

# Being better informed

## FS regulatory bulletin

FS Regulatory Insights

July 2020

### In this month's edition:

- Investment firms: FCA kicks off new prudential regime
- Insurance: PRA reveals 2019 stress test results
- Banking: HMT sets out plans for prudential reform
- Analysis: What's next for LIBOR transition?



# Executive summary



**Hannah Swain**  
Director, FS Regulatory Insights  
swain.hannah@pwc.com



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

As the pace of developments in response to coronavirus (COVID-19) slows and regulators return their attention to their business-as-usual agendas, the past month saw important updates on sustainable finance, the IFR and outsourcing.

The drive to progress sustainable finance initiatives continues. The EC published six draft delegated acts which amend existing EU regulation to incorporate sustainability concepts across MiFID II, AIFMD, the UCITS Directive, Solvency II and the IDD. The proposals follow ESMA's advice to the EC from

May 2019, and form part of the EU Sustainable Finance Action Plan. Under the proposed Delegated Acts, in-scope firms would have to consider sustainability factors across their organisations, including risk management, advice models and product governance processes.

Meanwhile, the PRA and FCA-chaired Climate Financial Risk Forum published its guide to help the industry address climate-related financial risks. The guide covers risk management, scenario analysis, disclosures and innovation, and includes practical guidance and case studies which firms should use to inform their approaches to managing climate-related risks.

Regulators have kickstarted what will be a busy 12 months for investment firms as they prepare for new prudential requirements under the IFR. The FCA published a discussion paper on its approach to implementing the regime by June 2021. The proposals include new capital and liquidity rules, including a new 'harm' based version of the ICAAP which will be applicable to many more firms. The proposals also change rules on remuneration, reporting and disclosures, ESG requirements and consolidation. The FCA's paper follows a series of consultations on the IFR published by the EBA earlier in the month.

In the insurance sector, the PRA published feedback on its 2019 insurance stress test. The

results show that the general insurance market is resilient to the asset shock and natural catastrophe scenarios. On the exploratory climate scenario, the PRA notes significant gaps in the industry's capability to evaluate climate-related scenarios. The PRA also assessed the ability of the insurance sector to withstand further stresses due to the COVID-19 pandemic. The analysis shows that the sector is robust to downside stresses, with the highest uncertainty arising from business interruption (BI) claims. The PRA's stress testing of the assumptions around the robustness of BI policy wordings shows that some severe scenarios could have a significant impact on the capital positions of a few firms.

Elsewhere, policymakers gave further details of how EU legislation will be implemented in UK law when the Brexit transitional period ends at the end of this year. HMT published a policy statement on prudential standards in the Financial Services Bill, setting out the Government's approach to implementing CRR II, CRD V and Basel IV into UK law. As a number of provisions in CRR II (e.g. the leverage ratio, Net Stable Funding Ratio) will apply after the transitional period ends, HMT is legislating to bring these into UK law. The UK is obliged to transpose CRD V into UK law by 28 December 2020, and HMT will consult on the UK transposition over the summer.

While the UK authorities have extended their operational resilience consultation until 1 October 2020, there's been a flurry of activity elsewhere on this topic, most notably looking at outsourcing. ESMA published a consultation on outsourcing to cloud service providers, as the ESAs seek to harmonise standards. IOSCO is also consulting on outsourcing principles for trading venues, market participants acting on a proprietary basis, CRAs and FMI's.

In our feature article this month, we take an in-depth look at how COVID-19 is impacting firms' plans to transition away from LIBOR. The pandemic has caused some delays to firms' plans, and as we're now mid-way through 2020, it's a good time for firms to take stock of their progress and consider what they need to focus on as they work towards the end-2021 deadline.

We hope you enjoy reading all of this month's articles.

**Hannah Swain**  
Director, FS Regulatory Insights  
M: +44 (0) 7803 590553  
E: swain.hannah@pwc.com

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# Halfway into 2020: What's next for LIBOR transition?



**Arthur Marquis**  
Manager

+44 (0) 7483 391393  
arthur.marquis@pwc.com

As we enter the second half of 2020, now is the time for firms to assess the impact of coronavirus (COVID-19) on their LIBOR transition timelines, and think through their next steps. COVID-19 caused some delays to firms' plans and interim milestones, but the picture is mixed. And the deadline to cease reliance on LIBOR by end-2021 has not changed.

The UK Risk Free Rate Working Group (RFR WG) and UK supervisors made clear at the start of the year that 2020 was to be a pivotal year for LIBOR transition with an unequivocal message: 'The time to act is now'. We still believe that is the case. In this article, we take stock of firms' progress across the financial services sector, and consider what firms need to focus on as they work towards the end-2021 deadline.

## Engagement with clients has been impaired

From an operational perspective, COVID-19 caused some disruptions for financial services firms, but most of the industry was able to quickly mobilise and adjust to remote working to minimise the disruption. We have seen that progress on LIBOR transition has been a bit slower, but the vast majority of firms we work with were able to continue their transition programmes despite the impact of the pandemic. For example, work on infrastructure updates has progressed, firms have continued

to monitor exposure to LIBOR, and to prepare for upcoming repapering initiatives.

Banks' engagement with clients has not progressed as well, however. That is largely because, with severe concerns over their treasury capabilities, and sometimes the very survival of their business, many corporate clients have not prioritised conversations about LIBOR. Wide communication efforts from banks to corporates were meant to start in Q2 2020, with a first communication event sponsored by the RFR WG to ensure all corporates, not only the largest companies, were aware of the challenges to come. With COVID-19 disruptions, the event was cancelled and much of these efforts have been delayed; they're likely to restart only after the summer.

Regulators have acknowledged these challenges and flagged in two statements in March and April 2020 that, while they expect lenders to continue developing new cash products actively, lenders will have a few more months to do so. The new objective is for them to stop issuing new LIBOR-linked loans by the end of Q1 2021 (compared to Q3 2020, as advised before the COVID-19 pandemic).

## Some private sector initiatives have stalled

On top of this, an issue unrelated to COVID-19 affected the challenging timeline: market conventions. The RFRs that will replace LIBOR

are not forward rates, unlike LIBOR. They need to be compounded at the end of an interest period, in arrears, to determine how much interest a client would pay. Market participants are still debating how to calculate this exactly. The RFR WG aims to settle this debate by the end of July. But in the meantime, systems changes and infrastructure have been delayed further.

While SONIA compounded in arrears is the rate that the RFR WG has recommended for most to replace Sterling LIBOR, those waiting for SONIA term rates have also had to reschedule some of their plans. Market volatility has had a negative impact on the liquidity of derivatives markets on which these term rates are based. As such, it is now likely that these rates will only be available for use by year-end.

## Work on legacy contracts continues

Does the disruption that's happened this year mean that firms have taken their foot off the gas? Surely not, and regulators have stressed this repeatedly. Statements about the interim milestones being adjusted came with the same core message: that LIBOR will cease by the end of 2021 and firms should continue their efforts to stop using it by then.

Meeting that deadline starts with ensuring that the risks of legacy contracts are understood

and addressed. ISDA has been working hard on developing fallback provisions, to ensure that OTC derivatives have a defined rate to fall back to once LIBOR has ceased or the FCA has deemed it unsuitable. ISDA's documentation is expected in July 2020, along with a protocol to include these fallbacks in existing contracts. Any buy-side and sell-side participants will need to review their existing transactions and determine whether to sign up to the protocol and if not, explain why.

The methodology proposed by ISDA for OTC derivatives has inspired transition efforts in other markets. Most market participants in the UK favoured the use of the same methodology for fallbacks in cash markets (mainly loans and bonds). A formal recommendation from the RFR WG is expected soon. As with derivatives, firms will need to assess their portfolios of loans and bonds, and determine the economic impact of applying that methodology if their contracts are amended using fallbacks.

Regulators have flagged that fallbacks should only be a safety belt, however. Firms should work on actively transitioning their legacy portfolios where possible, by replacing LIBOR with a suitable alternative rate (e.g. SONIA). Any LIBOR-linked cash products offered after Q3 2020 will also need to come with 'active' conversion provisions to ensure the contract is transitioned before the cessation of LIBOR.

The RFR WG has yet to propose a methodology for these contracts. The industry is concerned about the conduct risk arising from market participants applying different spreads to the contracts. A recommendation

from the RFR WG would go a long way in mitigating this risk.

Despite the COVID-19 pandemic, the RFR WG has also progressed work on 'tough legacy' contracts, i.e. contracts which do not have adequate fallbacks and cannot be amended. That includes some bonds for which noteholder consent cannot be secured, and mortgages with no amendment provisions. The UK Government confirmed on 23 June 2020 that it will look at legislation to address this problem. This paves the way for new FCA powers to define a 'synthetic LIBOR': a change of methodology of LIBOR which would allow the rate to be used in existing contracts for a limited period after LIBOR ceases or becomes unrepresentative.

### Time to plan client engagement

To facilitate pick up of compounded SONIA in new contracts, the BoE has confirmed it will publish a SONIA compounded index from the beginning of August 2020. The objective is to have a common reference number for all participants, based on an identical calculation, to minimise the efforts to build new systems and to avoid conflicting calculations.

While these initiatives progress, banks and other industry participants will be expected to use the time wisely and engage with their clients. Explaining to clients the implications of all these changes and repapering contracts will take time, and needs to be done in a coordinated manner. The summer should be used to prepare for this.

Asset managers will need to prepare for similar conversations. Fund managers may use LIBOR, or reference indices based on LIBOR, as benchmark or performance targets for their funds. They have the same deadline as everyone else: the end of 2021. While communicating with their clients, asset managers need to make sure they treat all clients fairly and monitor closely the impact on the performance of their products.

They will have their own challenges to deal with when it comes to measuring performance. They should be careful not to mis-represent performance where replacement rates are introduced. The suitability of their products for each category of investors may need to be looked at again, to ensure that new benchmarks are not deemed overly complex for some existing investors. Regulators will be interested in seeing evidence of how these risks are mitigated. Now is a good time to engage in this work if it has not started.

### The roadmap to end-2021

Supervisors will be keenly watching progress. Bilateral meetings with firms have also been temporarily disturbed by COVID-19. But the PRA and FCA confirmed that they would resume their full supervisory engagement from June 2020 and since then supervisory activity has indeed increased. Through the second half of 2020, firms can expect a continued heightened degree of scrutiny, especially if their progress is slow. Supervisors have sought to be pragmatic in acknowledging the COVID-19 constraints on some of the transition issues,

but they want firms to keep their eyes on the ball and to see evidence of progress.

The first half of 2020 certainly did not play out as expected, but firms are all expected to have made significant progress in reducing their reliance on LIBOR. Many milestones are yet to come. From Q4 2020, the RFR WG and supervisors expect firms to have a range of products linked to alternative rates to offer to their clients.

If they don't, firms will need to have clear arrangements to move away from LIBOR throughout 2021. They will also need a clear roadmap to reduce their legacy exposure, in line with the RFR WG's objective for legacy exposure to be significantly reduced by the end of Q1 2021.

The end-goal for LIBOR transition has not changed, and firms need a clear plan to meet the many interim steps along the way.

# Cross sector announcements

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**Hannah Swain**

FS Regulatory Insights

swain.hannah@pwc.com

## Regulation

### Benchmarks

Govt takes action on tough legacy LIBOR contracts

Rishi Sunak, Chancellor of the Exchequer, released a [public statement](#) on 23 June 2020 announcing the Government's intention to take legislative steps to address the 'tough legacy' LIBOR contracts that cannot transition from LIBOR before end-2021. The Government proposes to expand the FCA's powers under UK BMR to require an administrator to change the methodology of a critical benchmark where the FCA has found the benchmark to be unrepresentative.

The proposed measures will be included in the upcoming Financial Services Bill which is expected to be introduced in September 2020.

In response to this communication, the FCA [said](#) it will seek views on a methodology change based on RFRs to produce a 'synthetic LIBOR'.

Both institutions reiterate that firms should continue to focus on active transition, as this is the only way to have certainty about contractual continuity and control over their contractual terms when LIBOR ceases or is no longer representative.

More information can be found [here](#).

RFRWG addresses tough legacy LIBOR contracts

The RFRWG released a [paper on the identification of tough legacy issues](#) in the context of LIBOR transition, on 28 May 2020. The paper calls for action to consider what can be done to address the tough legacy exposures to LIBOR in the UK.

The RFRWG suggests the Government should consider legislation to address tough legacy exposures in contracts governed by English law that reference at least sterling LIBOR. However, the group acknowledges that there is no guarantee of such a 'one size fits all' solution being agreed. Therefore, the RFRWG recommends firms to be proactive in removing dependencies on LIBOR, but also explore other solutions in parallel, such as the use of a 'synthetic' LIBOR (e.g. a risk-free rate plus a spread) for a wind-down period after end-2021.

The RFRWG confirmed the scope of products characterised by tough legacy issues. These include contracts across different asset classes, including non-linear uncleared derivatives products, derivatives used to hedge tough legacy cash products, bonds, bilateral/syndicated loans that cannot be readily renegotiated, and mortgages. The number of contracts that could become tough legacy may be high, particularly in the loan markets. Therefore, the paper contains a strong call on firms to actively work to transition

all legacy contracts where possible. Lastly, the paper presents some common characteristics across asset classes that make contracts more difficult to transition to RFRs.

## Conduct

### FCA extends SMR to benchmark administrators

The FCA finalised its rules under [PS20/5: Extending the Senior Managers Regime \(SMR\) to benchmark administrators](#) on 2 June 2020.

The rules apply to all FCA-authorized benchmark administrators that do not undertake any other regulated activities, starting from 7 December 2020.

From that date, senior managers will be approved by the FCA and subject to the Duty of Responsibility, and the Conduct Rules will apply to almost all staff within firms. However, the Conduct Rules will be tailored for commodity benchmark firms subject to Annex II of BMR.

The regulator requires administrators to implement the regime, train relevant employees in the Conduct Rules, and prepare Statements of Responsibility for Senior Managers.

Those administrators that do not provide important benchmarks can apply for a waiver and be subject to a limited scope regime.

The FCA also states that the existing approved persons regime will only apply to appointed representatives and will no longer apply to all authorised firms.

The final text of the Handbook rule changes is set out in the [Individual Accountability \(FCA-Authorised Benchmark Firms\) Instrument 2020 \(FCA 2020/23\)](#).

### FCA makes mini-bond marketing ban permanent

The FCA announced on 18 June 2020 that it will make [permanent its ban on the mass-marketing of speculative mini-bonds to retail investors](#). This follows the introduction of a temporary ban in January 2020, where measures were confirmed amidst concern that these products can lead to unexpected and significant losses for investors.

The FCA characterises mini-bonds as 'speculative illiquid securities' (SISs), defined as unlisted bonds and preference shares where the issuer uses the funds raised to lend to a third party, invest in other companies, or purchase or develop property. The regulator confirms that the rules will not apply to companies using unlisted securities to buy or construct property used for their own commercial or industrial purpose, or to investment vehicles that only invest in a single UK-based property.

Compared to the temporary measures, the FCA is also proposing a small number of changes and clarification, including bringing into scope listed bonds with similar features to SISs and which are not regularly traded. The intervention means that authorised financial services firms are not able to approve financial promotions or provide services (e.g. advice, arranging deals in investments etc) associated

with SISs unless they are being marketed to sophisticated or high net worth investors.

The deadline for responding to the consultation is 1 October 2020. The FCA expects to publish a policy statement before the end of 2020, with the new rules entering into force on 1 January 2021.

## Financial resources

### FCA confirms guidance on assessing financial resources

The FCA issued final guidance, [EG20/1 Our framework: assessing adequate financial resources](#) on 11 June 2020 that applies to all FCA solo-regulated firms. The guidance sets out: the role of adequate financial resources in minimising harm to consumers and the integrity of the UK financial system; the practices firms should adopt when assessing adequate financial resources; and how the FCA assesses the adequacy of a firm's financial resources.

The guidance does not introduce new requirements but aims to improve the way firms operate to prevent harm, by improving controls and reducing the risk in their activities. While not placing additional requirements on firms because of COVID-19, the FCA notes that the crisis underlines the need for firms to maintain adequate financial resources to remain viable.

What the FCA looks for from firms when assessing financial resources covers:

- proportionate and regular assessment of risks

- an understanding and articulation of their business model and strategy
- an ability to prevent harm from occurring
- an ability to put things right when they go wrong
- the minimisation of harm in failure.

The FCA also sets out expectations of firms to reduce the potential to cause harm, covering:

- financial resources
- systems and controls, governance and culture
- the identification and assessment of the impact of harm
  - risks that could prevent correcting harm that has occurred
- viability and sustainability of firms' business model and strategy
- wind-down planning.

The FCA indicates it does not intend to increase the overall level of firms' financial resources but plans to continue to take a proportionate and risk-based approach to the supervision of firms. However, it does warn that in some cases, it might be necessary to increase a firm's financial resources.

## Market infrastructure

### ESMA advises on FRANDT clearing terms

ESMA published a final report on its [technical advice on fair, reasonable, non-discriminatory and transparent \(FRANDT\) commercial terms for clearing services](#) on 2 June 2020. The

report specifies the conditions under which the commercial terms are considered to be FRANDT when firms provide clearing services to clients. This is a requirement under EMIR Refit for clearing members and clients that applies from 18 June 2021.

ESMA's recommendations aim to facilitate comparability of the information disclosed, explain the process of onboarding clearing clients, standardise the information disclosed to clients bilaterally, and support further standardisation of contractual terms.

As regards the territorial scope of FRANDT, ESMA argues that any clearing member and client, established in the EU or not, that provides clearing services in the EU through a recognised or authorised CCP should comply with these terms.

#### EU consults on rules for non-EU CCPs

The EC proposed three draft delegated regulations supplementing EMIR on 11 June 2020. The first draft [regulation](#) specifies the criteria that ESMA should take into account to determine whether a non-EU CCP is systemically important or likely to become systemically important for the financial stability of the EU or of one or more of its Member States.

The second draft [regulation](#) contains the minimum elements to be assessed by ESMA when assessing systemically important non-EU (Tier 2) CCPs' requests for comparable compliance, and the modalities and conditions for ESMA to carry out that assessment.

Finally, the third draft [regulation](#) covers the fees to be charged by ESMA to non-EU CCPs. Compared to ESMA's technical advice, the EC proposes some changes to reduce further the administrative burden and costs for non-EU CCPs.

The proposed regulations closed to comments on 9 July 2020.

### Pensions

#### FCA bans contingent charging for pension transfers

The FCA published [Policy Statement 20/6 – Final rules and guidance on pension transfer advice on 5 June 2020, on the suitability of advice](#) to transfer pension benefits from a Defined Benefit scheme to a Defined Contribution scheme. The most significant change is the ban on contingent charging, which is effective from 1 October 2020. The ban is designed to address the FCA's concerns about the quality of pension transfer advice and the conflicts of interest posed by a contingent charging structure (under which the adviser is remunerated only if the transfer takes place).

Effective from the same date, new rules are included in [COBS 19.1 Pension transfers, conversions and opt-outs](#) covering the requirements for abridged advice (advice in relation to a pension transfer that is not full pension transfer advice).

The FCA issued [GC20/1: Guidance consultation – advising on pension transfers](#) alongside the rules. The proposed guidance for advisers on the suitability of pension transfer

advice is aimed at improving quality and standards. The consultation ends on 2 September 2020. Firms should review their current sales processes against the guidance, which includes examples of good and poor practice.

#### Delivering value for money in pensions

The FCA issued consultation paper [CP20/9: Driving value for money in pensions](#) on 24 June 2020, which is intended to make it easier for Investment Governance Committees (IGCs) and Governance Advisory Arrangements (AGGs) to assess value for money and compare pension products and services. The FCA wants firms and IGCs to avoid undertaking work that increases member costs but adds little value.

The consultation was issued alongside [TR20/1: Thematic Review](#), which gives feedback from the FCA's review into how IGCs and GAAs are offering value for money to members. The review – which found some IGCs do not effectively challenge firms, and that some lack the right information to adequately assess value for money – informed the consultation paper.

The FCA proposes: specifying a simple framework for the annual IGC value for money assessment process (including a definition of value for money and three key elements of value); and requiring IGCs to assess whether their pension provider offers value compared with other options on the market. The three proposed elements of value assessments are: charges and costs; investment performance; and quality of service.

In addition to the proposals, the paper includes a discussion section on whether pension providers should have a direct responsibility for providing value for money to customers, alongside the IGC. While value for money would not be made a 'prescribed responsibility' under SM&CR, the provider would need to delegate this responsibility to an individual within the firm.

The consultation closes on 24 September 2020. The FCA plans to issue a follow-up policy statement in Q4 2020.

### Retail products

#### FCA reviews equity release advice

The FCA published the findings from its [equity release multi-firm review](#) on 17 June 2020. The FCA's findings were mixed, with consumers receiving both good and poor outcomes from the sample of files reviewed. Where outcomes were determined as poor, the FCA found three key issues:

- A lack of personalised advice. The FCA found some firms were not taking into account the individual financial circumstances of their customers nor exploring alternative options that may have been more suitable.
- Inadequate challenge of customer assumptions. Some firms did not challenge the customer's understanding of the consequences of taking a product with no monthly payments, or the cost of consolidating short-term debts into a long-term loan.

- Lack of evidence to support suitability. The FCA found some case notes were overly reliant upon generic statements, which appeared across multiple files. The FCA wants firms to reflect the customer's own voice as far as possible within notes – quoting exact phrases and words used, for example.

The FCA intends to work closely with intermediaries in this market to reduce instances of poor advice. The FCA also highlights the importance for advice to reflect a customer's situation and personal circumstances in light of COVID-19.

## Sustainability

### EC looks to bring sustainable finance into the mainstream

The EC published [six draft delegated acts](#) on 8 June 2020 which amend existing EU regulation to incorporate sustainability concepts. The amendments introduce changes to MiFID II, AIFMD, the UCITS Directive, Solvency II and the IDD. Under the proposed Delegated Acts, in-scope firms would have to consider sustainability factors across their organisations, including organisational requirements, product and service offerings and product governance processes.

In relation to organisational requirements, firms will need to incorporate sustainability considerations within their governance frameworks, ensuring processes, systems and internal controls reflect sustainability risks. This will include identifying any conflicts of interest that may arise from the integration of sustainability considerations across an

organisation. The EC is also proposing to introduce an obligation on firms to explicitly identify and assess sustainability risks when establishing, implementing, and maintaining risk management policies and frameworks. Insurers and reinsurers will need to consider sustainability risks when meeting various obligations under Solvency II, including the prudent person principle.

Managers of UCITS and AIFs are being asked to consider sustainability factors in the context of market, liquidity, and counterparty risks. They will also need to disclose how their due diligence policies take account of any negative impacts their investment decisions may have on sustainability indicators.

Finally, the EC is calling on firms to consider sustainability factors in the product governance process, including in the context of their target market assessment and identifying appropriate distribution channels. The proposed changes to MiFID II and IDD would mean that investment firms, insurers and insurance intermediaries providing advice would need to carry out a mandatory assessment of their clients' sustainability preferences, taking these preferences into account as part of the product selection process. Under the MiFID II proposals, investment firms providing advice would also be required to produce a report setting out how the recommendation meets the client's sustainability preferences.

The EC is requesting feedback on the six draft delegated acts by 6 July 2020. The Delegated Acts will enter into force 20 days after being

published in the Official Journal. Firms will then be given 12 months to implement the changes.

### BoE publishes its climate-related financial disclosures

The BoE published its own [climate-related financial disclosure](#) for the first time on 18 June 2020. The report sets out the BoE's approach to managing the risks from climate change across its entire operations, and is structured in line with the TCFD framework, focusing on governance, strategy, risk management and metrics and targets.

The report notes that the BoE has reduced emissions from its own activities by a third since 2016. However, analysis of the BoE's corporate investment portfolio suggests that the portfolio remains 'materially above' Paris agreement goals, consistent with an average temperature increase of 3.5°C above pre-industrial levels by 2100 and in line with estimates of the overall market. The BoE states that it will continue to enhance its metrics and update its approach by the time the next report is due.

### Commission sets out roadmap for Green Bond Standard

The EC launched a [consultation](#) on the development of an EU Green Bond Standard (EU GBS) on 12 June 2020. The consultation reflects the EC's initial work to explore how to implement the recommendations set out in a June 2019 report by the Technical Expert Group on sustainable finance. In particular, the consultation focuses on:

- linking the EU GBS to the EU taxonomy

- standardising verification and reporting processes
- establishing an official standard to which potential incentives could be linked.

The EC is also considering whether specific financial or alternative incentives are necessary to support the uptake of EU green bonds and, if so, the level at which such incentives should be applied (e.g. issuer and/or investor level).

Beyond this, the consultation highlights the increased issuance of social bonds within financial markets as a response to the impact of COVID-19. The EC is seeking input on options to establish a framework for meeting social investment needs, namely through the development of separate non-binding social bond guidance, establishing an official EU Social Bond Standard, or developing an official 'Sustainability Bond Standard', covering both environmental and social objectives.

The consultation will remain open for feedback until 2 October 2020. The EC intends to adopt the regulation in the first quarter of 2021.

### Regulator-chaired forum sets bar on climate risk

The PRA and FCA-chaired Climate Financial Risk Forum (CFRF) published its [guide](#) on 29 June 2020, aimed at helping financial services firms address climate-related financial risks. It is intended to complement existing financial services regulatory and industry initiatives related to climate risk.

The CFRF provides practical guidance in relation to risk management, scenario analysis,

disclosure, and innovation. On risk management, it suggests that firms design and implement a governance approach for climate risks akin to established financial risks, while the chapter on scenario analysis contains guidance on scenario identification and development, scenario assessment, and detail on common challenges and barriers. The CFRF also recommends that climate-related disclosures made by firms should be based on the seven principles set out in the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the guidance on innovation sets out practical recommendations to align capital flows with climate goals.

Firms are encouraged to adopt a proportionate approach to managing their climate-related risks, in line with the nature, scale and complexity of their business. Some smaller firms with relatively simple business models will face significant climate-related financial risks and should act appropriately to manage these risks. For firms that have not yet started or have made little progress in managing these risks, the guidance suggests performing a materiality assessment focussing initially on a small set of risks, with scope and sophistication increasing over time.

The CFRF will continue to produce material on topics that progress the management of climate-related financial risks and opportunities, while obtaining ongoing stakeholder feedback. An update on the CFRF's forward-looking work and future outputs will be provided later in 2020.

## Also this month

### BoE

Andrew Hauser, Executive Director for Markets at the BoE, gave a [speech](#) on 4 June 2020, setting out the unprecedented package of measures the BoE and HMT took to address the market volatility caused by COVID-19 in March. He argues that the broader aspects of the pandemic remain hugely challenging and pose important long-term financial stability questions. The questions Hauser flags relate to the role of market intermediaries and non-banks, the risks posed by open-ended funds that are prone to runs, and ensuring a timely LIBOR transition.

### CPMI and IOSCO

CPMI and IOSCO published a [report on CCP auctions](#) (and [cover note](#)) on 25 June 2020. The report outlines certain issues and practices that CCPs should consider about their default management auction process. The two bodies will work with the industry to progress some of the issues over the next 24 months.

### EBA

The EBA issued [guidelines](#) to address gaps in reporting data and public information in the context of COVID-19, on 2 June 2020. The guidelines aim to ensure that the minimum necessary information is available to monitor and assess risks associated with firms' activities, and to strengthen transparency and market discipline.

### EC

- The EC's High Level Forum on the EU CMU published its [final report on CMU](#) on

10 June 2020. The Forum recommends 17 measures the EU should implement in order to remove the biggest barriers in its capital markets and recover from the COVID-19 crisis. The EC seeks feedback until 30 June 2020 and plans to publish an action plan in Q4 2020.

- The [Taxonomy Regulation](#) was published in the Official Journal on 22 June 2020, and entered into force on 12 July 2020. The EC is currently in the process of setting out the Level 2 technical screening criteria for the climate change adaptation and mitigation taxonomies, with the delegated acts due to apply from 1 January 2020. The taxonomies for the remaining four environmental objectives will apply from 1 January 2023.
- The EC published a questionnaire on [the regulation of very large online platforms](#) on 2 June 2020. It invites comments across a number of questions that will be considered as part of the Digital Services Act. Topics covered include liability, online safety, online advertising, smart contracts and the governance of digital services.
- The EC published a [draft delegated act](#) supplementing the minimum requirements under the Prospectus Regulation. It sets out rules for the minimum information companies must include when applying an exemption from the obligation to publish a full prospectus for investors when making public offerings of securities as part of a takeover, merger or division. The draft

regulation is open feedback over a four-week period, closing on 14 July 2020.

### ECB

The working group on euro RFRs issued a [recommendation](#) on 16 June 2020 to support voluntary compensation for legacy swaption contracts affected by the discounting transition from EONIA to €STR. It advises market participants to contact their swaption counterparties to find out about their plans for voluntary compensation. The group also recommends prompt action to avoid extended periods of uncertainty, minimise any valuation differences, and promote responsible risk management, market liquidity and resilience.

### ESMA

- ESMA issued a [public statement](#) on MiFIR open access for exchange-traded derivatives in the context of COVID-19, on 11 June 2020. It expects NCAs to consider the relevant adverse developments when deciding on open access requests. In response, the FCA issued [guidance](#) to CCPs and trading venues on how they should meet their open access obligations starting from 4 July 2020.
- ESMA issued a [consultation paper](#) setting out guidance on outsourcing to cloud service providers on 3 June 2020. This is the latest move to harmonise the regulatory framework across sectors, as the proposals are consistent with guidelines published by the EBA in 2017 (revised in 2019) and EIOPA in 2020. Therefore, there is no expected change in approach in the UK as the FCA has previously confirmed that it

complies with the EBA cloud guidelines and the PRA has a live consultation (CP30/19) on outsourcing and third party risk management which builds on the current EBA and EIOPA guidelines. The consultation is open until 1 September 2020, and ESMA aims to publish the final guidelines by Q1 2021.

- ESMA published an [Opinion](#) on 3 June 2020 on the treatment of contracts on commodity derivatives traded on third country venues with regard to the MiFID II position limit regime. To provide further clarity, it includes an annex which lists the trading venues that meet the criteria and so should not be considered OTC trades for the purposes of the position limit regime.
- ESMA delivered [guidance](#) on 3 June 2020 to advise investment firms as to when they should disclose information on transactions concluded on third party trading venues. ESMA provides criteria for where firms do not have to disclose such information, and sets out a list of venues that satisfy these conditions.
- ESMA published its final [guidelines](#) on the MiFID II compliance function obligations on 5 June 2020, which are intended to provide clarity on certain topics, including new responsibilities for the compliance function in relation to the MiFID II product governance requirements. After publication in all official languages, NCAs will have two months to notify ESMA of their compliance or intention to comply with the guidelines.

## FCA

- The FCA published a [podcast interview](#) with Interim Chief Executive Chris Woolard on 8 June 2020. Woolard discusses the three areas that COVID-19 has led the FCA to refocus on: the protection of retail investors, particularly in the context of investors looking for return in the current environment; payments as COVID-19 hastens the move away from cash; and data and open finance. Woolard also highlights climate risk as a key area of focus.
- The FCA consulted on minor rule changes in [CP20/7: Quarterly Consultation No 28](#) on 5 June 2020. It clarifies the FSCS's ability to declare firms in default, and amends CONC regarding the Government's Bounce Back Loan Scheme, both of which closed to comments on 5 July 2020. It also covers changes to the sourcebook for AML supervisors, which closes to comments on 31 July 2020.
- Charles Randell, FCA Chair, gave a [speech](#) on 16 June 2020 on having a financial system to support recovery from COVID-19. Randell highlighted the regulator's concerns in relation to loans to small businesses, consumer debt, financial exclusion, high risk retail investments, and digitisation of financial services. He concluded that, despite the challenges, this crisis also brings opportunities to reshape the financial system to make it fit for the recovery and provide more sustainable investment and credit in future.

- The FCA [announced](#) on 22 June 2020 that it is preparing to gradually move firms across to its new regulatory data collection platform, RegData. This platform will replace Gabriel. Once RegData is launched, the FCA will provide user guides and videos to guide firms through the system.
- The FCA summarised recent board-approved changes to its Handbook, in [Handbook Notice No 78](#) on 26 June 2020. These include COBS changes relating to pension transfers, and amendments relating to the extension of the Senior Managers Regime to benchmark administrators.
- HMT [announced](#) on 22 June 2020 that Nikhil Rathi, currently Chief Executive of London Stock Exchange plc, will become Chief Executive of the FCA this autumn. Rathi is due to serve a five-year term and will take over from Chris Woolard, who has been Interim Chief Executive since Andrew Bailey stepped down from the role in March 2020.
- Megan Butler, FCA Executive Director of Supervision, gave a [speech](#) on the FCA's response to COVID-19 and expectations for 2020 on 4 June 2020. She highlighted some of the key areas of focus for the FCA in light of COVID-19, including operational resilience, financial resilience and acting with integrity. Turning to the future of regulation, she reiterated the regulator's commitment to establishing a more outcomes-based framework, which

would emphasise the perspectives of end users of financial services and deliver against both rules and the ultimate outcomes for consumers.

- The FCA [announced](#) on 30 June 2020 that the deadline for solo-regulated firms to undertake their first fit and proper assessments of Certified Persons has been extended from 9 December 2020 until 31 March 2021. The extension was granted to provide additional time for firms impacted by COVID-19 to make the necessary changes to comply with the regime. The regulator states that firms should continue with their SM&CR work programmes, and where possible, make efforts to meet the certification requirements ahead of the new March 2021 deadline.

## FMSB

- The FMSB released a document containing [case studies for navigating conduct risks associated with LIBOR transition](#), on 11 June 2020. The document describes the regulatory expectations around risk identification, governance, client communication, conflicts of interest, treating customers fairly, and market conduct. It then illustrates the conduct risks in three case studies and highlights a number of good practices.
- The FMSB published a new draft [Statement of Good Practice](#) on algorithmic trading on 24 June 2020. The purpose of the statement is to enhance the integrity and effective functioning of FICC markets

by promoting good conduct and governance practices applicable to participants engaged in algorithmic trading. FMSB members and other interested parties are invited to comment on the proposed statement until 21 August 2020.

## FRC

The FRC released two reports on 15 June 2020, following calls from investors. The [first report](#) provides further practical advice to companies setting out the disclosures investors expect to see from companies during this time of uncertainty. The [second report](#) gives specific guidance on going concern, risk and viability disclosures.

## ISDA

Several trade associations including ISDA issued a [briefing paper on the importance of reviewing the BMR](#) on 29 June 2020. They propose a series of reforms to narrow the scope of the BMR in a way that protects investors without constraining their bona fide use of benchmarks which pose no systemic or material risk. Key proposals are to allow benchmarks to be used in the EU unless specifically prohibited, and to exempt from mandatory designation EU non-significant benchmarks and their equivalent third-country benchmarks as well as public policy benchmarks and regulated data benchmarks.

## National Crime Agency

The National Crime Agency published an [update](#) on 6 June 2020 on what is being seen in reporting around COVID-19 and suspicious activity reports. The agency notes an increase

in cases related to suspected fraudulent claims for various COVID-19 Government priority schemes, and new money laundering patterns as a result of the lockdown measures imposed by the Government.

## The Centre for Data Ethics and Innovation

The Centre for Data Ethics and Innovation published its [AI Barometer Report](#) on 18 June 2020. The report assesses the most pressing opportunities, risks and governance challenges associated with AI in the UK across five industries, including financial services. The report highlights the critical role of regulation in supporting the development of ethical AI, citing the explainability of algorithmic decision-making models as a key risk for the sector.

## PRA

The BoE and the PRA issued a [joint statement](#) on 8 June 2020 acknowledging the recent [ESRB recommendation](#) on restrictions of distributions of capital during the COVID-19 pandemic. The BoE and PRA confirm that previous measures they have announced to limit distributions of capital are consistent with the recommendation.

# Banking and capital markets

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**Luke Nelson**

FS Regulatory Insights

luke.a.nelson@pwc.com

## Regulation

### Bank structures

[HMT consults on BRRD II transposition](#)

HMT launched a [consultation on the transposition of BRRD II](#) on 23 June 2020. The Directive must be transposed into UK law by 28 December 2020. HMT does not intend to transpose those requirements that firms do not need to comply with until after the end of the Brexit transition period, in particular the revised framework for MREL.

HMT seeks views on matters such as the power for the resolution authority to prohibit certain distributions or to suspend any contractual payment or delivery obligations, restrictions on the selling of subordinated eligible liabilities to retail clients, amendments to the requirements for the contractual recognition of bail-in, and others.

Responses are due by 11 August 2020.

### Capital and liquidity

[HMT updates on banking prudential regime](#)

HMT published a [policy statement on banking prudential standards](#) in the Financial Services Bill on 23 June 2020. The statement sets out the Government's approach to implementing CRR II, CRD V and Basel IV into UK law.

HMT plans to implement CRR II by summer 2021, but this depends on the passage of the Financial Services Bill through Parliament. On

CRD V, HMT intends to consult on its transposition into UK law over the summer, with the aim of finalising it by 28 December 2020. Regarding Basel IV, HMT confirms that the UK will implement the standards starting in January 2023.

It also states that the vast majority of CRR II and Basel IV rules will be implemented in the UK through PRA rules.

[EU amends CRR to deal with COVID-19](#)

On 26 June 2020, [Regulation \(EU\) 2020/873 of the EP and the Council amending CRR and CRR II as regards certain adjustments in response to the COVID-19 pandemic](#) was published in the Official Journal.

The amendments aim to alleviate banks' capital requirements to support lending to consumers and businesses, and absorb losses caused by the pandemic. The key changes relate to the deduction of software assets from capital, changes to the leverage ratio and associated buffer, IFRS 9 transitional arrangements, suspension of distributions, preferential treatment of non-performing loans with public guarantees, exposures to central governments, and the treatment of exposures to non-euro Member States.

The regulation has applied since 27 June 2020, with the exception of the amendments to the calculation of the leverage ratio which will apply from 28 June 2021.

In response, the PRA released a [statement](#) on 30 June 2020 setting out the PRA's initial views and follow-up plans on: the transitional arrangements for capital impact of IFRS 9 ECL accounting, the accelerated application of certain CRR II measures, and the application of a temporary prudential filter to certain unrealised gains or losses. As regards the application of CRR II measures, the PRA will assess whether further action is necessary under Pillar 2 to address any impact on financial resilience.

## Reporting

### UK firms to stop COVID-19 reporting

The EBA published its final [guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis](#), on 2 June 2020. The EBA requires firms to report them quarterly, with the first reference date being 30 June 2020, for an expected period of 18 months. Regarding disclosures, firms have to make them semi-annually on 30 June and 31 December.

However, on 24 June 2020, the PRA [stated](#) that it doesn't believe it's currently necessary to extend the supervisory reporting elements of these guidelines. Hence, it doesn't expect UK firms to prepare or transmit the reporting templates contained within the guidelines.

## Retail products

### FCA extends COVID-19 consumer credit measures

The FCA confirmed a number of measures on 1 July 2020 which extend the temporary COVID-19 measures on [credit cards](#), [overdrafts](#) and [personal loans](#). It issued a brief

consultation on the proposals on 19 June 2020. The FCA sets out the support firms are expected to provide credit card and other revolving credit (store card and catalogue credit), overdraft and personal loan customers coming to an end of a payment freeze, as well as those who are yet to request one.

For customers yet to request a payment freeze or an arranged interest-free overdraft of up to £500, the time to apply for one has been extended until 31 October 2020. At the end of a payment freeze, firms are expected to contact their customers to find out if they can resume payments – And if so, agree a plan on how the missed payments could be repaid. The FCA notes that if customers can afford to return to regular repayment it is in their best interest to do so.

For customers that continue to face temporary payment difficulties, the FCA says firms should reduce payments on their credit card and personal loans to a level they can afford for three months. Where customers have arranged overdrafts, and are experiencing financial difficulty, balances up to £500 should be interest free for a further three months. Firms should also reduce interest rates on overdrafts above the interest-free buffer where requested.

The guidance came into force on 3 July 2020. The FCA says it will keep the guidance under review over the coming weeks.

Alongside the guidance, the FCA published an [update](#) on banks' overdraft pricing. In January 2020 the regulator wrote to firms asking them to explain how they reached their new overdraft rates (following new rules). After

reviewing firms' explanations, the FCA says it does not intend to open a formal investigation into banks' pricing, but that it will keep a close watch on how prices develop, particularly during and after the COVID-19 pandemic.

## Also this month

### Basel Committee

The Basel Committee proposed to amend the [capital rules for non-performing loan securitisations](#) on 23 June 2020. The amendment assigns a 100% risk weight to certain senior tranches of non-performing loan securitisations. The risk weights applicable to the other positions are determined by the existing hierarchy of approaches, together with a 100% risk weight floor and a ban on the use of certain inputs for capital requirements. Comments are due by 23 August 2020.

### BoE

Jon Cunliffe, BoE Deputy Governor Financial Stability, gave a [speech](#) on COVID-19 and financial system resilience on 9 June 2020. Cunliffe said that the banking system had so far remained resilient to the initial impact of the pandemic but noted a number of other risks to financial stability such as the role of leveraged investors in exacerbating market volatility.

### EBA

- The EBA released a [consultation](#) on draft RTS on the calculation of the stress scenario risk measure under CRR II FRTB on 4 June 2020. The proposed draft RTS set out two methodologies that firms in scope of the new Internal Model Approach will be required to use to determine the

stress scenario risk measure corresponding to a non-modellable risk factor. The consultation runs until 4 September 2020.

- The EBA released its final [draft amending RTS and ITS](#) on passport notification on 18 June 2020. They aim to improve the quality and consistency of information that a bank has to provide when notifying its NCA that it plans to open a branch or provide services in another Member State. In particular, a bank will have to indicate accurately the intended start date of each activity for which it submits a notification.
- The EBA published its final [draft RTS](#) on the criteria to identify staff with a material impact on a bank's risk profile, on 18 June 2020. 'Risk takers' will be identified based on the criteria in the RTS and the criteria already set out in Article 92(3) of CRD. Identifying the staff whose professional activities have a material impact on a bank's risk profile is necessary to ensure the effective application of CRD remuneration requirements.
- The EBA published a [call for input](#) on 15 June 2020, to understand the scale and drivers of 'de-risking' at an EU level and the impact on customers. The call for input seeks to understand why financial institutions choose to de-risk instead of managing the risks associated with certain sectors or customers and is open until 11 September 2020.
- The EBA launched a [consultation](#) on draft RTS specifying the prudential treatment of

software assets on 9 June 2020. The RTS aims to strike a balance between the need to maintain a margin of prudence in the treatment of software for prudential purposes, and the business and economic relevance of software assets given the accelerated uptake of digital services. The consultation closed on 9 July 2020.

- The EBA decided on 18 June 2020 to extend the application date of its guidelines on loan repayment moratoria to 30 September 2020. The guidelines, developed in response to COVID-19, aim to support the short-term operational and liquidity challenges faced by borrowers. They do so by clarifying that the moratoria do not trigger forbearance classification and the assessment of distressed restructuring.
- The EBA published a statement on 29 June 2020 supporting the EC's proposal for a new Digital Finance Strategy for the EU. The EBA highlights the importance of regulators and supervisory approaches remaining technology neutral to promote innovation. It also agrees with proposed improvements to coordination methods between industry and regulatory bodies, such as the EBA's Fin Tech Knowledge Hub.
- The EBA released on 27 June 2020 its final draft ITS on Pillar 3 disclosures requirements under CRR, and a revised final draft ITS on supervisory reporting that implements changes introduced in CRR II and the Prudential Backstop Regulation.

These ITS seek to improve the consistency between the reporting and disclosure requirements, with a view to facilitating banks' compliance with both requirements. The first disclosure and reporting reference date will be 30 June 2021.

- EBA Guidelines on ICT and Security Risk Management came into effect on 30 June 2020. In-scope firms are expected to make every effort to comply with the guidelines, though the FCA has confirmed it will apply 'reasonable supervisory flexibility' when assessing the implementation, given the operational impact of COVID-19. The FCA plans to provide further clarification on the links between these EBA Guidelines and the incoming operational resilience policy updates in Q1 2021.

### FCA and PSR

- The FCA and the PSR released a statement on 16 June 2020 providing an update on their joint approach on access to cash. The FCA plans to engage with firms to find out the steps they are taking to consider the impact of their decisions to provide cash machines and bank branches on consumers and businesses. The PSR will continue to work with LINK, the operator of the UK's cash machine network, to ensure that it does all it can to protect widespread access to cash through free-to-use cash machines.
- The FCA updated its mortgages and coronavirus guidance on 4 June and 16 June 2020. In the first update, the period the temporary guidance will apply for was

extended to 31 October 2020. In the second update, the FCA recognised that previous guidance on the personalisation of customer information was challenging to adhere to, and will now allow estimates of the impact on payments to be given.

### PRA

- Sam Woods, Chief Executive of the PRA, sent a Dear CEO letter to UK banks and building societies on 4 June 2020, in relation to the treatment of COVID-19 related payment deferrals under the CRR definition of default and IFRS 9 ECL. The guidance aims to help firms mitigate the risk that each of them approaches the challenges differently and therefore applies inconsistent regulatory capital treatments and/or recognise inappropriate or inconsistent levels of ECL.
- On 27 June 2020, the PRA updated a statement issued on 27 April 2020 in response to HMT's announced changes to COVID-19 business interruption loan schemes. The update seeks to clarify certain issues about the application of credit risk approaches for firms.
- The PRA released a statement on COVID-19 regulatory reporting and disclosure amendments, on 26 June 2020. It decided that, going forward, firms have to submit their future regulatory reports and publish their Pillar 3 disclosures on time. It also reminds firms experiencing difficulty with timely submission to communicate that to their supervisor.

# Asset management

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**Andrew Strange**  
FS Regulatory Insights

andrew.p.strange@pwc.com

## Regulation

### Capital and liquidity

#### FCA kicks off implementation of IFR

The FCA published the first stage of its implementation of the IFR in [DP 20/02: Discussion paper: A new UK prudential regime for MiFID investment firms](#), on 23 June 2020. It sets out how the FCA may implement the IFR and Investment Firms Directive (IFD). The directive is wide-ranging and spans capital, liquidity, reporting and disclosure and remuneration. Of particular note is the proposed replacement of the ICAAP with a new Internal Capital and Risk Assessment (ICARA) process. While the ICARA is superficially similar to the ICAAP, it changes how investment firms should think about risk.

HMT also released a [statement](#) on 23 June 2020. It intends to include additional detail in the Financial Services Bill to specify the IFR's ultimate objectives – to address potential harm to clients and markets, and to capture specific vulnerabilities and risks inherent to investment firms.

The FCA paper is very discursive and while it may appear challenging to reach final rules before next summer, the HMT statement makes clear that 'the UK will endeavour to introduce the IFR by summer 2021, broadly consistent with the EU', although this will be dependent on the Financial Services Bill's passage through Parliament. The discussion

paper is open for comment until 25 September 2020 and the FCA hopes to publish a further consultation paper later in 2020.

#### EBA kicks off IFR consultations

The EBA commenced the next stage of the IFR on 4 June 2020, publishing both its [implementation roadmap and the initial Level 2 proposals](#).

The roadmap sets out the scope of issues and expected publication timelines across four phases of Level 2 work that would include 18 RTS, three ITS and additional EBA guidelines (to be developed with ESMA). The EBA is expecting to deliver mandates under phase one and two by June 2021, which is the implementation deadline for IFR. These phases are expected to include areas such as threshold criteria, capital requirements, and reporting and disclosure. The mandates under phases three and four, however, are being consulted over a longer period through to 2025. The areas covered in these latter phases include ESG, supervision of the regime, and some areas of remuneration.

The EBA also published its 'phase one' consultation from the roadmap. This proposes an RTS and ITS on some of the more pressing areas of the regime, including further details on areas such as classification, 'own funds' requirements, consolidation, remuneration and reporting. This consultation is open for comments until 4 September 2020.

## Technology

### IOSCO sets bar for AI deployment in securities markets

IOSCO is seeking feedback on its [proposed guidance](#) to help its members supervise the use of AI and machine learning (ML) by market intermediaries and asset managers. The report identifies a number of areas where risks could crystallise in relation to the development, testing and deployment of AI:

- governance and oversight
- algorithm development, testing and ongoing monitoring
- data quality and bias
- transparency and explain ability
- outsourcing
- ethical concerns.

IOSCO is consulting on measures which are intended to support members in creating appropriate regulatory regimes to supervise market intermediaries and asset managers that are using AI and ML in their operations. The measures seek to ensure that firms develop robust governance frameworks when deploying AI, including through the establishment of clear lines of accountability by designating oversight of its use to a senior manager. Firms should also ensure that controls are in place to test and validate the results of AI and ML on an ongoing basis, and for assessing the performance of third party providers. The consultation also proposes measures around the appropriate level of disclosure required by firms, with due consideration of the stakeholders impacted by the models, and the

type and volume of information required to facilitate effective regulatory oversight.

The consultation closes on 26 October 2020.

### Also this month

#### EC

The EC published [Assessing the scope and application of AIFMD](#) on 10 June 2020. The EC notes that the efficacy of the EU AIFM passport is impaired by national gold-plating, divergences in the national marketing rules and varying interpretations of the AIFMD by national regulators. Separately, the EC suggests that it may be appropriate to adjust leverage calculation methodologies given the ESRB recommendation for improved measures to assess macro-prudential risks

#### ESMA

On 4 June 2020, ESMA published a [Supervisory briefing](#) on NCAs' supervision of costs relating to UCITS and AIFs. The briefing provides market participants with an indication of NCAs' expectations and compliant practices regarding the cost-related provisions of the UCITS and AIFMD frameworks. ESMA plans to review the level of convergence again in 2021.

# Insurance

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**Melinda Strudwick**

Insurance Risk and Regulation Lead

[melinda.strudwick@pwc.com](mailto:melinda.strudwick@pwc.com)



**Anirvan Choudhury**

FS Regulatory Insights

[anirvan.choudhury@pwc.com](mailto:anirvan.choudhury@pwc.com)

## Regulation

### Conduct

**FCA progresses business interruption  
test case**

The FCA issued a [press release](#) on 1 June 2020 on progress on its court action (test case) to resolve contractual uncertainty in business interruption (BI) insurance due to the COVID-19 pandemic. Subsequently, on 9 June 2020 the FCA started the claim in the High Court and published court documents related to the test case. In these documents the FCA identifies a [representative sample of policy wordings](#) that capture the key issues that are in dispute between insurers and policyholders regarding the validity of BI claims.

The FCA also published a [preliminary list](#) of insurers that use the policy wordings in dispute and asks all general insurance firms to check their policy wordings against those that the FCA intends to test as part of the court case, to see if theirs will be impacted by the outcome of the case. In July, the FCA plans to publish a comprehensive list of insurers and BI policies that may be impacted by the outcome of the test case. The FCA has also entered into a [framework agreement](#) with certain insurers that underwrite policies included in the representative sample to participate in the test case.

In relation to the policy wordings selected for the test case, the FCA published assumed

facts – a set of illustrative factual assumptions, covering, for example, the types of business and how they responded to the pandemic and whether they closed entirely or partially. The FCA also published an [issues matrix](#) that summarises the effect of key terms that are likely to be argued in court, along with [questions for determination](#) by the court.

The court hearings are expected to take place in the second half of July.

**FCA finalises guidance on business  
interruption test case**

The FCA published its [final guidance](#) on 17 June 2020 setting out expectations for general insurers and intermediaries handling business interruption (BI) claims and complaints during the FCA-led court action (test case) to resolve contractual uncertainty in BI insurance.

The guidance requires insurers to identify policies that provide cover for BI losses in circumstances where there has been no physical damage to the insured property and where pandemic-related claims are not being paid in full. Insurers then have to classify these policies into two categories: test case impacted, and not test case impacted. Firms had until 8 July 2020 to identify policies impacted by the test case and have until 15 July 2020 to notify relevant policyholders whether or not their claim or complaint is a test case claim or complaint. Where a BI policy is underwritten by more than one insurer (co-

insurance arrangements), the FCA expects the insurer responsible for claims settlement or the lead insurer to fulfil the expectations set out in this guidance.

During the test case, an insurer may continue to offer to settle a test case claim or complaint, including on a full and final settlement basis. When making an offer to settle, an insurer should inform the policyholder whether the final resolution of the test case may affect the insurer's decision about their claim or complaint, and the implications of accepting or rejecting an offer made on a full and final settlement basis.

The guidance also contains general and policyholder specific communication requirements until the test case is completed. Starting promptly after the effective date of this guidance (17 June 2020) the FCA requires firms to publish general information and updates about the test case (e.g. on their websites) for the duration of the test case.

In addition, the guidance outlines the FCA's expectation that firms will handle claims and complaints swiftly once the test case is completed, including re-assessing previously rejected claims and complaints.

## Solvency II

### Publishing Solvency II technical information after Brexit

The PRA published [CP 5/20 Solvency II technical information: The PRA's proposed approach to the publication at the end of the transition period](#) on 30 June 2020. The paper sets out the PRA's proposed approach to the

publication of Solvency II technical information (TI) after the end of the Brexit transition period.

The PRA proposes to publish TI necessary for the valuation of insurance liabilities for each relevant currency. The PRA says it will choose relevant currencies using two criteria: at least 99% of technical provisions of UK insurers are covered, and include currencies in which UK insurers have volatility adjustment (VA) and MA authorisations.

The PRA also sets out its proposed approach to determining VA reference portfolios (RPs) which would inform the calculation of the VA, in light of the loss of sharing of regulatory returns data between the PRA and EIOPA. The PRA proposes deriving VA RPs using the same technical approach as EIOPA, except for three specific areas where the PRA's proposed approach will differ.

The first difference will be that the derivation of the VA RPs will reflect UK firms' asset exposures. The second difference is that the PRA will apply a simplified approach to determining the weights for government and corporate bond portfolios when 'looking through' into the underlying assets held within collective investment undertakings (CIUs). The PRA will assume that the exposures within CIUs in respect of duration, sector and rating are the same as exposures held outside of CIUs. The third difference is that the PRA published country VA RP for GBP will be the same as the currency VA RP.

The PRA proposes to publish the VA RPs on its website along with the proposed differences in methodology as described above in Q4 2020

and these would become effective from 31 March 2021. Going forward, the PRA plans to publish the TI on its website on the 8th working day of each month for all relevant currencies. The consultation closes on 30 September 2020.

## Stress testing

### PRA feeds back on COVID-19 and 2019 stress tests

The PRA published [feedback on the 2019 Insurance Stress Test exercise \(IST 2019\) and the COVID-19 stress test](#) exercises on 17 June 2020. IST 2019 was the third PRA exercise for general insurers and the first for life insurers.

On the general insurance side, insurers included in IST 2019 represent 75% of the UK general insurance market and the stresses covered an asset shock, four natural catastrophe (NatCat) scenarios and a reserve deterioration scenario. The results show that the aggregate market SCR remains above 100% under all the stress scenarios, and although several entities breach their solvency coverage in the asset shock and the NatCat scenarios, no firm/syndicate is expected to become insolvent. IST 2019 shows that UK firms continue to rely heavily on recoveries from Bermuda-based reinsurers. IST 2019, which was conducted jointly with the Bermuda Monetary Authority, concludes that Bermuda-based reinsurers are sufficiently capitalised to withstand the stresses examined in this exercise.

The PRA notes that life insurers made significant approximations and simplifications around the recalculation of the MA, the risk

margin and the TMTP, and the post-stress SCR. These simplifications and approximations have made cross-firm comparison difficult and potentially misestimate the impact of the scenarios on the solvency position. For future exercises the PRA will require firms to submit a report explaining the use of any approximations.

The stress test exercise also included exploratory scenarios covering climate risk and cyber risk. The results show material divergence among firms in expertise, data, models and parameterisation in the estimation of both 'affirmative' and 'non-affirmative' cyber claims. On climate risk, results reveal significant gaps in the industry's capability to evaluate climate-related scenarios. The PRA also finds that climate risk management is not yet sufficiently embedded within firms' overall risk management frameworks, which was a key focus of previous regulatory communications.

The PRA has also assessed the ability of the insurance sector to withstand further stresses due to the COVID-19 pandemic. The analysis shows that the sector is robust to downside stresses, but significant uncertainties remain due to business interruption claims and the impact of COVID-19 on the economy.

## Also this month

### EC

The EC issued [implementing regulation \(EU\) 2020/744](#) on 4 June 2020, laying down technical standards in the Official Journal regarding the allocation of credit assessments of external credit assessment institutions

(ECAIs) to an objective scale of credit quality steps in accordance with Directive 2009/138/EC. The EC notes that since its last publication, a new ECAI has been registered and that some ECAIs have extended their credit assessments to new market segments, resulting in new rating scales and new credit rating types. It therefore deems it necessary to update the mappings of the ECAIs concerned.

setting up and running the new superfund model. The guidance covers standards for managing the funding and associated governance risks. The standards are applicable for the interim period until the legislative authorisation framework is in place.

## EIOPA

- EIOPA published its [second discussion paper on methodological principles of insurance stress testing](#) on 24 June 2020. The paper covers the following topics: stress test framework on climate change, approach to liquidity stress testing, and multi-period framework for the bottom-up insurance stress testing. The paper is part of a broader process to enhance EIOPA's stress testing framework, and the comment period closes on 2 October 2020.
- EIOPA issued a [press release](#) on 9 June 2020 supporting the views expressed by the ESRB regarding the importance of improving the monitoring of liquidity risks in the insurance sector. EIOPA notes that as part of the Solvency II review, it is consulting on proposals to strengthen the tools available to assess and monitor liquidity risks. EIOPA also states that at the time of issuing the press release, there is no evidence of the materialisation of liquidity risks in the insurance sector.

## TPR

TPR issued guidance on [DB Superfunds](#) on 18 June 2020, setting out its expectations for

# Monthly calendar

## Open consultations

Closing date for responses	Paper	Institution
15/07/20	<a href="#">Renewed sustainable finance strategy</a>	EC
15/07/20	<a href="#">Addressing the regulatory, supervisory and oversight challenges raised by 'global stable coin' arrangements</a>	FSB
15/07/20	<a href="#">The functioning of the regime for SME Growth Markets under the MiFID and on the amendments to the MAR for the promotion of the use of SME Growth Markets</a>	ESMA
20/07/20	<a href="#">Effective Practices for Cyber Incident Response and Recovery: Consultative Document</a>	FSB
29/07/20	<a href="#">Money laundering and terrorism financing – action plan</a>	EC
29/07/20	<a href="#">Fees regime for financial market infrastructure supervision 2020/21 and other related policy changes</a>	BoE
31/07/20	<a href="#">Guidance on financial resources to support CCP resolution and on the treatment of CCP equity in resolution</a>	FSB
15/08/20	<a href="#">Draft RTS on the contractual recognition of stay powers under Article 71a (5) of Directive 2014/59/EU</a>	EBA
31/08/20	<a href="#">Draft RTS on own funds and eligible liabilities amending Delegated Regulation (EU) 241/2014 supplementing Regulation (EU) No 575/2013 of the EP and the council with regard to RTS for Own Funds requirements for institutions</a>	EBA
01/09/20	<a href="#">Guidelines on art 25 of AIFMD</a>	ESMA
01/09/20	<a href="#">Joint consultation paper on ESG disclosures</a>	JCESA
01/09/20	<a href="#">Draft Guidelines on Outsourcing to Cloud Service Providers</a>	ESMA
04/09/20	<a href="#">GC20/1: Advising on pension transfers</a>	FCA
04/09/20	<a href="#">Draft RTS – the capitalisation of non-modellable risk factors under the FTRB</a>	EBA
04/09/20	<a href="#">Draft ITS on reporting and disclosures for investment firms</a>	EBA
04/09/20	<a href="#">Draft RTS on pay out in instruments for variable remuneration under IFD</a>	EBA
04/09/20	<a href="#">Draft RTS prudential requirements for investment firms</a>	EBA
04/09/20	<a href="#">Draft RTS on instruments for investment firms' remuneration</a>	EBA

<b>25/09/20</b>	<u><a href="#">Draft ECB Guide on climate-related and environmental risks</a></u>	ECB
<b>30/09/20</b>	<u><a href="#">Solvency II technical information: The PRA's proposed approach to the publication at the end of the transition period</a></u>	PRA
<b>01/10/20</b>	<u><a href="#">CP19/32: Building operational resilience: impact tolerances for important business services</a></u>	FCA
<b>01/10/20</b>	<u><a href="#">CR01/2020 Principles on Outsourcing</a></u>	IOSCO
<b>01/10/20</b>	<u><a href="#">CP20/5: Consultation paper on ETF Listing: Premium to Standard Listing</a></u>	FCA
<b>01/10/20</b>	<u><a href="#">CP29/19: Operational resilience: Impact tolerances for important business services</a></u>	PRA
<b>01/10/20</b>	<u><a href="#">CP30/19: Outsourcing and third party risk management</a></u>	PRA
<b>01/10/20</b>	<u><a href="#">CP20/1: Introducing a Single Easy Access Rate for cash savings</a></u>	FCA
<b>01/10/20</b>	<u><a href="#">CP20/8: High-risk investments: Marketing speculative illiquid securities (including speculative mini-bonds) to retail investors</a></u>	FCA
<b>02/10/20</b>	<u><a href="#">Consultation on the establishment on an EU Green Bond Standard</a></u>	EC

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# Glossary

ABI	Association of British Insurers	CCB	Countercyclical capital buffer
ABS	Asset Backed Security	CCD	Consumer Credit Directive 2008/48/EC
AI	Artificial intelligence	CCPs	Central Counterparties
AIF	Alternative Investment Fund	CDS	Credit Default Swaps
AIFM	Alternative Investment Fund Manager	CET1	Common Equity Tier 1
AIFMD	Alternative Investment Fund Managers Directive 2011/61/EU	CFTC	Commodities Futures Trading Commission (US)
AML	Anti-Money Laundering	CGFS	Committee on the Global Financial System (of the BIS)
AQR	Asset Quality Review	CIS	Collective Investment Schemes
Banking Reform Act (2013)	Financial Services (Banking Reform) Act 2013	CMA	Competition and Markets Authority
Basel II	Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework	CMU	Capital markets union
Basel III	Basel III: International Regulatory Framework for Banks	COBS	FCA conduct of business sourcebook
Basel Committee	Basel Committee of Banking Supervision (of the BIS)	COCON	FCA code of conduct sourcebook
BCR	Basic capital requirement (for insurers)	CoCos	Contingent convertible securities
BIS	Bank for International Settlements	ComFrame	The Common Framework
BoE	Bank of England	CONC	FCA consumer credit sourcebook
BMR	EU Benchmarks Regulation	COREP	Standardised European common reporting
BRRD	Bank Recovery and Resolution Directive 2014/59/EU	Council	Generic term representing all ten configurations of the Council of the European Union
BRRD II	Bank Recovery and Resolution Directive (EU) 2019/879 amending BRRD	CPMI	Committee on Payments and Market Infrastructures
CASS	Client Assets sourcebook	CRA1	Regulation on Credit Rating Agencies (EC) No 1060/2009
CBILS	The UK Coronavirus Business Interruption Loan Scheme	CRA2	Regulation amending the Credit Rating Agencies Regulation (EU) No 513/2011
CCA	Consumer Credit Act 1974 (as amended)		

Executive summary	Halfway into 2020: What's next for LIBOR transition?	Cross sector announcements	Banking and capital markets	Asset management	Insurance	Monthly calendar	Glossary
CRA3	Proposal to amend the Credit Rating Agencies Regulation and directives related to credit rating agencies COM(2011) 746 final			ECJ	European Court of Justice		
CRAs	Credit Rating Agencies			ECL	Expected credit loss		
CRD	'Capital Requirements Directive': collectively refers to Directive 2006/48/EC and Directive 2006/49/EC			ECOFIN	Economic and Financial Affairs Council (configuration of the Council of the European Union dealing with financial and fiscal and competition issues)		
CRD II	Amending Directive 2009/111/EC			ECON	Economic and Monetary Affairs Committee of the European Parliament		
CRD III	Amending Directive 2010/76/EU			ECP	Eligible counterparty		
CRD IV	Capital Requirements Directive 2013/36/EU			EDIS	European Deposit Insurance Scheme		
CRD V	Capital Requirements Directive (EU) 2019/878 amending CRD IV			EEA	European Economic Area		
CRR	Capital Requirement Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms			EEC	European Economic Community		
CRR II	Capital Requirements Regulation (EU) 2019/876 amending CRR			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		
DGS	Deposit Guarantee Scheme			ESG	Environmental, social and governance		
DGSD	Deposit Guarantee Schemes Directive 2014/49/EU			ESEF	European Single Electronic Format		
DLT	Distributed ledger technology			ESMA	European Securities and Markets Authority		
D-SIBs	Domestic Systemically Important Banks			ESRB	European Systemic Risk Board		
EBA	European Banking Authority			€STR	Euro short-term rate		
EC	European Commission			ETC	Exchange-traded commodity		
ECB	European Central Bank			ETN	Exchange-traded note		

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EU	European Union			FSB	Financial Stability Board		
EU Securitisation Regulation	Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific 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			FSBRA	Financial Services (Banking Reform) Act 2013		
EURIBOR	Euro Interbank Offered Rate			FS Act 2012	Financial Services Act 2012		
Eurosystem	System of central banks in the euro area, including the ECB			FSCS	Financial Services Compensation Scheme		
EuSEF	The European social Entrepreneurship Funds Regulation			FSI	Financial Stability Institute (of the BIS)		
EuVECA	European Venture Capital Funds Regulation (EU) 345/2013			FSMA	Financial Services and Markets Act 2000		
FAMR	Financial Advice Market Review			FTT	Financial Transaction Tax		
FATF	Financial Action Task Force			GDPR	General Data Protection Regulation		
FC	Financial counterparty under EMIR			G-SIBs	Global Systemically Important Banks		
FCA	Financial Conduct Authority			G-SIFIs	Global Systemically Important Financial 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		
FiCOD1	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			ICO	Initial coin offering		
FRTB	Basel Committee fundamental review of the trading book market risk capital requirements			ICOBS	Insurance: Conduct of Business Sourcebook		
				ICPs	Insurance Core Principles		
				ICT	Information and Communication Technology		
				IDD	The Insurance Distribution Directive (EU) 2016/97		

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IFR	Investment Firms Review, used to refer to the new EU prudential regime for investment firms consisting of the Regulation (EU) 2019/2033 and Directive (EU) 2019/2034			MA	Matching Adjustment		
				MAD	Market Abuse Directive 2003/6/EC		
IFRS	International Financial Reporting Standards			MAR	Market Abuse Regulation (EU) 596/2014		
ILAA	Internal Liquidity Adequacy Assessment			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		
ILAAP	Internal Liquidity Adequacy Assessment Process			MCD	Mortgage Credit Directive 2014/17/EU		
ILS	Insurance-Linked Securities			MCOB	Mortgages and Home Finance: Conduct of Business sourcebook		
IMAP	Internal Model Approval Process			MCR	Minimum Capital Requirement		
IMCO	The European Parliament's Committee on Internal Market and Consumer Protection			Member States	Countries which are members of the European Union		
IMD	Insurance Mediation Directive 2002/92/EC			MiFID	Markets in Financial Instruments Directive 2004/39/EC		
IMF	International Monetary Fund			MiFID II	Markets in Financial Instruments Directive (recast) 2014/65/EU – also used to refer to the regime under both this directive and MiFIR		
IORP	Institutions for Occupational Retirement Provision			MiFIR	Markets in Financial Instruments Regulation (EU) No 600/2014		
IOSCO	International Organisation of Securities Commissions			MLRO	Money Laundering Reporting Officer		
IRB	Internal Ratings Based			MMF	Money Market Fund		
IRRBB	Interest rate risk in the banking book			MoJ	Ministry of Justice		
ISDA	International Swaps and Derivatives Association			MoU	Memorandum of Understanding		
ITS	Implementing Technical Standards			MPC	Monetary Policy Committee		
JCESA	Joint Committee of the European Supervisory Authorities			MREL	Minimum requirements for own funds and eligible liabilities		
JMLSG	Joint Money Laundering Steering Committee			MTF	Multilateral Trading Facility		
KID	Key Information Document			NBNI G-SIFI	Non-bank non-insurer globally systemically important financial institution		
KIID	Key Investor Information Document			NCA	National competent authority		
KYC	Know your customer			NDF	Non-Directive Firms – firms that do not fall within Solvency II		
LCR	Liquidity coverage ratio			NFC	Non-financial counterparty under EMIR		
LEI	Legal Entity Identifier						
LIBOR	London Interbank Offered Rate						

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
NPE	Non-performing exposure
NSFR	Net Stable Funding Ratio
NST	National specific template
NURS	Non-UCITS Retail Scheme
OECD	Organisation for Economic Cooperation and Development
Official Journal	Official Journal of the European Union
OFT	Office of Fair Trading
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)
ORSA	Own Risk Solvency Assessment
O-SIIs	Other systemically important institutions
OTC	Over-The-Counter
OTF	Organised trading facility
PAD	Payment Accounts Directive 2014/92/EU
PERG	Perimeter Guidance Manual
PIFs	Personal investment firms
PPI	Payment Protection Insurance
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
P2P	Peer to Peer
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
RFRWG	The Working Group on Sterling Risk-Free Reference Rates
RONIA	Repurchase Overnight Index Average
RRPs	Recovery and Resolution Plans
RTS	Regulatory Technical Standards
RWA	Risk-weighted assets
SARON	Swiss Average Rate Overnight
SCA	Strong Customer Authentication (rules under PSD2)
SCR	Solvency Capital Requirement (under Solvency II)
SCV	Single customer view
SEC	Securities and Exchange Commission (US)
SECR	Securitisation Regulation
SEPA	Single Euro Payments Area
SFP	Structured finance product
SFT	Securities financing transaction

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SFTR	Securities Financing Transactions Regulation (EU) 2015/2365			T2S	TARGET2-Securities		
SFO	Serious Fraud Office			TC	Treasury Committee		
SI	Systematic internaliser			TCFD	The FSB Task Force on Climate-related Financial Disclosures		
SIMF	Senior Insurer Manager Function			TLAC	Total Loss Absorbing Capacity		
SIMR	Senior Insurer Managers Regime			TMTP	Transitional Measure on Technical Provisions		
SM&CR	Senior Managers and Certification Regime			TONA	Tokyo Overnight Average Rate		
SME	Small and Medium sized Enterprises			TPR	The Pensions Regulator		
SMF	Senior Manager Function			TR	Trade Repository		
SOCA	Serious Organised Crime Agency			UCITS	Undertakings for Collective Investments in Transferable Securities		
SOFR	Secured Overnight Financing Rate			UCITS V	UCITS V Directive 2014/91/EU		
Solvency II	Directive 2009/138/EC			UKLA	UK Listing Authority		
SONIA	Sterling Overnight Index Average			UTI	Unique Trade Identifier		
SPV	Special purpose vehicle			XBRL	extensible Business Reporting Language		
SREP	Supervisory Review and Evaluation Process						
SRF	Single Resolution Fund						
SRM	Single Resolution Mechanism						
SRMR	Single Resolution Mechanism Regulation (EU) No 806/2014						
SRMR II	Single Resolution Mechanism Regulation (EU) 2019/877 amending SRMR						
SSM	Single Supervisory Mechanism						
SSR	Short Selling Regulation (EU) 236/2012						
STS	Simple Transparent and Standardised (concerning securitisations)						
SUP	FCA supervision manual						
SYSC	The part of the FCA handbook titled senior management arrangements, systems and controls						

# Contacts


**Hannah Swain**

+44 (0) 7803 590553  
swain.hannah@pwc.com  
Operational resilience and  
financial crime


**Luke Nelson**

+44 (0) 7808 107043  
luke.a.nelson@pwc.com  
Climate change and banking  
regulation


**Lucas Penfold**

+44 (0) 7483 407581  
lucas.penfold@pwc.com  
Wholesale markets and asset  
management conduct regulation


**Tom Boydell**

+44 (0) 7483 399332  
tom.boydell@pwc.com  
Retail banking, consumer credit  
and non-bank lending


**Adam Stage**

+44 (0) 7483 422845  
adam.stag@pwc.com  
Operational resilience


**Andrew Strange**

+44 (0) 7730 146626  
andrew.p.strange@pwc.com  
Retail distribution, SM&CR,  
upcoming regulatory change


**Anirvan Choudhury**

+44 (0) 7843 423721  
anirvan.choudhury@pwc.com  
Insurance prudential


**Tessa Norman**

+44 (0) 7826 927070  
tessa.norman@pwc.com  
Publications and retail distribution


**Daniela Bunea**

+44 (0) 7561 789058  
daniela.bunea@pwc.com  
Central clearing, FMI, benchmarks,  
IBOR reform


**Leo Donnachie**

+44 (0) 7483 329595  
emilio.donnachie@pwc.com  
Cross-sector conduct, asset  
management


**Conor MacManus**

+44 (0) 7718 979428  
conor.macmanus@pwc.com  
Cross-sector regulatory affairs,  
Brexit and banking prudential


**Arthur Marquis**

+44 (0) 7483 391393  
arthur.marquis@pwc.com  
Banking conduct, IBOR reform


**Gauri Sinha**

+44 (0) 7738 207292  
gauri.sinha@pwc.com  
Financial crime

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