Being better informed
FS regulatory, accounting and audit bulletin

In this month’s edition:
- Asset management: FCA reveals cost disclosure concerns
- Banking: EBA issues revised outsourcing guidelines
- BMR: Transition extended for critical benchmark providers
- Analysis: Cryptoasset regulation reaches turning point
Welcome to this edition of ‘Being better informed’, our monthly FS regulatory, accounting and audit bulletin, which aims to keep you up to speed with significant developments and their implications across all the financial services sectors.

February was a particularly busy month for regulatory developments in the asset management sector, while EU authorities also issued important updates on operational resilience and the BMR.

In the UK, the FCA set out its second wave of new rules to address weak price competition in asset management, identified in its 2016/17 market study. The regulator confirmed it’s going ahead with new measures on the presentation of fund objectives and investment policies within fund documentation, which are clearly presented to investors. They must also identify any gaps in their fund documentation arising from the new rules on benchmarks, and consider the overlap between this package of measures and the requirement to assess and report value offered by their funds.

Also of importance to asset managers will be the FCA’s findings from its review of cost disclosures. The FCA found that most asset managers calculate transaction costs in accordance with the relevant requirements, including those in MiFID II, PRIIPs and UCITS. However, it found that some are communicating disclosures to their customers in a manner that is unfair, unclear or misleading. The regulator also found a lack of consistency in the way that retail investment firms have been interpreting the MiFID II costs and charges rules. Firms should review their approach to cost disclosure in light of the findings, as well as their application of the PRIIPs methodology to calculating transaction costs.

Turning to updates in the banking sector, operational resilience remains high on the regulatory agenda, with the EBA publishing its final revised guidelines on outsourcing. The guidelines differentiate more clearly between the requirements for the outsourcing of critical and important functions (to which a stricter framework applies) and those for the outsourcing of non-critical or non-important functions. They also place greater emphasis on broader third party risk management, while other key areas of focus include outsourcing to providers in third countries, concentration risk and conflicts of interest. Firms should review their outsourcing governance arrangements well before the guidelines enter into force on 30 September 2019.

Meanwhile EU authorities announced they’re extending the BMR transition period until the end of 2021 for providers of critical EU benchmarks and providers of third-country benchmarks. The extension gives more time for EU and UK firms to continue using EURIBOR, EONIA and other non-EU benchmarks in their contracts, and to work through the complex transition to new RFRs for all EU financial contracts. It also gives third country benchmark providers more time to apply for recognition/endorsement in the EU or UK. The extension does not apply to EU non-critical benchmark providers, however, which will still need to comply with the relevant BMR rules from January 2020.

Looking ahead, we expect the FCA to publish its mortgages market study final report, and the findings of its investment platform market study in the coming weeks. We hope you enjoy reading the latest updates in the meantime.

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A turning point in cryptoasset regulation?

Cryptoassets have attracted significant attention in recent years from consumers, investors, industry, media and policymakers. In their relatively short history, cryptoassets have experienced extreme highs and lows, trust challenges from scams and hacks, but also improvements in security and innovation in their application. While no common global regulatory standards for cryptoassets exist, pockets of legislation and guidance are being created across jurisdictions in a bid to protect consumers and rebuild trust. The past few years for cryptoassets have been turbulent, but with the seeds of innovation and regulation having been sown, there are plenty of opportunities for those ready to act. In this article, we consider the current regulatory landscape for cryptoassets, how this is changing, and the key considerations for firms active in this market or considering becoming so.

Why are regulators interested in cryptoassets?

FCA research shows that 73% of consumers do not know what cryptoassets are. This may, in part, be because cryptoassets can present in many forms with around 2,500 individual tokens in existence today. But the underlying feature of each is that they are digital assets – created, stored and transferred on DLT with ownership being proven cryptographically. Tokens typically exhibit characteristics that fall within five broad categories:

- **Cryptocurrencies** – tokens with an attributed value for exchange or value storage. May also be used as a unit of account.
- **Utility tokens** – tokens offering access to a blockchain-based platform, service or product.
- **Security tokens** – tokens with the intrinsic characteristics of securities that confer certain rights e.g. to profits or ownership.
- **Stable coins** – tokens that provide underlying exposure to real world assets (e.g. fiat currency, gold). Some stable tokens may be considered security tokens.
- **Non-fungible tokens** – tokens that are unique and cannot be interchanged. A key characteristic is that scarcity is verified without a centralised organisation.

There are a number of activities market participants may be carrying out in relation to these tokens. Actors in cryptoasset markets include issuers of tokens, exchanges, brokers and advisory firms, fund managers, wallet providers and custodians. It is important to remember that the users of this market are both individuals and institutions.

Looking at these activities, it is easy to see how cryptoasset markets may overlap with wider financial services and its regulation. This, combined with a significant increase in public attention and the lack of consumer knowledge, has brought cryptoassets firmly to the forefront of regulators’ minds. As a result, regulators have begun presenting views on the harms posed by cryptoassets and associated activities. These focus areas include:

- **Consumer protection** – stemming from poor disclosure and a lack of transparency around what was being invested in during a number of capital-raising events (called ICOs).
- **Financial crime/scams** – a number of ICOs were scams and investors lost a significant amount of money. Cryptocurrencies themselves, due to their anonymity, raised concerns about illicit use, especially the funding of terrorism.
- **Market integrity** – stemming from low confidence in the cryptoasset market due to crime and a lack of transparency, which ultimately undermines the effectiveness of the market in providing a new mechanism for capital-raising and investment opportunity.
- **Financial stability** – the volatility of cryptoassets presents risks to institutions holding them. The wider adoption of payment mechanisms involving cryptocurrencies could also threaten traditional infrastructure, its actors’ revenue streams and oversight.
Given the significance of these potential risks, regulators around the world are now starting to consider the extent to which cryptoassets are caught by financial services regulation and, more broadly, the appropriate regulatory approach to take in this area.

The story so far

Internationally, a consistent message from regulators and governments is that regulation must be truly global, given the cross-border nature of cryptoassets. But, as no such action has yet been taken, pockets of regulation have been developed across jurisdictions. Some regulators have taken a negative view of cryptoassets and have sought to intervene quickly by implementing bans or limitations on exchange activities. Others have been more positive and quickly introduced a new regime to help develop the market.

The UK, however, is one of the jurisdictions taking a more considered, evidence-based approach. HMT first announced a programme of work looking into cryptoassets in 2014, focussing on whether regulation was needed.

HMT’s initial conclusion set out the benefits, risks and barriers to the adoption of such assets and DLT technology as well as laying the foundations for future work. One of the outputs from this work was the clear need for a capital-raising tool, to streamline the capital-raising process, plug financing gaps and promote competition more widely.

Separately, it is important to note that the cryptoasset market is currently small relative to other financial markets. Recent FCA research shows that only 3% of individuals surveyed had ever bought cryptoassets. This helps to explain why the BoE does not yet have financial stability concerns regarding cryptoassets and nor does the FSB. But both have outlined the potential channels through which instability could arise, and the reasons why. These include the exposure of institutions to the volatility of the asset class, threats to traditional payment infrastructure, liquidity risks and market manipulation by exchanges and large volume traders (market depth is currently lacking).

Long-awaited regulatory clarity

Clarity over the application of existing financial services regulation to cryptoasset markets is a key need for participants in those markets. Such clarity could give token issuers and other firms within the ecosystem (e.g. advisers, brokers and exchanges) greater confidence over when they are likely to be engaging in regulated activities. It would also provide consumers or investors – both retail and institutional – with more certainty over their regulatory protections.

The FCA's proposals suggest that utility tokens are unlikely to be classified as securities but could meet the definition of e-money under the Electronic Money Regulations. The FCA also provided some clarity on when exchange tokens might be considered e-money and where the Payment Services Regulations may apply.

In light of the guidance, firms should now be able to classify tokens and associated activities as regulated or unregulated. Those that may be affected include issuers of cryptoassets, advisers and intermediaries, exchanges and trading platforms, wallet providers and custodians, and payment providers.

Next steps and considerations for firms

The FCA is shortly due to consult on banning the sale of cryptoasset derivatives to retail investors given its concerns around the complexity and volatility of such products, as well the significant leverage typically offered, creating consumer protection risks. Firms involved in these products will be awaiting the detail of these proposals given the significant implications for their business models.

The FCA’s perimeter guidance is also likely to be finalised in the summer. Despite their previous reluctance, the clarity brought about by the guidance appears to be encouraging some mainstream financial services firms, including investment banks and asset managers, to strategically consider their involvement in cryptoasset markets. It will be interesting to see whether the final guidance gives these types of firms the confidence to fully engage in crypto-related activities.
In order to be prepared for the finalised guidance, firms involved in cryptoassets should carefully consider the proposals and assess whether any existing or planned activities fall within the regulatory perimeter. If firms are considering involvement in cryptoassets they must give careful consideration to the token structure, related transactions and the possible regulatory implications.

Beyond the guidance, there are two fundamental policy questions that firms should begin engaging with. The first is whether certain utility tokens will be brought into the FCA’s regulatory perimeter, which is something that HMT is expected to consult on imminently. This follows commentary in the Taskforce report and the FCA’s recent consultation paper on perimeter guidance, which suggested there is a subset of utility tokens that are ‘security-like’ but do not strictly meet the definition of a security token.

The second major issue for firms to engage with is whether existing regulatory frameworks are appropriate for those cryptoassets which fall within the perimeter. In the EU, both ESMA and the EBA have already been considering this question in relation to securities, banking, payments and e-money regulation. They have been exploring where existing EU legislation may have gaps which fail to address specific risks associated with cryptoassets. Another important consideration in this context is around the proportionality of existing regulation when applied to cryptoassets. ESMA and the EBA have recently published advice to the EC recommending that it carries out detailed work on the appropriate regulatory approach to cryptoassets, which may be an indication that formal EU legislative proposals are on their way.

Wherever policymakers eventually land on the appropriate regulatory framework for cryptoassets, the clarity we now have over the application of existing regulation to these markets should help to give firms the confidence needed to take strategic decisions. Opportunities to develop new products, services or even entire business models are waiting to be exploited.
Cross sector announcements

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A brief roundup of other regulatory developments

Regulation

Benchmarks
Progress on reforming EURIBOR

The European Money Markets Institute (EMMI) published on 12 February 2019 a Blueprint for the Hybrid Methodology for the Determination of EURIBOR, a Summary of stakeholder feedback to its consultation on the hybrid methodology and a list of EURIBOR Q&As.

The blueprint describes the revised determination methodology for the benchmark, including information on the panel of banks and their contributions, the calculation hierarchy (levels one to three), the rounding conventions/fixings, and contingency arrangements.

EMMI also indicated the next steps it plans to take. Namely, it intends to apply for BMR authorisation by Q2 2019 and to transition panel banks from the current methodology to the hybrid methodology by the end of 2019.

Brexit
Parliament continues passage of EU exit instruments

February saw further EU Exit statutory instruments (SIs) passed by UK Parliament which will bring EU regulations into UK law by March 2019 if there is no Brexit transitional period. The SIs will create a UK regulatory framework from exit day (currently 29 March 2019) if EU regulations no longer apply.

The aim of the draft SIs is to provide continuity in financial services regulation in the event of a no-deal Brexit, while correcting aspects of EU law that will not work in a UK context – for example, where an EU authority currently has a role in the regulations.

Among the new EU exit SIs made in February, the key financial services titles include:

- Financial Services Contract (Transitional and Saving Provision) Regulations 2019 while they work through the complex transition to new RFRs. Plus, it gives third-country benchmark providers more time to apply for recognition/endorsement in the EU/UK.

However, non-critical EU benchmark providers will have to comply with the relevant BMR rules as of 1 January 2020. This means that their EU users can only use their benchmarks if the providers have been registered under BMR by that date.
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- Financial Services (Miscellaneous) (Amendment) (EU Exit) (No 2) Regulations 2019
- Recognised Clearing House Rules 2019
- Cash Controls (Amendment) (No 2) Regulations 2019
- Packaged Retail and Insurance based Investment Products (Amendment)
- Solvency II and Insurance (Amendment) Regulation 2019.

Previously published SIs continue the legislative process and will be made prior to the UK’s exit from the EU.

A full list of EU exit SIs can be found at the Government website along with further explanatory information and details of what stage they are at in the legislative process.

Competition

CMA takes forward investment consultancy review remedies

The CMA published a proposal for The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 on 11 February 2019. This takes forward the CMA's package of remedies set out in its December 2018 final report to the market investigation.

The draft order includes a requirement for pension schemes to run a competitive tender before choosing a fiduciary manager for more than 20% of its assets, given the finding that many pension schemes select the same fiduciary management provider that they use for investment consultancy. Investment consultancy firms would be required to separate their fiduciary management marketing and advice to help pension scheme trustees understand the service they are receiving and to remind them of their duty to tender.

The proposed package also includes a requirement on fiduciary management providers to report disaggregated fees to existing pension trustee clients, helping them to monitor the overall costs and charges paid as well as the underlying elements.

Also of note is that pension trustees will be required to set strategic objectives for their scheme to help address the current lack of transparency on the quality of investment consultants.

The CMA has a statutory deadline of 11 June 2019 to implement the remedies. The order is expected to come into force six months after that in December 2019.

MiFID II

FCA reviews impact of MiFID II research reforms

Andrew Bailey, the FCA’s CEO, gave a speech on the impact of MiFID II research reforms at the European Independent Research Providers Association on 25 February 2019. Under MiFID II, asset managers must pay for research separately from other broker services.

The FCA continues to believe that these reforms should result in improved conduct standards and value for money for investors. Bailey explained that the regulator is finding the new rules are having a positive impact on the accountability and discipline of the buy-side when procuring research, and on the cost of execution. He went on to say that industry concerns about the potential negative impact of the new rules on the research coverage of smaller companies and the liquidity of their shares on secondary markets are proving not to be as significant as expected.

The FCA has been carrying out supervisory work to assess how the reforms are bedding down and the wider impact. It intends to publish findings from this work in Q2 2019.

Retail products

ESAs revise approach to PRIIPs review

The ESAs published a Final Report following joint consultation paper concerning amendments to the PRIIPs KID on 8 February 2019. They outline a number of concerns arising from the joint consultation concerning amendments to the PRIIPs KID and discussions between the EU co-legislators on the application of the KID by UCITS and relevant non-UCITS funds and the timing of a review of PRIIPs.

Given these developments, instead of the proposed targeted amendments of the PRIIPs Delegated Regulation, the ESAs intend to initiate a more comprehensive revision of the delegated regulation, including consultation on the draft RTS.

The ESAs also published a Joint ESA supervisory statement concerning the performance scenarios in the PRIIPs KID on 8 February 2019. They aim to promote consistent approaches and improve the protection of retail investors prior to the conclusion of the review. The ESAs believe there is a risk that retail investors are provided with inappropriate expectations about the possible returns they may receive. So, they recommend PRIIP manufacturers include a warning in the KID to ensure retail investors are fully aware of the limitations of the figures provided in the performance scenarios.

The ESAs also plan to continue their work to monitor the implementation of the current PRIIPs rules, until amendments from the review are implemented (potentially in 2020).

Supervision

ESMA sets out 2019 priorities

ESMA issued its 2018 Annual Report and 2019 Work Programme on 19 February 2019. As priorities for this year, ESMA plans to focus on:

- TR data quality and access by public authorities
- TR business continuity planning, IT process and system reliability, and information security function
- CRAs’ portfolio risk and quality of the rating process
- CRAs’ cybersecurity
- recognition of UK CCPs in a no-deal Brexit scenario
- assessing pending applications for recognition of third-country CCPs and CSDs.

Moreover, ESMA intends to perform further cross-sector work, including on Brexit, fees charged by CRAs and TRs, the effectiveness
of internal control systems, and the use of new technologies.

**Wholesale markets**

Implementing the FX Global Code

The Global Foreign Exchange Committee (GFXC) published its GFXC 2018 survey results on 14 February 2019, together with two further reports that support the implementation of the FX Global Code – The role of disclosure and transparency in the global FX market and The role of ‘cover and deal’ arrangements in the global FX market.

In the survey, the GFXC aimed to measure market participants’ degree of awareness and adoption of the Code. Its findings include a significant increase in the adoption of the Code from 11% in 2017 to 55% in 2018, and especially by sell side firms – 70% adoption.

The GFXC sets out in its disclosure and transparency report a list of characteristics intended as a ‘voluntary tool’ to help market participants develop and review FX disclosures. It also outlines the further work needed to better understand the complexities of anonymous platform trading and its implications for disclosure and transparency. In its second report, the GFXC describes aspects of ‘cover and deal’ arrangements that allow market participants to facilitate client trade requests without taking on market risk, and highlights specific Code principles that relate to this trading practice.

**Accounting**

**Our publications**

**IFRS Talks – PwC podcasts**

In February 2019 we released the following new episodes of our podcast series:

- **Episode 43:** IFRS 9 for insurers
- **Episode 44:** Future of reporting

In this series PwC professionals consider new IFRS developments and share perspectives on an increasingly complex financial reporting environment.

**IFRS News**

Our IFRS news February 2019 looks at the latest on IFRS 17 implementation, IFRS 15 for the software industry and the IASB update January 2019.

**Accounting briefing**


**FRC consults on revised UK Stewardship Code**

The FRC launched its consultation on Proposed Revision to the UK Stewardship Code on 30 January 2019. The new Code aims to increase demand for more effective stewardship and investment decision-making aligned to the needs of institutional investors and clients. The comment period ends on 29 March 2019, with the first new pieces of reporting due by 31 December 2019.

Alongside the consultation, the FRC and FCA published DP19/1: Building an effective regulatory framework for stewardship. It seeks feedback on what effective stewardship should look like, expectations for financial services firms, and how this can be best supported by the UK’s regulatory framework. The comment period ends on 30 April 2019.

See our In brief FRC consults on revised UK Stewardship Code for further details.

**Also this month**

**BoE**

- The BoE published its Annual Report on FMI supervision on 14 February 2019. It gives an overview of the supervisory FMI work the BoE carried out in the past year and presents the Bank’s general approach to FMI supervision. In 2019, the BoE plans to focus on technological change, operational resilience, CCP supervisory stress testing, and Brexit-related work.

- The BoE, FCA and the CFTC issued a joint statement on continuity of derivatives trading and clearing post-Brexit on 25 February 2019. The UK and US regulators agreed to replicate existing measures to ensure contract continuity in the case of a no-deal Brexit. This is good news for UK and US firms, venues and CCPs as it will allow them to continue operating on a cross-border basis between the UK and US.

**Council**

- The Council and EP reached a preliminary agreement on EU proposals to introduce a new low-carbon benchmark on 25 February 2019. The EC originally published its proposal in May 2018 as part of a package of measures linked to its action plan on financing sustainable growth, aimed at giving more information on an investment portfolio’s carbon footprint.

- The Council agreed its position on the EC’s proposed technical amendment to the EEA Agreement on 26 February 2019. The EEA Agreement sets out which aspects of EU regulation applies to EEA EFTA States. Under the plans, the agreement would be amended to incorporate MiFID II/MiFIR.

**DG FISMA**

DG FISMA published its Management Plan 2019 on 12 February 2019. It aims to complete its contribution to the CMU agenda in 2019, while its wider work includes legislative and non-legislative proposals relating to the FinTech and financing sustainable growth action plans, together with measures to combat money laundering across the EU. DG FISMA sets out details of the specific legislation and other output it expects to deliver, including target dates.

**EC**

- On 13 February 2019, the EC published a final amending delegated regulation on the tick size regimes under MiFID II. The amendment allows for the possibility to adjust the average daily number of transactions for a share where the trading
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venue with the highest turnover of that share is located outside the EU. This
follows an earlier public consultation from ESMA in July 2018 and the subsequent
submission of draft standards to the EC in December 2018.

- The EC published proposed guidelines setting out how companies should report
climate-related information on 21 February 2019. These voluntary guidelines form part
of the EC’s Sustainable Finance Action Plan, and reflect recommendations from
the FSB’s Task Force on Climate-related Disclosures by issuers of capital, published
in June 2017.

- The EC and Monetary Authority of Singapore announced a MoU setting out a
common approach for EU and Singapore derivatives trading venues on 20 February
2019. The approach aims for EU firms to continue trading derivatives on Singapore-
based venues in a manner consistent with post-crisis G20 reforms and comply with the trading
obligation under MiFIR.

ESMA

- ESMA released a public statement to clarify the reporting and handling of
derivatives data in case of a no-deal Brexit on 1 February 2019. Under such a
scenario, UK firms wouldn’t be mandated to report their derivative contracts to EU
TRs. Thus, ESMA covers different reporting scenarios, namely: where both
counterparties are from the EU, both are from the UK, and where one is from the EU
and the other from the UK.

- On 1 February 2019, ESMA published its latest quarterly liquidity assessment for
bonds traded on EU trading venues, which covers 439 liquid bonds subject to the pre-
and post-trade transparency requirements under MiFID II. The assessment considers
quantitative liquidity criteria, including the daily average trading activity and the
percentage of days traded per quarter.

- ESMA published new Q&As on market structure and transparency issues under
MiFID II and MiFIR on 1 February 2019. Most notably, ESMA seeks to provide
clarity on what firms should take into account when determining whether a
trading technique is deemed to be high frequency trading.

- On 1 February 2019, ESMA published the latest data on the total number of trades
and total volume for equity and equity-like instruments for the purpose of the SI
calculations under MiFID II. The data focuses on instruments traded on an EU
venue, but also includes OTC trading to the extent that it has been reported to ESMA.

The publication of data for the SI calculations for non-equity instruments has
been delayed until 2020 at the latest.

- ESMA published its Supervisory Convergence Programme for 2019 on 6
February 2019. This sets out the key areas that it believes could benefit from more
consistent supervision, including MiFID II/MiFIR, financial innovation, market data
reporting, and ensuring appropriate investor protection during cross-border
provision of services. ESMA will also be
focusing on supervisory convergence in the context of Brexit.

- On 5 February 2019, ESMA published a statement on the use of UK MiFID II data in
ESMA databases in the event of a no-deal Brexit. The statement provides details on
ESMA’s approach to its IT systems and databases, and to the various MiFID II
calculations it makes. On the same day, the FCA responded by welcoming ESMA’s
approach, noting that it expects to set out shortly how it will use its temporary powers
to operate MiFID II in the UK.

- ESMA updated its EMIR Q&As on EMIR data reporting on 4 February 2019.

- ESMA published its Risk Assessment Work Programme for 2019 on 7 February 2019,
which sets out the activities it intends to carry out in 2019. The regulator is set to
focus its efforts on processing and analysing market data collected under
AIFMD, MiFID II and EMIR, and using this
to enhance its risk monitoring capabilities.

- ESMA updated its public register with the latest double volume cap (DVC) data under
MiFID II on 15 February 2019. This
includes DVC data for the period of 1 January 2018 to 31 December 2018, together with updates to historic data which had already been published. The data
suggests there have been 80 breaches in equities at the 8% cap, applicable to all
trading venues, and 29 breaches in equities at the 4% cap that applies to individual trading venues.

ESMA

EIOPA

EIOPA published a Briefing paper on implementing measures under PRIIPs and a
statement by Gabriel Bernardino, Chair of the
JCESA, at the Scrutiny Hearing on PRIIPs of the ECON on 20 February 2019. It gives an
introductory summary of the ESAs’ work to support its ongoing discussions on the scrutiny
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introductory summary of the ESAs’ work to support its ongoing discussions on the scrutiny
of PRIIPs delegated acts.
ESMA published an update to its Guidelines compliance table for compliance with information relating to commodity derivatives and related spot markets on inside information, on 4 February 2019. The update shows all Member States are complying with the rules, with EEA EFTA states Iceland and Liechtenstein intending to comply by 31 December 2019, and Norway by 30 June 2019.

On 18 February 2019, ESMA renewed its ban on the marketing, distribution or sale of binary options to retail investors. This temporary measure is in accordance with Article 40 of MiFID II and intended to mitigate investor protection risks arising from retail participation in these products. It will be in effect for a further three months.

Steven Maijoor, ESMA Chair, delivered a speech on cryptoassets on 26 February 2019. Maijoor highlighted some of the challenges associated with cryptoassets and ESMA's response. He suggested more clarity is needed regarding activities that qualify as safekeeping or custody, and that security safeguards may be needed to ensure coding errors in underlying protocols do not exacerbate operational or fraud risks.

ESMA agreed a MoU with the BoE for the recognition of CCPs and CSDs established in the UK on 4 February 2019. The MoU would take effect in a no-deal Brexit scenario and would allow UK CCPs and CSDs to continue to serve EU members for a temporary period of 12 months after Brexit.

ESMA announced on 1 March 2019 that it would delay the publication of some of the annual calculations required under MiFID II. These relate to the ‘large in scale’ and ‘size specific to the instruments thresholds’ for bonds, which were due to be published on 1 March. Since IT systems are taking longer than expected to complete the calculations, ESMA is now aiming to publish these later in March.

**FATF**

FATF published a draft interpretive note to FATF Recommendation 15, on 22 February 2019, which recognises the need to mitigate the risks associated with virtual assets. FATF clarifies how the standards apply to activities or operations relating to virtual assets. The interpretive note will be adopted into FATF Standards in June 2019 after a consultation period which closes on 8 April 2019.

FATF published a list of jurisdictions with strategic AML/CFT deficiencies, where FATF action plans have been agreed, on 22 February 2019. A separate list, published the same day, named Iran and the Democratic People's Republic of Korea as jurisdictions requiring counter-measures by FATF members to reduce the considerable risks present.

**FCA**

The FCA published a statement on 1 February 2019, setting out how it plans to use its temporary transitional powers in the event the UK leaves the EU without a withdrawal agreement. The FCA requires firms to start preparing in a number of areas where it will not make any transitional provisions, including MiFID II transaction reporting, EMIR reporting obligations and contractual recognition of bail-in.

The FCA published high-level guidance about its requirements for UK TRs and reporting counterparties on 1 February 2019. According to the statement, reporting counterparties must ensure they are connected to a registered or recognised UK TR to fulfil their reporting obligations from exit day, in case of a no-deal Brexit.

The FCA published the 20th edition of its Primary Markets Bulletin on 7 February 2019. It updates technical guidance from the FCA on various aspects of the UK Listing Regime and on wider regulatory issues of relevance to UK primary markets, including the FCA’s work on sustainable finance, the Shareholder Rights Directive II, and its wider agenda on stewardship.

Julia Hoggett, Director of Market Oversight at the FCA, gave a speech on the implementation of MAR in the UK on 13 February 2019. Hoggett reiterated her belief that compliance with MAR requires a particular state of mind – one where time sensitive, situational judgements can be made correctly. She also discussed the FCA’s five conduct questions and how these relate to wholesale firms’ compliance with MAR.

Megan Butler, Executive Director at the FCA, gave a speech on the progress made in the transition from LIBOR to RFR on 21 February 2019. She emphasised that firms shouldn’t wait for liquidity in RFR to develop, since liquidity is now available in key new markets, and neither should they wait for term rates because the market expects a concentration of liquidity around overnight RFRs. Therefore, firms should unwind LIBOR derivatives and replace them with RFR derivatives as part of their daily adjustment of hedges/positions.

On 22 February 2019, the FCA published a statement on onshoring ESMA’s temporary intervention measures for CFDs and binary options. If the UK leaves the EU without a deal, UK firms will be required to comply with ESMA’s measures until they expire on 1 April 2019 for binary options, and 30 April 2019 for CFDs. The regulator reminds firms of its recent consultations on similar permanent domestic measures, noting that it plans to publish policy statements in March and April 2019.

The FCA updated its CRA webpage on 25 February 2019, concerning transition arrangements for CRAs in the event of a no-deal Brexit. With the relevant CRA Brexit-related legislation now in place, the FCA provides further guidance, including various forms that CRAs wishing to continue to operate in the UK post-Brexit need to submit prior to 29 March 2019.
• The FCA summarised recent changes to its Handbook, in Handbook Notice No 63 on 28 February 2019. This includes changes to COBS relating to its Retirement Outcomes Review.
• The FCA published a letter on 21 February 2019, responding to the CMA’s findings and remedies from its market investigation into investment consultancy and fiduciary management services. The FCA confirms its plans to consult on new rules implementing relevant remedies six months after the CMA statutory order, currently out for consultation, comes into force.

FCA and BoE
The FCA and the BoE published policy statements (PS05/19, PS19/5) and supporting materials on 28 February 2019 to update their regulatory and supervisory approach to a no-deal Brexit. The regulators provide clarification on a number of areas including the Temporary Permissions Regime, Financial Services Contracts Regime, Binding Technical Standards and Temporary Transitional Powers. Given the relevant directions have not yet been made by the UK Parliament, the documents are ‘near-final’.

FRC
The FRC published a discussion paper, Business reporting of intangibles: realistic proposals on 6 February 2019. It suggests expanded disclosure of relevant and useful information rather than recognising more intangible assets in companies’ balance sheets. The consultation closes on 30 April 2019.

FSB
• The FSB published Global Monitoring Report on Non-Bank Financial Intermediation 2018 on 4 February 2019, presenting the results of its annual monitoring exercise that covers data up to end-2017 from jurisdictions representing over 80% of global GDP. It focuses on aspects of non-bank financial intermediation that perform economic functions which may give rise to bank-like financial stability risks.
• The FSB published its Work programme for 2019 on 12 February 2019. It reflects the FSB’s continued pivot from post-crisis policy design to the implementation and evaluation of the effects of reforms. The FSB includes monitoring to identify and address new and emerging risks to financial stability, and outlines new initiatives to reinforce stakeholder outreach.
• The FSB published its report FinTech and market structure in financial services, on 14 February 2019. It outlines the work done to monitor the potential impact of technological innovation on financial stability. The FSB notes that FinTech can have many positives, such as increased competition, market access and cost savings. But it warns that increased competitive pressure may lead to incumbents taking greater risks to maintain margins, potentially affecting stability.
• The FSB published Key findings: roundtable discussed three topics: SME financing trends, effects of reforms on banking financing to SMEs and effects of reforms on non-bank financing to SMEs. This forms part of a wider ongoing consultation by the FSB which invites responses by 18 March 2019.

Global Digital Finance
Global Digital Finance (GDF), an industry membership body for digital finance technologies, published updates to Part IV – Principles for cryptoasset funds and Part V – Principles for token comparison and rating websites of its code of conduct on 14 February 2019. In addition, GDF published Key considerations for cryptoasset custody. Firms active in these areas should consider the guidelines against their own practices.

IOSCO
IOSCO published a consultation on Sustainable finance in emerging markets and the role of securities regulators on 1 February 2019. The report proposes a series of recommendations for regulators in emerging markets to consider when developing their regulatory frameworks regarding sustainable finance issues. Among other things, IOSCO recommends requirements for disclosure of material environmental, social and governance specific risks, aimed at enhancing transparency.

PRA
The PRA published policy statement, PS 3/19 – PRA fees and levies: changes to periodic and transaction fees on 13 February 2019. The amendments mainly affect insurers and PRA-designated investment firms. They include changes to internal model application and maintenance fees as well as periodic fees more generally, and take effect from 1 March 2019.

UK Finance
UK Finance published Cloud computing controls framework, a framework outlining the best practice for cloud computing procurement and management, on 6 February 2019. The framework consists of 44 controls, mapped to relevant domains and risks. Firms are encouraged to review the framework as procurement, vendor management, security, technology and risk teams should all find it useful.
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### Regulation

**Operational resilience**

EBA issues new outsourcing guidelines

The EBA published its Revised guidelines on outsourcing arrangements on 25 February 2019, following an earlier consultation. The revised guidelines update the 2006 CEBS guidelines on outsourcing and integrate the EBA’s Recommendations on outsourcing to cloud service providers, which have been effective since 1 July 2018 and will be repealed when the revised guidelines come into force.

The EBA’s new guidelines aim to introduce a single governance framework for firms to consider when entering into outsourcing agreements. Key areas to consider include:

- additional criticality criteria
- exit strategies
- outsourcing registers
- considerations for third countries
- concentration risk
- substitutability
- conflicts of interest.

Firms should also identify any functions that are deemed critical or important, as a stricter framework applies to these particular functions. In addition, the revised guidelines place greater emphasis on broader third party risk management, with firms required to identify, assess, monitor and manage all risks resulting from their third party arrangements, regardless of whether or not those arrangements are outsourcing.

Comprehensive records, policies and procedure manuals and outsourcing registers should be created and regularly updated, so that evidence can be shown to national regulators that the management board are providing sufficient oversight to all aspects of their outsourced arrangements. Other regulations should be considered alongside these guidelines, including SM&CR, GDPR and EBA guidelines on internal governance.

Firms should review their existing outsourcing governance arrangements against the revised guidelines and implement the requirements for all new, reviewed or amended outsourcing arrangements from 30 September 2019. They should also update their registers and all other documentation requirements by the first renewal date and no later than 31 December 2021.

### Basel Committee

- The Basel Committee published instructions for its Basel III monitoring exercise on 12 February 2019. In addition to the impact of the Basel III regulations,
the exercise also monitors the impact of the TLAC, the revised securitisation framework, the finalised minimum capital requirements for market risk and the finalisation of the post-crisis reforms. The Committee is expected to repeat the monitoring exercise semi-annually with end-December and end-June reporting dates.

- The Basel Committee published a press release on 28 February 2019 outlining the discussions that occurred at its 27-28 February 2019 meeting. These include its intention to publish in March 2019 its high-level supervisory expectations relating to crypto-assets, given the high risks associated with such exposures. It also plans to release a summary of proportionality practices relating to minimum prudential standards that it observes among different jurisdictions.

Council

- The Council confirmed the final compromise text of the Banking Package on 15 February 2019. The package comprises CRD V, CRR II, and revised BRRD and SRMR with improvements aimed at reducing risks in the EU banking sector. The EP and the Council are expected to adopt the proposed regulation following a legal linguistic revision.
- The Council agreed a position on two key proposals under the CMU agenda on 27 February 2019. These relate to targeted amendments to the market abuse and prospectus regulations aimed at making it easier for SMEs to access finance through capital markets, and a harmonised EU framework for covered bonds.

EBA

- The EBA published Guidelines on exemption from the contingency mechanism under PSD2 on 12 February 2019. It relays conditions to competent authorities under which an account servicing payment services provider (ASPSP) would be exempt from the mechanism. An assessment form is also provided which competent authorities must file with the EBA for each ASPSP.
- The EBA published its Handbook on valuation for purposes of resolution on 22 February 2019. It aims to support resolution authorities by providing guidance on operationalising the valuation process as well as promoting the consistency of valuation practices across the EU.
- The EBA published its Consumer Trends Report 2018/19, on 20 February 2019. The EBA gives a quantitative assessment of product trends within the retail banking market and an overview of topical issues. It sees the most important issues to be a lack of fees and charges disclosure, general product complexity and poor affordability assessments.
- The EBA launched a consultation on its Guidelines on Credit Risk Mitigation (CRM) in the context of the advanced IRB on 25 February 2019. The guidelines aim to eliminate the remaining significant differences in approaches in the area of CRM, which are due to different supervisory practices and bank-specific choices. The consultation closes on 25 May 2019.
- The EBA published an opinion on 1 March 2019, relating to deposit protection issues stemming from Brexit. The opinion calls on the DGSD authorities to recommend that depositors in the branches of UK credit institutions in the EU are adequately protected by the EU deposit guarantee schemes in the case of a no-deal Brexit.

EC

- The EC published a Proposal for Council decision regarding changes to the EEA Agreement, the agreement which governs the EEA, on 4 February 2019. The EC proposes to amend the financial services and consumer protection annexes of the EEA Agreement, the agreement which governs the EEA, on 4 February 2019. The EC proposes to amend the financial services and consumer protection annexes of the agreement to reflect changes made to credit agreements on residential property. The amendments will clarify the responsibilities of the EBA and the EFTA Surveillance Authority and reporting requirements for all EEA Member States.
- The EC issued a press release on 26 February 2019 to mark the political agreement by the EP and Council on new rules to promote the EU covered bond market. ‘Final technical work’ will follow prior to its formal adoption and subsequent appearance in the Official Journal.

FCA

- The FCA published PS19/3: General standards for the payment services and e-money sectors on 1 February 2019. The final rules extend its Principles for Businesses and communication rules in chapter 2 of the Banking COBS to payment institutions, electronic money institutions and registered account information service providers. Relevant firms must now ensure
their communications with customers are clear, fair and not misleading.

- The FCA published guidance on Information from Lenders referral, a mechanism used by lenders to report suspected fraud by intermediaries to the FCA, on 21 February 2019. The FCA provides a list of what it considers to be suspicious activity and example cases to assist lenders in their decision to refer.

**SRB**

The Single Resolution Board (SRB) published the framework for valuation on 19 February 2019. It provides the general public and future potential valuers with the expectations of the SRB, regarding the principles and methodologies for valuation in resolution of failing or likely to fail banks.
Asset management

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Regulation

Capital and liquidity
ESMA shake-up of fund liquidity
ESMA published Consultation Paper: Guidelines on liquidity stress testing in UCITS and AIFs on 5 February 2019. While UCITS and AIFMD both already contain provisions on liquidity management, risks in this area have in recent years attracted significant attention from various regulatory bodies, notably the FSB, IOSCO and the ESRB. ESMA’s proposals follow recommendations by the ESRB, published in April 2018, on how to address liquidity and leverage risk in investment funds.

The proposed guidelines set out a series of principle-based criteria for fund managers to consider when executing liquidity stress tests on their funds. These include tailoring the stress tests towards the individual funds and their specific risks, being clear on how a fund manager would act in times of stressed market conditions, and embedding the tests into the fund’s overall risks management framework.

One guideline would apply to depositaries, providing clarity on their responsibilities for verifying that a fund has documented its procedures for stress tests.

The consultation closes on 1 April 2019 and ESMA expects to publish a final report by summer 2019.

Disclosure and distribution

FCA finalises fund documentation remedies

Firms must incorporate the FCA’s new guidance to ensure that fund objectives and investment policies contained within fund documentation are clearly presented to investors. They must also meet a series of new requirements related to how fund benchmarks are used and presented. Finally, the FCA confirms that where a performance fee is specified in the prospectus it must be calculated net of all other charges.

In response to feedback, the FCA introduces new guidance confirming that the new rules on fund benchmarks do not require any updates to the UCITS KIID or the equivalent KIID for a non-UCITS retail scheme.

FCA tells asset managers to improve cost disclosures
The FCA published a review on disclosure of costs by asset managers and retail intermediaries, FS19/1: PRIIPs Call for Input Feedback Statement, and CP19/10: Publishing and disclosing costs and charges to workplace pension scheme members and amendments to COBS 19.8 on 28 February 2019.
These publications reflect the regulator’s key findings from its supervisory review of new disclosure requirements introduced under MiFID II and the PRIIPs Regulation in January 2018.

Most asset managers were found to calculate transaction costs in accordance with the relevant requirements, including those in MiFID II, PRIIPs and UCITS. However, the way in which some firms calculate and disclose transaction costs fell below the regulator’s expectations. Some asset managers were found to communicate disclosures with their customers in a manner that is unfair, unclear or misleading.

The regulator found a lack of consistency in the way retail investment firms have been interpreting the MiFID II costs and charges rules. Overall, firms were more effective at disclosing costs and charges relating to their own services than at disclosing third-party costs and charges.

On the effectiveness of the PRIIPs Regulation, the earlier Call for Input attracted negative feedback on issues such as scope, performance scenarios and summary risk indicators. The FCA recognises the problems in these areas and will seek to address them in the ESAs’ review of PRIIPs, due this year.

Under new FCA proposals, pension scheme governance bodies would need to disclose costs and charges to scheme members. These proposals are designed to meet the FCA’s obligations under the Pensions Act 2014.

Investment funds

New EU rules to promote cross-border funds

On 5 February 2019, political agreement was reached on new EU rules to facilitate cross-border investment in funds. This follows the publication of the EC’s original proposal in March 2018 and the subsequent Council position.

The approach has been to amend the EuVECA and EuSEF regulations, as well as UCITS and AIFMD. The agreed amendments should remove barriers to the cross-border distribution of investment funds, largely arising from overly complex and burdensome requirements and diverging national regulatory frameworks.

The changes include: making it easier for AIFMs to engage in so-called ‘pre-marketing’ to professional investors, helping them make more informed decisions before entering a new market; aligning procedures and conditions for managers of UCITS to exit national markets when they decide to terminate the offering or placement of their funds; and creating a single online access point for information on national rules related to marketing requirements and applicable fees.

Also this month

EC

The EC published a supplement to the EuVECA regulation on 4 February 2019. These changes mean that managers of qualifying venture capital funds must take a series of steps to identify, prevent, manage, monitor and disclose conflicts of interest.

EP

The EP and the Presidency of the Council reached a provisional agreement on the new regulatory and supervisory framework for investment firms on 26 February 2019. The new framework introduces tailored prudential rules for investment firms in line with their size, nature and complexity. Following the endorsement of the EU ambassadors, the package will undergo a legal linguistic revision before the EP and the Council can adopt it.

EP and Council

• The EP and the Council reached an agreement on the new prudential framework for investment firms on 27 February 2019. The framework includes a proportional and risk based oversight for investment firms, as well as targeted changes for third-country firms. The agreed text will be subject to a plenary vote before the end of the current legislature.

• The Council and EP reached a preliminary agreement on new EU rules to facilitate cross-border investment in funds on 25 February 2019. The approach has been to amend the EuVECA and EuSEF regulations, as well as UCITS and AIFMD. The agreed amendments should help to remove barriers to the cross-border distribution of investment funds, largely arising from overly complex and burdensome requirements and diverging national regulatory frameworks.

ESMA

On 6 February 2019, ESMA published a briefing on the supervision of non-EU branches in relation to MiFID II. The briefing aims to assist NCAs in their supervision of EU firms with branches in non-EU countries, focusing on supervisory expectations in relation to the authorisation of investment firms and the ongoing activities of non-EU branches.

Investment Association

The Investment Association launched on 21 February 2019 a roadmap to guide asset managers through the transition from LIBOR to SONIA. The roadmap contains the steps that should help asset managers to complete the transition by end-2021, when LIBOR may cease.
Insurance

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**Regulation**

**Competition**

FCA concludes wholesale insurance broker study

The FCA published its Wholesale Insurance Broker Market Study Final Report on 20 February 2019. It notes that this report is a final (rather than interim) version, as overall it has not found evidence of significant levels of harm that merit the introduction of intrusive remedies. The FCA launched the study in response to potential competition concerns in the market – it looked at the role insurance brokers play, how well competition is working and how the market is developing.

While the regulator did not find clear evidence of competition concerns, it identified some areas requiring improvement that it plans to address with firms. These include managing conflicts of interest, disclosures to clients, and contractual agreements between brokers and insurers which have the potential to limit competition.

**Solvency II**

Hybrid instruments – PRA finalises policy

The PRA published PS4/19 Solvency II: Adjusting for the reduction of loss absorbency where own fund instruments are taxed on write down on 20 February 2019. It sets out its final policy following HMRC’s tax changes for hybrid instruments and feedback from the consultation, CP27/18.

The PRA requires the maximum tax charge generated by a write-down for any restricted Tier 1 instrument, which writes down on trigger, to be excluded from own funds. It outlines its expectations in SS3/15 Solvency II: The quality of capital instruments. Following consultation, this includes new guidance on the impact of the policy on internal models and treatment of instruments that would normally convert to equity, but may write down instead in some defined circumstances.

At the same time, the PRA issued Reporting the reduction in loss-absorbing capacity of own fund instruments that are taxed on write down. It clarifies how such adjustments should be reflected in the Solvency II reporting templates.

The new policy is effective for all instruments issued on or after 21 February 2019.

**EC seeks EIOPA’s advice on Solvency II review**

EIOPA published the EC’s request to EIOPA for technical advice on the review of the Solvency II Directive and covering letter on 15 February 2019. The EC is required by the Solvency II Directive to review the following elements of the regime by 2020:

- Long term guarantees measures and measures on equity risk
- methods, assumptions and standard parameters used when calculating the SCR standard formula
- Member States’ rules and supervisory authorities’ practices regarding the calculation of the MCR
- group supervision and capital management within a group of insurance or reinsurance undertakings.

The EC is requesting EIOPA’s advice on these areas and several other parts of the framework, such as the supervision of cross-border activities or the enhancement of proportionality principles, including reporting. The EC expects EIOPA to provide this advice by 30 June 2020.

EIOPA also published the EC’s request to review the methodology for the activation of the ‘country component’ of the volatility adjustment under Solvency II on 11 February 2019. In addition to the 2020 review of Solvency II, the EC wants EIOPA to immediately start exploring the country component of the volatility adjustment that would be in line with the current legal framework.

**Longevity risk transfers – PRA proposes simplifications**

The PRA published CP3/19 Solvency II: Longevity risk transfers – simplification of pre-notification expectations on 5 February 2019. The PRA gives guidance to UK insurers carrying out longevity risk transfers (as either the buyer or the seller of longevity protection) in SS 18/16 Solvency II: longevity risk transfers. CP3/19 proposes revising this supervisory statement to reduce the pre-notification requirement for longevity risk transfers and hedge arrangements that are neither large nor complex. It also intends to update the key risks that the PRA considers arise from longevity risk transfers for basis risk.

The comment period ends on 6 May 2019.

**Accounting**

**Our publications**

IASB continues IFRS 17 deliberations

The IASB continued to discuss Amendments to IFRS 17 – Insurance Contracts at its February 2019 meeting. It outlines its tentative decision to make amendments to the requirements relating to loans that transfer significant insurance risk and transition. Our In transition – the latest on IFRS 17 implementation – Feb 2019 summarises these discussions and describes the outcome and rationale for the IASB’s decisions.

To finalise the amendments to IFRS 17 without changing the proposed effective date of 1 January 2022, the IASB expects to publish an Exposure Draft of the amendments to IFRS 17 around the end of the first half of 2019.

**Also this month**

**BoE**

Following EIOPA’s Solvency II Taxonomy 2.3.0 hotfix update, the BoE published version 4.0 of its Solvency II XBRL filing manual on 7 February 2019. Insurers should use this for their Solvency II XBRL filings and NST and Standard Formula (model drift) Excel filings. The BoE is planning further updates to the NST sections of the filing manual in spring 2019 for the PS21/18 Solvency II: Changes to reporting format.

**EIOPA**

- EIOPA published its Single Programming Document 2019-2021 including Annual Work Programme 2019 and an In Brief summary on 5 February 2019. It outlines its work programme for 2019, adding InsurTech and sustainable finance to its ongoing priorities due to their growing importance.


  - EIOPA published a Framework for assessing conduct risk through the product lifecycle on 20 February 2019. It aims to assist supervisors by outlining the drivers of conduct risk and their implications from the point before a contract enters into force, through to the point when all obligations under the contract have been satisfied.

- EIOPA published the EC’s reply to its letter of 10 December 2018 on the review of the Solvency II implementing measures, on 11 February 2019. The EC explains why it is not taking forwards EIOPA’s advice in a number of areas at this stage and that it plans to revisit these issues during the 2020 review.

- EIOPA published a Keynote speech by Gabriel Bernardino, Chairman of EIOPA, at a FinTech and Regulation Conference on 26 February 2019. Bernardino reflected on cyber security and cyber risk, what EIOPA is doing and what should be done to cope with the challenge at a global level. He noted that the insurance sector has an important role to play in establishing good risk management practices and the associated coverage.

- EIOPA published Recommendations for the insurance sector in light of the UK withdrawing from the EU on 19 February 2019. It aims to minimise the detriment to policyholders with cross-border insurance contracts by issuing these recommendations to national supervisors and hence fostering supervisory convergence and consistent supervisory practices.

- EIOPA updated the Solvency II validations and the Pension Funds validations on 11 February 2019. It also updated the Solvency II Data Point Model and Taxonomy 2.3.0 List of Known issues and the Pension Funds Data Point.
• In February 2019, EIOPA published answers to questions on (EU) No 2016-97 – IDD on the application of the IDD Connected Contracts Exemption to UK veterinary practices selling insurance under agreement with an insurer.

EP
MEPs adopted a proposal for a directive of the EP and of the Council amending the Motor Insurance Directive on 13 February 2019. It aims to better protect road accident victims and tackle uninsured driving in the EU by closing loopholes and improving the directive. It makes changes to: compensate victims of accidents where an insurer goes bankrupt; minimum amounts of cover; Member States’ checks on vehicle insurance; how claims history statements are used by a new insurance company; and the scope of the directive.
## Monthly calendar

### Open consultations

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A turning point in cryptoasset regulation?

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<td>Q1 2019</td>
<td>Securitisation Regulation</td>
<td>RTS and ITS</td>
<td>ESMA</td>
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<td>Q2 2019</td>
<td>Money laundering in capital markets</td>
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<td>FCA</td>
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#### Supervision, governance and reporting

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<tr>
<th>Date</th>
<th>Topic</th>
<th>Type</th>
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<td>March 19</td>
<td>Regulatory fees and levies: policy proposals for 2019/20 – PS to CP18/34</td>
<td>Policy statement</td>
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<td>April 19</td>
<td>Regulated fees and levies: rates proposals 2019/20</td>
<td>Consultation paper</td>
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<td>FCA business plan 2019/20</td>
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**Main sources:** ESMA work programme; EBA work programme; EC work programme; FCA policy development updates.
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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<td>ABI</td>
<td>Association of British Insurers</td>
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<tr>
<td>ABS</td>
<td>Asset Backed Security</td>
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<td>AIF</td>
<td>Alternative Investment Fund</td>
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<tr>
<td>AIFM</td>
<td>Alternative Investment Fund Manager</td>
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<td>AIFMD</td>
<td>Alternative Investment Fund Managers Directive 2011/61/EU</td>
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<td>AML</td>
<td>Anti-Money Laundering</td>
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<tr>
<td>AMLD3</td>
<td>3rd Money Laundering Directive 2005/60/EC</td>
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<tr>
<td>AMLD5</td>
<td>5th Money Laundering Directive</td>
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<td>AQR</td>
<td>Asset Quality Review</td>
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<td>ASB</td>
<td>UK Accounting Standards Board</td>
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<td>Banking Reform Act (2013)</td>
<td>Financial Services (Banking Reform) Act 2013</td>
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<td>Basel III: International Regulatory Framework for Banks</td>
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<td>Basel Committee of Banking Supervision (of the BIS)</td>
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<td>BBA</td>
<td>British Bankers’ Association</td>
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<td>BCR</td>
<td>Basic capital requirement (for insurers)</td>
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<td>BIS</td>
<td>Bank for International Settlements</td>
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<td>BoE</td>
<td>Bank of England</td>
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<td>EU Benchmarks Regulation</td>
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<td>BRRD</td>
<td>Bank Recovery and Resolution Directive 2014/59/EU</td>
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<td>CASS</td>
<td>Client Assets sourcebook</td>
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<td>CCA</td>
<td>Consumer Credit Act 1974 (as amended)</td>
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<td>Countercyclical capital buffer</td>
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<td>Central Counterparties</td>
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<td>Credit Default Swaps</td>
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<td>CET1</td>
<td>Common Equity Tier 1</td>
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<td>Committee on the Global Financial System (of the BIS)</td>
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<td>Collective Investment Schemes</td>
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<td>Competition and Markets Authority</td>
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<td>Capital markets union</td>
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<td>COBS</td>
<td>FCA conduct of business sourcebook</td>
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<tr>
<td>COCON</td>
<td>FCA code of conduct sourcebook</td>
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<td>CoCos</td>
<td>Contingent convertible securities</td>
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<tr>
<td>ComFrame</td>
<td>The Common Framework</td>
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<tr>
<td>CONC</td>
<td>FCA consumer credit sourcebook</td>
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<td>COREP</td>
<td>Standardised European common reporting</td>
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<td>Council</td>
<td>Generic term representing all ten configurations of the Council of the European Union</td>
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<td>CPMI</td>
<td>Committee on Payments and Market Infrastructures</td>
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<td>A turning point in cryptoasset regulation?</td>
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<td>CRA1</td>
<td>Regulation on Credit Rating Agencies (EC) No 1060/2009</td>
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<td>CRA2</td>
<td>Regulation amending the Credit Rating Agencies Regulation (EU) No 513/2011</td>
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<td>Proposal to amend the Credit Rating Agencies Regulation and directives related to credit rating agencies COM(2011) 746 final</td>
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<td>CRD IV</td>
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<td>CRD IV-related EC November 2016 banking reform package amendments</td>
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<td>Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms</td>
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<td>Criminal Sanctions Market Abuse Directive 2014/57/EU</td>
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<td>CTF</td>
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<td>DEPP</td>
<td>The FCA’s Decision Procedure and Penalties Manual</td>
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<td>DG FISMA</td>
<td>Directorate-General for Financial Stability, Financial Services and Capital Markets Union</td>
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<td>DG MARKT</td>
<td>Internal Market and Services Directorate General of the European Commission</td>
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<td>DGGS</td>
<td>Deposit Guarantee Scheme</td>
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<td>DGSD</td>
<td>Deposit Guarantee Schemes Directive 2014/49/EU</td>
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<td>DLT</td>
<td>Distributed ledger technology</td>
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<td>D-SIBs</td>
<td>Domestic Systemically Important Banks</td>
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<td>EBA</td>
<td>European Banking Authority</td>
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<td>EC</td>
<td>European Commission</td>
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<td>ECB</td>
<td>European Central Bank</td>
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<tr>
<td>ECJ</td>
<td>European Court of Justice</td>
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<td>ECL</td>
<td>Expected credit loss</td>
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<td>ECOFIN</td>
<td>Economic and Financial Affairs Council (configuration of the Council of the European Union dealing with financial and fiscal and competition issues)</td>
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<td>ECON</td>
<td>Economic and Monetary Affairs Committee of the European Parliament</td>
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<td>ECP</td>
<td>Eligible counterparty</td>
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<td>EDIS</td>
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<td>EEA</td>
<td>European Economic Area</td>
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<td>EFTA</td>
<td>European Free Trade Association</td>
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<td>EIOPA</td>
<td>European Insurance and Occupations Pension Authority</td>
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<td>ELTIF</td>
<td>European long-term investment fund</td>
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<td>ESEF</td>
<td>European Single Electronic Format</td>
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<td>Executive summary</td>
<td>Cross sector announcements</td>
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</table>

**Executive Summary**: A turning point in cryptoasset regulation?

**Cross Sector Announcements**: Banking and capital markets

**Banking and Capital Markets**: Asset management, insurance, monthly calendar, glossary

---

**ESMA**: European Securities and Markets Authority

**ESRB**: European Systemic Risk Board

**ESTER**: Euro short-term rate

**ETC**: Exchange-traded commodity

**ETN**: Exchange-traded note

**EU**: European Union


**EURIBOR**: Euro Interbank Offered Rate

**Eurosystem**: System of central banks in the euro area, including the ECB

**EuSEF**: The European social Entrepreneurship Funds Regulation

**EuVECA**: European Venture Capital Funds Regulation (EU) 345/2013

**FAMR**: Financial Advice Market Review

**FATF**: Financial Action Task Force

**FC**: Financial counterparty under EMIR

**FCA**: Financial Conduct Authority

**Fiat currency**: Currency whose value is underpinned by the strength of the issuing government, e.g. USD, GBP, euro and other major world currencies

**FICC**: Fixed income, currencies and commodities

**FiCOD1**: Amending Directive 2011/89/EU of 16 November 2011

**FiCOD2**: Financial Conglomerates Directive 2002/87/EC

**FMI**: Financial Market Infrastructure

**FMLC**: Financial Markets Law Committee

**FMSB**: FICC Markets Standard Board

**FOS**: Financial Ombudsman Service

**FPC**: Financial Policy Committee

**FRC**: Financial Reporting Council

**FRTB**: Basel Committee fundamental review of the trading book market risk capital requirements

**FSA**: Financial Services Authority

**FSB**: Financial Stability Board

**FSBRA**: Financial Services (Banking Reform) Act 2013

**FS Act 2012**: Financial Services Act 2012

**FSCP**: Financial Services Consumer Panel

**FSCS**: Financial Services Compensation Scheme

**FSI**: Financial Stability Institute (of the BIS)

**FSMA**: Financial Services and Markets Act 2000

**FTT**: Financial Transaction Tax

**G30**: Group of 30

**GAAP**: Generally Accepted Accounting Principles

**GDPR**: General Data Protection Regulation

**G-SIBs**: Global Systemically Important Banks

**G-SIFIs**: Global Systemically Important Financial Institutions

**HCSTC**: High Cost Short Term Credit

**HMRC**: Her Majesty’s Revenue and Customs

**HMT**: Her Majesty’s Treasury

**IA**: Investment Association

**IAIS**: International Association of Insurance Supervisors
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<th>Asset management</th>
<th>Insurance</th>
<th>Monthly calendar</th>
<th>Glossary</th>
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</thead>
</table>

**IASB** | International Accounting Standards Board |
**IBA** | ICE Benchmark Administration |
**ICAAP** | Internal Capital Adequacy Assessment Process |
**ICAS** | Individual Capital Adequacy Standards |
**ICO** | Initial coin offering |
**ICOBS** | Insurance: Conduct of Business Sourcebook |
**ICPs** | Insurance Core Principles |
**IDD** | The Insurance Distribution Directive (EU) 2016/97 |
**IFRS** | International Financial Reporting Standards |
**ILAA** | Internal Liquidity Adequacy Assessment |
**ILAAP** | Internal Liquidity Adequacy Assessment Process |
**ILS** | Insurance-Linked Securities |
**IMAP** | Internal Model Approval Process |
**IMCO** | The European Parliament’s Committee on Internal Market and Consumer Protection |
**IMD** | Insurance Mediation Directive 2002/92/EC |
**IMF** | International Monetary Fund |
**IORP** | Institutions for Occupational Retirement Provision |
**IOSCO** | International Organisation of Securities Commissions |
**IRB** | Internal Ratings Based |
**IRRRBB** | Interest rate risk in the banking book |
**ISDA** | International Swaps and Derivatives Association |
**ITS** | Implementing Technical Standards |
**JCESA** | Joint Committee of the European Supervisory Authorities |
**JMLSG** | Joint Money Laundering Steering Committee |

**KID** | Key Information Document |
**KIID** | Key Investor Information Document |
**KYC** | Know your client |
**LCR** | Liquidity coverage ratio |
**LEI** | Legal Entity Identifier |
**LIBOR** | London Interbank Offered Rate |
**MA** | Matching Adjustment |
**MAD** | Market Abuse Directive 2003/6/EC |
**MAR** | Market Abuse Regulation (EU) 596/2014 |
**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 |
**MCD** | Mortgage Credit Directive 2014/17/EU |
**MCOB** | Mortgages and Home Finance: Conduct of Business sourcebook |
**MCR** | Minimum Capital Requirement |
**Member States** | Countries which are members of the European Union |
**MiFID** | Markets in Financial Instruments Directive 2004/39/EC |
**MiFID II** | Markets in Financial Instruments Directive (recast) 2014/65/EU – also used to refer to the regime under both this directive and MiFIR |
**MIFIR** | Markets in Financial Instruments Regulation (EU) No 600/2014 |
**MLRO** | Money Laundering Reporting Officer |
**MMF** | Money Market Fund |
**MoJ** | Ministry of Justice |
**MoU** | Memorandum of Understanding |
Executive summary

A turning point in cryptoasset regulation?

Cross sector announcements

Banking and capital markets

Asset management

Insurance

Monthly calendar

Glossary

**MPC**  Monetary Policy Committee

**MREL**  Minimum requirements for own funds and eligible liabilities

**MTF**  Multilateral Trading Facility

**NBNI G-SIFI**  Non-bank non-insurer global systemically important financial institution

**NCA**  National competent authority

**NDF**  Non-Directive Firms – firms that do not fall within Solvency II

**NFC**  Non-financial counterparty under EMIR

**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

**NPL**  Non-performing loan

**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


**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

**PIFs**  Personal investment firms

**PPI**  Payment Protection Insurance

**P2P**  Peer to Peer

**PERG**  Perimeter Guidance Manual

**PRA**  Prudential Regulation Authority

**Presidency**  Member State which takes the leadership for negotiations in the Council: rotates on 6 monthly basis

**PRIIPs**  Packaged retail and insurance-based investment products

**PSD2**  The revised Payment Services Directive (EU) 2015/2366

**PSP**  Payment service provider

**PSR**  Payment Systems Regulator

**QIS**  Quantitative Impact Study

**QRT**  Quantitative Reporting Template

**RAO**  Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)

**RDR**  Retail Distribution Review

**REMIT**  Regulation on wholesale energy markets integrity and transparency (EU) 1227/2011

**RFB**  Ring-fenced bank

**RFQ**  Request for quote

**RFRs**  Risk-free rates

**RFRWG**  The Risk-free Rate Working Group of the BoE

**RONIA**  Repurchase Overnight Index Average

**RRPs**  Recovery and Resolution Plans

**RTS**  Regulatory Technical Standards

**RWA**  Risk-weighted assets

**SARON**  Swiss Average Rate Overnight
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<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>SCR</td>
<td>Solvency Capital Requirement (under Solvency II)</td>
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<td>SCV</td>
<td>Single customer view</td>
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<tr>
<td>SEC</td>
<td>Securities and Exchange Commission (US)</td>
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<td>SEPA</td>
<td>Single Euro Payments Area</td>
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<td>SFP</td>
<td>Structured finance product</td>
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<td>SFT</td>
<td>Securities financing transaction</td>
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<td>SFTR</td>
<td>Securities Financing Transactions Regulation (EU) 2015/2365</td>
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<td>SFO</td>
<td>Serious Fraud Office</td>
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<td>SI</td>
<td>Systematic internaliser</td>
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<td>SIMF</td>
<td>Senior Insurer Manager Function</td>
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<td>SIMR</td>
<td>Senior Insurer Managers Regime</td>
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<td>SM&amp;CR</td>
<td>Senior Managers and Certification Regime</td>
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<td>SME</td>
<td>Small and Medium sized Enterprises</td>
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<td>SOCA</td>
<td>Serious Organised Crime Agency</td>
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<td>Secured Overnight Financing Rate</td>
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<td>SONIA</td>
<td>Sterling Overnight Index Average</td>
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<td>Special purpose vehicle</td>
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<td>SREP</td>
<td>Supervisory Review and Evaluation Process</td>
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<td>Single Resolution Fund</td>
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<td>Single Resolution Mechanism</td>
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<td>Short Selling Regulation (EU) 236/2012</td>
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<td>STS</td>
<td>Simple Transparent and Standardised (concerning securitisations)</td>
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<td>SUP</td>
<td>FCA supervision manual</td>
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<td>SYSC</td>
<td>The part of the FCA handbook titled senior management arrangements, systems and controls</td>
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<td>TARGET2-Securities</td>
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<td>Treasury Committee</td>
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<td>TLAC</td>
<td>Total Loss Absorbing Capacity</td>
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<td>TMTP</td>
<td>Transitional Measure on Technical Provisions</td>
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<td>TONA</td>
<td>Tokyo Overnight Average Rate</td>
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<td>TPR</td>
<td>The Pensions Regulator</td>
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<td>UK Listing Authority</td>
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<td>UTI</td>
<td>Unique Trade Identifier</td>
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<td>XBRL</td>
<td>eXtensible Business Reporting Language</td>
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</table>
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