a number of issues identified during its outreach work on a draft endorsement advice for IFRS 17 that it believes merit further consideration by the IASB. It includes in its list a wide range of issues relating to acquisition costs, contractual service margin amortisation, reinsurance, transitional relief, cost-benefit trade-offs and balance sheet presentation.

EFRAG has not yet assessed the impact of these issues on the draft endorsement advice it is currently preparing.

Our publications

The latest on IFRS 17 implementation

Our [*In transition – The latest on IFRS 17 implementation – Transition Resource Group \(TRG\) debates more IFRS 17 implementation issues*](#) outlines discussions from the TRG's September 2018 meetings. These include identification of the issuer of an insurance contract and policyholder, cash flows outside the contract boundary, identification of insurance risk, application

of the top-down discount rate, insurance revenue and commissions, acquisition cash flows, annual cohorts and premium experience adjustments.

IFRS 17 – Insurance contract revenue

Our [*latest video*](#) considers what amounts will be included in the presentation of insurance revenue under IFRS17.

Also this month

BoE

Following consultation ([*PS 21/18*](#)), the BoE [*invited*](#) comments on a draft of the standalone internal model output and market risk sensitivities taxonomy on 21 September 2018. These make up part of the BoE's insurance XBRL taxonomy along with the standalone NSTs and standard formula reporting for firms with an approved internal model consulted on in August 2018.

EC

The EC published [*Commission Delegated Regulation \(EU\) 2018/1221 amending Delegated Regulation \(EU\) 2015/35 as regards the calculation of regulatory capital requirements for securitisations and simple, transparent and standardised securitisations held by insurance and reinsurance undertakings*](#) in the Official Journal on 10 September 2018. It entered

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into force on 30 September 2018, and applies from 1 January 2019.

EIOPA

As the IDD requires insurance intermediaries to be registered, EIOPA published a [*webpage*](#) of hyperlinks to EU national registers on 28 September 2018. It aims to improve access to details of intermediaries entitled to provide services both in their home countries and cross-border.

FCA

Following its pilot scheme, the FCA announced it intends to collect a third set of [*General Insurance value measures*](#) data covering claims frequency, claims acceptance rates and average claims payout. In an update on 18 September 2018, the FCA says it plans to publish a consultation on the reporting of general insurance value measures with the findings in 2019.

Monthly calendar

Open consultations

Closing date for responses	Paper	Institution
12/10/18	<u>IBOR Fallbacks for 2006 ISDA Definitions</u>	ISDA
12/10/18	<u>CP18/25: Approach to final Regulatory Technical Standards and EBA guidelines under PSD2</u>	FCA
17/10/18	<u>CP20/18 Strengthening accountability: implementing the extension of the SM&CR to insurers (Part 2)</u>	PRA
22/10/18	<u>CP18/23: Claims management companies: recovering the costs of regulation and the Financial Ombudsman Service</u>	FCA
23/10/18	<u>CP16/18 Regulatory reporting: occasional consultation paper</u>	PRA
25/10/18	<u>Draft guide to assessments of licence applications – Part 2: Assessment of capital and programme of operations</u>	ECB
26/10/18	<u>Draft ITS amending Implementing Regulation (EU) 2016/322 with regard to LCR for liquidity reporting</u>	EBA
27/10/18	<u>CP18/20: Loan-based (P2P) and investment-based crowdfunding platforms: Feedback on our post-implementation review and proposed changes to the regulatory framework</u>	FCA
29/10/18	<u>CP17/18 Credit risk: the definition of default</u>	PRA
30/10/18	<u>Consultation on Risk-based Global Insurance Capital Standard (ICS) Version 2.0</u>	IAIS
30/10/18	<u>Draft overall ComFrame for public consultation</u>	IAIS
01/11/18	<u>CP18/21: General standards and communication rules for the payment services and e-money sectors</u>	FCA
07/11/18	<u>Draft ECB guide to internal models – risk-type-specific chapters</u>	ECB
12/11/18	<u>CP15/18 Solvency II: Group own fund availability</u>	PRA
27/11/18	<u>Draft ITS amending Commission Implementing Regulation (EU) 680/2014 with regard to securitisations</u>	EBA
27/11/18	<u>Draft Implementing Standards amending Implementing Regulation (EU) No 80/2014 with regard to FINREP</u>	EBA

Closing date for responses	Paper	Institution
06/12/18	<u><i>CP18/26 Claims management companies: how we propose to apply the SM&CR</i></u>	FCA
12/12/18	<u><i>CP19/18 Regulatory reporting: European Banking Authority Taxonomy 2.9</i></u>	PRA

Forthcoming publications in 2018

Date	Topic	Type	Institution
Accounting			
TBD 2018	RTS on methods of prudential consolidation	Technical standards	EBA
Asset management			
Q1 2019	Asset management market study remedies	Policy statement	FCA
Banking			
Q4 2018	Strategic review of retail banking business models	Consultation paper	FCA
Q4 2018	Improving competition in current accounts	Policy statement	FCA
Q4 2018	Mortgage market study final report	Report	FCA
Conduct			
Q4 2018	Review of cryptocurrencies	Assessment report	FCA
Consumer credit			
Q4 2018	Motor finance review	Final report	FCA
Q1 2019	Consumer Credit Act retained provisions review	Consultation paper	FCA
Q1 2019	Debt management sector review	Review findings	FCA
Q1 2019	Market study on credit information	Terms of reference	FCA
Financial crime, security and market abuse			
Q4 2018	RTS on central contract points under AMLD4	Technical standards	EBA
Insurance			
Q4 2018	Value in the distribution chain review	Review findings	FCA
Q4 2018	Wholesale insurance brokers market study	Interim report	FCA
Q4 2018	Patient Capital investment in authorised funds	Discussion paper	FCA

Date	Topic	Type	Institution
<i>Pensions</i>			
Q4 2018	Non-workplace pensions	Feedback statement	FCA
Q4 2018	Unsuitable pension transfer advice	Policy statement	FCA
Q1 2019	Savings adequacy	Occasional paper	FCA
<i>Securities and markets</i>			
Q4 2018	Technical standards under EuSEF, EuVECA, ELTIF and SFTR	Technical standards	ESMA
Q4 2018	Technical standards on revised Short Selling Regulation	Technical standards	ESMA
Q1 2019	Approach to market integrity	Report for consultation	FCA
Q2 2019	Money laundering in capital markets	Report	FCA
<i>Supervision, governance and reporting</i>			
Q4 2018	Providing SMEs access to FOS	Policy statement	FCA
October 2018	Regulatory fees and levies: policy proposals for 2019/20	Consultation paper	FCA

Main sources: ESMA work programme; EBA work programme; EC work programme; FCA policy development updates.

Glossary

ABI	Association of British Insurers	CCA	Consumer Credit Act 1974 (as amended)
ABS	Asset Backed Security	CCB	Countercyclical capital buffer
AIF	Alternative Investment Fund	CCD	Consumer Credit Directive 2008/48/EC
AIFM	Alternative Investment Fund Manager	CCPs	Central Counterparties
AIFMD	Alternative Investment Fund Managers Directive 2011/61/EU	CDS	Credit Default Swaps
AML	Anti-Money Laundering	CET1	Common Equity Tier 1
AMLD3	3rd Money Laundering Directive 2005/60/EC	CFTC	Commodities Futures Trading Commission (US)
AMLD4	4 th Money Laundering Directive 2015/849/EU	CGFS	Committee on the Global Financial System (of the BIS)
AMLD5	5 th Money Laundering Directive	CIS	Collective Investment Schemes
AQR	Asset Quality Review	CMA	Competition and Markets Authority
ASB	UK Accounting Standards Board	CMU	Capital markets union
Banking Reform Act (2013)	Financial Services (Banking Reform) Act 2013	COBS	FCA conduct of business sourcebook
Basel II	Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework	COCON	FCA code of conduct sourcebook
Basel III	Basel III: International Regulatory Framework for Banks	CoCos	Contingent convertible securities
Basel Committee	Basel Committee of Banking Supervision (of the BIS)	COREP	Standardised European common reporting
BBA	British Bankers' Association	Council	Generic term representing all ten configurations of the Council of the European Union
BCR	Basic capital requirement (for insurers)	CPMI	Committee on Payments and Market Infrastructures
BIS	Bank for International Settlements	CRA1	Regulation on Credit Rating Agencies (EC) No 1060/2009
BoE	Bank of England	CRA2	Regulation amending the Credit Rating Agencies Regulation (EU) No 513/2011
BMR	EU Benchmarks Regulation	CRA3	Proposal to amend the Credit Rating Agencies Regulation and directives related to credit rating agencies COM(2011) 746 final
BRRD	Bank Recovery and Resolution Directive 2014/59/EU	CRAs	Credit Rating Agencies
CASS	Client Assets sourcebook		

Executive summary	Investment firms review: time to prepare as regime takes shape	Cross sector announcements	Banking and capital markets	Asset management	Insurance	Monthly calendar	Glossary
CRD	'Capital Requirements Directive': collectively refers to Directive 2006/48/EC and Directive 2006/49/EC			ECP	Eligible counterparty		
CRD II	Amending Directive 2009/111/EC			EDIS	European Deposit Insurance Scheme		
CRD III	Amending Directive 2010/76/EU			EEA	European Economic Area		
CRD IV	Capital Requirements Directive 2013/36/EU			EEC	European Economic Community		
CRR	Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms			EIOPA	European Insurance and Occupations Pension Authority		
CSD	Central Securities Depository			ELTIF	European long-term investment fund		
CSDR	Central Securities Depositories Regulation (EU) 909/2014			EMIR	Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (EU) No 648/2012		
CSMAD	Criminal Sanctions Market Abuse Directive 2014/57/EU			EP	European Parliament		
CTF	Counter Terrorist Financing			EPC	European Payments Council		
DEPP	The FCA's Decision Procedure and Penalties Manual			ESA	European Supervisory Authority (i.e. generic term for EBA, EIOPA and ESMA)		
DG FISMA	Directorate-General for Financial Stability, Financial Services and Capital Markets Union			ESCB	European System of Central Banks		
DG MARKT	Internal Market and Services Directorate General of the European Commission			ESEF	European Single Electronic Format		
DGS	Deposit Guarantee Scheme			ESMA	European Securities and Markets Authority		
DGSD	Deposit Guarantee Schemes Directive 2014/49/EU			ESRB	European Systemic Risk Board		
D-SIBs	Domestic Systemically Important Banks			ESTER	Euro short-term rate		
EBA	European Banking Authority			ETC	Exchange-traded commodity		
EC	European Commission			ETN	Exchange-traded note		
ECB	European Central Bank			EU	European Union		
ECJ	European Court of Justice			EURIBOR	Euro Interbank Offered Rate		
ECOFIN	Economic and Financial Affairs Council (configuration of the Council of the European Union dealing with financial and fiscal and competition issues)			Eurosystem	System of central banks in the euro area, including the ECB		
ECON	Economic and Monetary Affairs Committee of the European Parliament			EuVECA	European Venture Capital Funds Regulation (EU) 345/2013		
				FAMR	Financial Advice Market Review		
				FATF	Financial Action Task Force		
				FC	Financial counterparty under EMIR		

FCA	Financial Conduct Authority	G-SIIs	Global Systemically Important Institutions
Fiat currency	Currency whose value is underpinned by the strength of the issuing government, e.g. USD, GBP, euro and other major world currencies	HCSTC	High Cost Short Term Credit
FICC	Fixed income, currencies and commodities	HMRC	Her Majesty's Revenue and Customs
FiCOD ₁	Amending Directive 2011/89/EU of 16 November 2011	HMT	Her Majesty's Treasury
FiCOD	Financial Conglomerates Directive 2002/87/EC	IA	Investment Association
FMI	Financial Market Infrastructure	IAIS	International Association of Insurance Supervisors
FMLC	Financial Markets Law Committee	IASB	International Accounting Standards Board
FMSB	FICC Markets Standard Board	IBA	ICE Benchmark Administration
FOS	Financial Ombudsman Service	ICAAP	Internal Capital Adequacy Assessment Process
FPC	Financial Policy Committee	ICAS	Individual Capital Adequacy Standards
FRC	Financial Reporting Council	ICOBS	Insurance: Conduct of Business Sourcebook
FSA	Financial Services Authority	IDD	The Insurance Distribution Directive (EU) 2016/97
FSB	Financial Stability Board	IFRS	International Financial Reporting Standards
FSBRA	Financial Services (Banking Reform) Act 2013	ILAA	Internal Liquidity Adequacy Assessment
FS Act 2012	Financial Services Act 2012	ILAAP	Internal Liquidity Adequacy Assessment Process
FSCP	Financial Services Consumer Panel	ILS	Insurance-Linked Securities
FSCS	Financial Services Compensation Scheme	IMAP	Internal Model Approval Process
FSI	Financial Stability Institute (of the BIS)	IMCO	The European Parliament's Committee on Internal Market and Consumer Protection
FSMA	Financial Services and Markets Act 2000	IMD	Insurance Mediation Directive 2002/92/EC
FTT	Financial Transaction Tax	IMF	International Monetary Fund
G30	Group of 30	IORP	Institutions for Occupational Retirement Provision
GAAP	Generally Accepted Accounting Principles	IOSCO	International Organisations of Securities Commissions
GDPR	General Data Protection Regulation	IRB	Internal Ratings Based
G-SIBs	Global Systemically Important Banks	ISDA	International Swaps and Derivatives Association
G-SIFIs	Global Systemically Important Financial Institutions	ITS	Implementing Technical Standards

JCESA	Joint Committee of the European Supervisory Authorities	MPC	Monetary Policy Committee
JMLSG	Joint Money Laundering Steering Committee	MREL	Minimum requirements for own funds and eligible liabilities
KID	Key Information Document	MTF	Multilateral Trading Facility
KYC	Know your client	NBNI G-SIFI	Non-bank non-insurer global systemically important financial institution
LCR	Liquidity coverage ratio	NCA	National competent authority
LEI	Legal Entity Identifier	NDF	Non-Directive Firms – firms that do not fall within Solvency II
LIBOR	London Interbank Offered Rate	NFC	Non-financial counterparty under EMIR
MA	Matching Adjustment	NIS Directive	Proposal for a directive of the EP and Council concerning measures to ensure a high common level of network and information security across the EU
MAD	Market Abuse Directive 2003/6/EC	NSFR	Net Stable Funding Ratio
MAR	Market Abuse Regulation (EU) 596/2014	NST	National specific template
Material Risk Takers Regulation	Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the EP and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile	NURS	Non-UCITS Retail Scheme
MCD	Mortgage Credit Directive 2014/17/EU	OECD	Organisation for Economic Cooperation and Development
MCOB	Mortgages and Home Finance: Conduct of Business sourcebook	Official Journal	Official Journal of the European Union
MCR	Minimum Capital Requirement	OFT	Office of Fair Trading
Member States	Countries which are members of the European Union	Omnibus II	Second Directive amending existing legislation to reflect Lisbon Treaty and new supervisory infrastructure (2014/51/EU). Amends the Prospectus Directive (Directive 2003/71/EC) and Solvency II (Directive 2009/138/EC)
MiFID	Markets in Financial Instruments Directive 2004/39/EC	ORSA	Own Risk Solvency Assessment
MiFID II	Markets in Financial Instruments Directive (recast) 2014/65/EU – also used to refer to the regime under both this directive and MiFIR	O-SIIs	Other systemically important institutions
MiFIR	Markets in Financial Instruments Regulation (EU) No 600/2014	OTC	Over-The-Counter
MLRO	Money Laundering Reporting Officer	OTF	Organised trading facility
MMF	Money Market Fund	PAD	Payment Accounts Directive 2014/92/EU
MoJ	Ministry of Justice	PIFs	Personal investment firms
MoU	Memorandum of Understanding	PPI	Payment Protection Insurance

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P2P	Peer to Peer
PERG	Perimeter Guidance Manual
PRA	Prudential Regulation Authority
Presidency	Member State which takes the leadership for negotiations in the Council: rotates on 6 monthly basis
PRIIPs	Packaged retail and insurance-based investment products
PSD2	The revised Payment Services Directive (EU) 2015/2366
PSP	Payment service provider
PSR	Payment Systems Regulator
QIS	Quantitative Impact Study
QRT	Quantitative Reporting Template
RAO	Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)
RDR	Retail Distribution Review
REMIT	Regulation on wholesale energy markets integrity and transparency (EU) 1227/2011
RFB	Ring-fenced bank
RFQ	Request for quote
RFRs	Risk-free rates
RONIA	Repurchase Overnight Index Average
RRPs	Recovery and Resolution Plans
RTS	Regulatory Technical Standards
RWA	Risk-weighted assets
SARON	Swiss Average Rate Overnight
SCR	Solvency Capital Requirement (under Solvency II)
SCV	Single customer view
SEC	Securities and Exchange Commission (US)

Securitisation Regulation	Proposal for a Regulation of the EP and Council laying down common rules on securitisation and creating a European framework for simple, transparent and standardised securitisation and amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (COM(2015)472/F1)
SEPA	Single Euro Payments Area
SFP	Structured finance product
SFT	Securities financing transaction
SFTR	Securities Financing Transactions Regulation (EU) 2015/2365
SFO	Serious Fraud Office
SI	Systematic internaliser
SIMF	Senior Insurer Manager Function
SIMR	Senior Insurer Managers Regime
SM&CR	Senior Managers and Certification Regime
SME	Small and Medium sized Enterprises
SMF	Senior Manager Function
SOCA	Serious Organised Crime Agency
SOFR	Secured Overnight Financing Rate
Solvency II	Directive 2009/138/EC
SONIA	Sterling Overnight Index Average
SPV	Special purpose vehicle
SREP	Supervisory Review and Evaluation Process
SRB	Single Resolution Board
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
SSR	Short Selling Regulation (EU) 236/2012

SUP	FCA supervision manual
T2S	TARGET2-Securities
TC	Treasury Committee
TLAC	Total Loss Absorbing Capacity
TMTP	Transitional Measure on Technical Provisions
TONA	Tokyo Overnight Average Rate
TR	Trade Repository
TPR	The Pensions Regulator
UCITS	Undertakings for Collective Investments in Transferable Securities
UCITS V	UCITS V Directive 2014/91/EU
UKLA	UK Listing Authority
UTI	Unique Trade Identifier
XBRL	eXtensible Business Reporting Language

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