Stand out for the right reasons, Financial Services Risk and Regulation

Being better informed

FS regulatory, accounting and audit bulletin

FS Regulatory Insights

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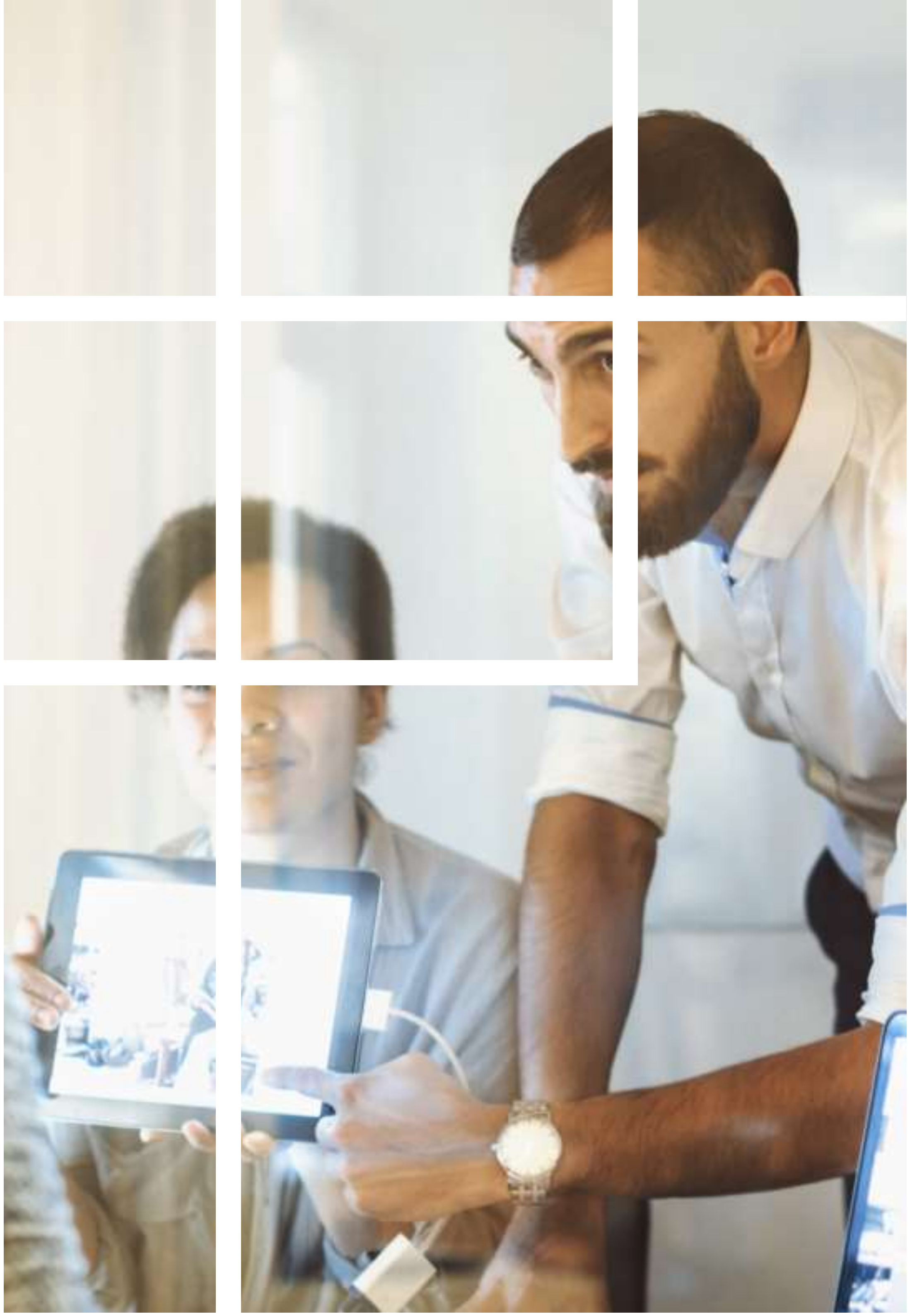

In this month's edition:

- **Insurance:** FCA reveals general insurance value concerns
- **Supervision:** EU finalises ESAs review
- **Wholesale broking:** FCA issues Dear CEO letter
- **Analysis:** What does the future hold for UK regulation?

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Executive summary

Hannah Swain
Director, FS Regulatory Insights

swain.hannah@pwc.com

"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.

April marks an important stage in the regulatory calendar, with the FCA and PRA setting out their plans and priorities for the next 12 months in their respective business plans. This year's plans herald a period of reflection, with the evaluation of some of the major regulatory interventions of recent years, plus the signposting of new work across the conduct and prudential agendas. In our feature article this month, we take an in-depth look at the future direction, and consider what this means for firms.

In this edition we also consider a range of other important regulatory updates, particularly for insurers and wholesale firms. Starting with the latter, the FCA published a Dear CEO letter for wholesale broking firms, highlighting a range of concerns. The regulator says it's found that wholesale brokers have not kept pace with their obligations under MiFID II and MAR. The FCA also has concerns around areas such as commission arrangements, governance and conflicts of interest. It plans to carry out various pieces of follow-up work which firms should be aware of, including a review of SM&CR implementation and publishing findings of a remuneration survey, both of which are expected later this year.

In the insurance sector, the FCA published the findings of its thematic review into value in the general insurance (GI) distribution chain. It identified areas where there is potential for customer harm due to insufficient governance and controls, and firms failing to focus adequately on customer outcomes when designing products and distribution strategies. The regulator says the findings, plus an accompanying Dear CEO letter, should be an 'immediate call to action' for GI firms. Firms need to ensure that value considerations are included in their product design, review processes and distribution strategies, and review their obligations under the IDD and SM&CR.

Governance also featured prominently in the FCA's findings of its review into the fair treatment of customers of with-profits insurers. While the regulator found that most with-profits insurers are taking reasonable care to manage the risk of customer harm, it identified some areas where firms could make improvements, particularly on governance. The regulator expects CEOs of with-profits insurers to assess whether they need to make any changes to the management of their business in light of the findings. Meanwhile on the prudential side, insurers should consider the PRA's proposals for further changes to its rules on the Solvency II treatment of equity release mortgages.

Turning to developments in the EU, all firms should take note that the EP and Council reached agreement on changes resulting from a review of the ESAs. The final text reinforces the coordination role of the ESAs, attributes new direct supervisory powers to ESMA, and enhances the EBA's role in AML and CTF. As well as the wider supervisory impact, the review will result in a number of direct changes which firms should be aware of. For instance, it means that from 1 January 2022, EU administrators of critical benchmarks will be authorised and supervised only by ESMA.

We hope you enjoy reading this month's updates.

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

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Is regulatory focus entering a new phase?

Conor MacManus
Senior Manager
+44 (0) 7718 979428
conor.macmanus@pwc.com

Adam Stage
Senior Manager
+44 (0) 7483 422845
adam.stage@pwc.com

Across the world the financial services sector is going through a period of profound change. A range of economic, technological and societal mega-trends are creating strategic challenges and opportunities for firms. Both regulation and regulators are driving and reacting to these changes; simultaneously regulators and policy makers are attempting to assess the cumulative impact of the wave of regulation which has come into force since the financial crisis. Some firms are still catching up with this landscape, despite its continued further evolution. Even so, the future priorities of the regulators in the UK are starting to become clearer.

The 2019/20 business plans of the PRA and FCA provide a clear set of regulatory priorities, (including operational resilience and climate change related risks), for the UK over the short term, signal a period of reflection on past reforms and also indicate the areas the regulators are likely to prioritise over a longer time period. The business plans are part of a wider suite of documents (including their respective "Approach" documents, the FCA Mission, and the annual FCA sector views) which jointly provide greater transparency into how they regulate. Further publications in the coming year will shed additional light on the regulators' future approach including, for example, the FCA's first annual report into the scope of the regulatory perimeter.

The sense that the sector is at a key juncture is perhaps most acute in the UK. Brexit is fundamentally altering the structure of the financial services eco-system in Europe but is also likely to lead to important changes to the regulatory framework in the UK. With the Government announcing in the 2019 Spring Statement that it will consult on its approach to the UK's post-Brexit regulatory framework before the summer, and Parliament's TC undertaking an inquiry into the future of financial services, it's clear that policy makers are starting to grapple with the key strategic questions which will determine the future of regulation in the UK. So what is the likely trajectory of regulation in the UK? And what are the key challenges and opportunities for the sector?

Assessing the impact of existing reforms

The financial crisis and spate of misconduct scandals following it led to a fundamental reform of regulatory standards at both the international and domestic level. Firms are now more financially resilient, markets more transparent, senior management more accountable and consumer protection reinforced. Many of these reforms are now in force and regulators are seeking to understand their impact, including any unintended consequences.

The PRA has committed to evaluating firms' implementation of ring-fencing measures and the SM&CR. Similarly, in the next 12 months the FCA plans to evaluate the overall impact of measures taken to support consumers in seeking PPI redress, bringing to an end the largest remediation in UK banking, as well as the effectiveness of historic work on investment advice.

At the global level the FSB is currently examining the effects of regulation on the financing of small and medium-sized enterprises, and has just started to evaluate the effects of too-big-to-fail reforms in the banking sector.

A shifting focus

The focus (particularly in the UK) of reform is shifting from financial to operational resilience. Following on from the publication of a BoE/PRA/FCA discussion paper on operational resilience in July 2018, the PRA has indicated it plans to establish operational resilience rules in its prudential framework by the end of 2020. Meeting the expectations of regulators, other policy makers and customers in this area will be a key challenge for the sector, and the risk of a failure of a firm due to an operational incident is increasing.

Technology will increasingly drive regulatory change, with both regulators responding to technological innovation and the sector increasingly looking to technology to reduce the costs of compliance. Regulators are starting to grapple with the implications of firms' increasing use of innovative technology such as AI, machine learning, robotics and other advanced analytics. The impact that BigTech firms are having on the sector as both dominant (and concentrated) suppliers of services such as Cloud infrastructure and, increasingly, direct competitors is prompting discussions on where the regulatory perimeter should sit. The ESAs, for example, have raised the question in their Joint Advice to the EC on whether critical service providers, such as some technology firms, should fall under specific requirements.

If utilised correctly, RegTech has the potential to make compliance more effective and less costly. RegTech features in both the FCA and PRA business plans as they seek to leverage technology themselves to improve oversight of the firms they supervise. The FCA's priorities, for example, focus on improving data exchange with firms and bringing regulation into a machine readable and executable form, as well as specific solutions in relation to AML and financial crime compliance, as well as vulnerable consumers.

The sector is also being challenged by regulators and other policy makers to play its part in dealing with profound societal challenges such as intergenerational inequality, vulnerable customers and diversity. The FCA's duty of care paper shows the regulator proactively engaging stakeholders to consider whether the current regulatory framework is sufficient to prevent harm to consumers – we can expect more on this dialogue later in the year.

Climate change in particular is an increasing focus for regulators globally, with renewed efforts to drive forward the ESG agenda and ensure climate change related risks are properly managed. The PRA and FCA are both considering how to better embed consideration of climate risks within the regulatory regime, with the PRA recently publishing new guidelines on managing financial risks from climate change, and announcing stress testing this year incorporating climate scenarios.

The regulatory implications of Brexit

Both the PRA and FCA acknowledge in their business plans that the scale of the work required to prepare for Brexit is placing significant pressures on them. And while there remains considerable uncertainty over the likely outcome of the Brexit negotiations, the UK leaving the EU has the potential to result in fundamental changes to its regulatory framework. The majority of the regulation in the UK derives from EU rules. Post-Brexit this will no longer be the case (assuming the UK leaves the EEA). So while no one should expect a 'bonfire of regulation' after the UK leaves the EU, there are a number of important questions to be answered on how the UK's post-Brexit framework will operate.
These include:

- Will Parliament or the regulators design the regulatory rules in the UK currently developed at the EU level?
- Is there scope for more proportionality in the regulatory regime?
- How can the framework both react to emerging risks while encouraging innovation?
- What role should international competitiveness considerations play in the new framework?

In recent weeks both Andrew Bailey, CEO of the FCA [1] and Sir Jon Cunliffe, Deputy Governor for financial stability at the BoE [2] have suggested they may support a framework which is less prescriptive and more flexible than the EU's current approach. While a more principles-based approach would bring many benefits, important considerations will have to be taken into account, such as how consistency across firms would be ensured and how technology (which may need clear parameters to operate) could be best used by firms and regulators under a framework with less detailed rules.

What do firms need to do?

Regulation has had a fundamental impact on the business and operating models of firms since the crisis. Parts of the sector are struggling to adapt their business models to the new regulatory climate. Regulators are engaged in a process of attempting to understand the impact of regulation, and where changes and optimisations can be made. Firms have an important opportunity now to engage, in an open and constructive way, with this process, providing evidence to help regulators better understand impacts, and advancing arguments that can improve regulatory outcomes.

Over ten years on from the financial crisis, regulation is entering a new phase. While the intensity of the focus on topics such as financial resilience, financial crime and market integrity are not letting up, a broader policy agenda that includes operational resilience, the impact of technology and climate change related objectives is also becoming clearer. The potential scope for change in the regulatory framework is perhaps most pronounced in the UK. It is important that the

[11] The future of financial conduct regulation, Speech by Andrew Bailey, Chief Executive of the FCA, on the future of financial conduct regulation, delivered at Bloomberg, London.

[2] Financial stability post Brexit: risks from global debt Speech given by Sir Jon Cunliffe, Deputy Governor for Financial Stability, Member of the Monetary Policy Committee, Member of the Financial Policy Committee and Member of the Prudential Regulation Committee

sector does not allow the short-term pressures of preparing for Brexit to limit its contribution to longer-term strategic thinking on the future of the UK's regulatory framework post-Brexit.

The key lesson from the past decade is that firms cannot be purely reactive to regulatory change. Now more than ever, firms need to factor regulatory change into their business strategies - both to anticipate future changes which may threaten existing business models, and to identify future opportunities.

Cross sector announcements

In this section:

Hannah Swain
FS Regulatory Insights

swain.hannah@pwc.com

Regulation

Conduct

Progressing a duty of care

The FCA published FS19/2: A duty of care and alternative approaches on 23 April 2019, summarising responses to its discussion paper on the potential introduction of a duty of care. The majority of respondents believe change is needed to better protect consumers from high levels of harm, but no consensus on the most effective way to do this emerged.

The FCA's suggested options for change received mixed feedback:

- A statutory duty of care: not favoured by most respondents due to the challenges of applying it consistently to the variety of issues and relationships present in financial services. Respondents also argued it would duplicate a large number of existing obligations creating additional confusion and complexity.
- A duty expressed within FCA Principles: the most positively received, as supporters believed it would trigger fundamental change, incentivise firms to evaluate harm and create clarity for consumers about what can be expected from firms. Those against it suggested SM&CR was a positive driving force for this change and more time should be given to allow its effects to be felt.
- A right to private action by consumers: received few responses. The feedback centred around the FOS and its advantages (consumer-friendly and free) and disadvantages (redress limits) compared to litigation.
- Fiduciary duty: considered to conflict directly with commercial enterprise.

Most respondents agreed that greater transparency from the FCA and better application of its existing framework would help to reduce consumer harm.

In light of this, the FCA intends to review the application of its framework and to revise its Principles to strengthen firms' duties to consumers. The FCA aims to publish a further paper in autumn 2019 to gather more detailed views on these options for change once it has assessed their impact more carefully.

FCA flags harms in wholesale broking

The FCA published a Dear CEO letter for wholesale broking firms on 18 April 2019, highlighting key harms in the sector and the FCA's strategy to address those harms. Broadly, the FCA found that wholesale brokers have not kept pace with regulatory obligations under MiFID II and MAR, and have under-invested in efforts to meet these requirements.

Compensation arrangements within wholesale brokers are of concern to the FCA. Based on a survey of around 50 firms in the sector, the regulator has found that it is common for firms to adopt a model directly linking remuneration to commission, which may incentivise poor conduct. The FCA intends to publish formal findings of the remuneration survey later in 2019 and is likely to trigger further targeted supervisory activity with firms in this area.

Separately, the letter states that some firms have governance arrangements which do not give boards and senior managers the necessary tools to properly oversee their staff and business. These governance arrangements also fail to embed clear accountability for conduct standards. To help address this, the FCA will review how firms are implementing SM&CR during 2019.

The FCA also found that firms in this sector often conduct a range of services and that subsequent conflicts of interest may not be robustly managed. In particular, it remains concerned that brokers still inappropriately charge commission to liquidity providers from whom they source liquidity. It will soon publish a supervisory statement clarifying its expectations in relation to this practice.

Finally, the letter notes that many firms are complacent about monitoring and mitigating market abuse and financial crime risks, and highlights serious deficiencies in resilience and readiness to combat cyber-crime.

Wholesale broker PFOF – FCA still concerned

The FCA published a report on Payment for Order Flow (PFOF) on 23 April 2019. PFOF refers to the practice whereby brokers sourcing liquidity and executing orders for clients receive a fee from both the client that originates the order as well as the counterparty with whom the trade is then executed. The report sets out findings from recent supervisory work examining how wholesale broking firms charge PFOF, and follows preliminary findings published in Market Watch 56 in September 2018.

The FCA remains concerned that some brokers still inappropriately charge PFOF. In particular, it notes that firms find it difficult to consistently determine whether their activity constitutes the broad dissemination of 'non-exclusive liquidity' which may allow them to effectively manage the conflicts of charging both sides of a trade. The FCA also stresses more broadly, that firms could take further steps to improve the systems and controls they use to manage conflicts of interest for specific areas of their businesses.

It indicates that PFOF is a continuing FCA supervisory priority. In particular, the regulator intends to monitor firms' compliance with MiFID II rules on conflicts of interest, best execution and inducements, and warns of taking enforcement action against firms in clear breach of those rules.

Enforcement

PRA clarifies enforcement processes

The PRA published CP10/19: Changes to the PRA's settlement policy on 15 April 2019. The aim of the consultation is to clarify the PRA's settlement procedures and simplify the discount process. Alongside this, the PRA published its Regulatory Investigations Guide and its investigation referral criteria. These detail the end-to-end process of a PRA investigation and outline the criteria that need to be met before the PRA will start an enforcement investigation over supervisory action.

In the consultation, the PRA suggests amending the current tiered discount system for fines to a single 30% discount if settlement is made early. The PRA also proposes changes to its Enforcement Statement of Policy to increase transparency of its settlement procedure. It will now make a number of processes explicit, such as its preliminary 'without prejudice' meetings with firms, the fact that preliminary penalties are subject to change, exceptional extensions to the discount stage and the information firms subject to investigation are likely to receive.

The consultation is open until **15 July 2019** for firms to share their views on the proposals.

Pensions

FCA proposes extended remit for IGCs

The FCA introduced new duties for independent governance committees (IGCs) in CP19/15: IGCs – extension of remit on 15 April 2019. IGCs oversee the value for money of workplace personal pensions provided by firms such as life insurers. The FCA is consulting on rules to extend the remit of IGCs in two areas:

- a new duty to report on their firm's policies on ESG issues, consumer concerns and stewardship
- a new duty to oversee the value for money of investment pathway solutions for pension drawdown.

The regulator aims to help protect consumers from investments that may be unsuitable because of ESG risks, make sure consumer concerns are taken into account and encourage good stewardship of investments. It also proposes related guidance on how providers of pension products and investment-based life insurance should have regard to ESG risks and opportunities and also non-financial consumer concerns when making investment decisions.

The second duty aligns with the FCA's January 2019 retirement outcomes review proposals in CP19/5 that require providers to offer investment pathways to non-advised consumers entering drawdown. The consultation closes on **15 July 2019**.

IORPs prudent person rule – EIOPA seeks convergence

EIOPA published the results of the peer review on supervisory practices with respect to the application of the prudent person rule for IORPS on 15 April 2019. It concludes that how national supervisors ensure that IORPs comply with the Prudent Person Rule is largely determined by the manner in which the

Prudent Person Rule is embedded in national legislation. Supervisory approaches also vary according to type of scheme (defined benefit or defined contribution) and maturity of the pension industry. EIOPA recommends 27 actions for NCAs and plans to assess their compliance.

Supervision

PRA outlines supervision plan for 2019/20

The PRA published its Business plan 2019/20 on 15 April 2019, outlining the workplan to address its strategic goals for the year ahead. The plan reflects an ongoing transition from post-crisis reform to more 'steady-state' activities. But the development of operational resilience policy continues, with the PRA planning to consult on proposals in the second half of 2019 and aiming to establish operational resilience in its prudential framework by end-2020.

The PRA also expects to begin an evaluation of the effectiveness of SM&CR and remuneration policies as well as the continued review of governance arrangements in areas such as diversity and board level corporate governance. In addition, its focus is turning to ensuring the recently implemented ring-fencing arrangements are effective in practice. This includes starting a review of proprietary trading. For insurers specifically, the PRA plans ongoing scrutiny of life insurers' investments in illiquid assets and a variety of developments in general insurance markets.

As banks and insurers adapt their practices and business models in response to external market changes, the PRA's focus includes:

- opportunities and risks from developments in technology
- financial risks arising from climate change
- firms' response to regulation, in particular behaviours leading to excessive 'risking-up' and regulatory arbitrage
- changes to business structures and authorisation needs arising from Brexit or from those taking advantage of digital technologies to deliver their services.

In relation to competition, the PRA intends to take a 'fresh look' at barriers to growth in the context of smaller firms and proportionality. The plan also covers activities relating to recovery and resolution, financial resilience and EU withdrawal, together with the regulator's efficiency and effectiveness.

For further analysis of the PRA's business plan, see our feature article on p. 3.

FCA reveals 2019/20 priorities

The FCA set out its plans and priorities for the year ahead, in its Business Plan 2019/20 published on 17 April 2019. The regulator identifies eight cross-sector priorities. Four of these (culture and governance, operational resilience, financial crime and AML, and fair treatment of existing customers) are continuing priorities from previous years. The FCA also identifies Brexit and international engagement as an 'immediate priority', and three 'strategic challenges', where it wants to anticipate and influence market development. These are: demographic change; the future of regulation; and innovation, data and data ethics. In addition, the FCA sets out its areas of focus and planned activities for each sector.

While a number of the FCA's priorities mark a continuation of previous years' work (Brexit preparation, LIBOR transition, review of MiFID II implementation, vulnerable customers, and SM&CR extension), firms should note areas where the FCA's focus has evolved. For example, in operational resilience, the regulator highlights firms' change management capabilities as an area for review.

The FCA also announces a number of new pieces of work. These include work on treating customers fairly and data ethics, work to understand whether there are business models in retail lending that rely on customers who cannot afford to repay, and a review of the FCA's Principles.

For further analysis of the FCA's business plan, see our feature article on p. 3.

Bailey outlines future of financial regulation

Andrew Bailey, the FCA's CEO, spoke on the future of financial conduct regulation on 23 April 2019. This comes in the context of the FCA Mission, published in 2017, which describes the framework the regulator uses to make decisions, the rationale for its work, and how it chooses the appropriate tools.

Bailey emphasised that any future regulatory approach must be firmly anchored in the public interest, which, crucially, would require consumer protection and competition as an essential ongoing focus. In this context, he also considered re-introducing an international competitiveness objective, but called for any debate on this issue to be had within a public interest framework that does not entrench the interests of incumbents. In addition, Bailey noted that regulation can be used to facilitate change and innovation, but that it is important for the FCA to remain technology-neutral and not to pick winners.

Concerning Brexit, Bailey argued that the two key questions to answer from a financial regulation perspective are whether EU and UK approaches to regulation are notably different, and what equivalence arrangements does the UK want and expect. He suggested that UK regulation is likely to evolve differently, taking on board practical experiences more quickly and relying less on detailed rules. On equivalence, Bailey called for an outcomes-based approach with common policy objectives.

FCA confirms supervisory and enforcement approach

The FCA published its Approach to Supervision and its Approach to Enforcement on 24 April 2019. These set out the regulator's final approach to supervising and taking enforcement action against firms as well as feedback following its March 2018 supervision and enforcement consultations.

The FCA emphasised its forward-looking and strategic approach to work, helping to pre-empt and prevent harm from materialising. To do this effectively, it intends to focus on risks associated with firms' strategies and business models, as well as culture and individual behaviours across firms. Supervisors expect to continue to take a risk-based, proportionate approach to prioritise areas where risks are most prominent.

In terms of enforcement, the FCA confirms its overarching principle of holding wrongdoers to account. The regulator signals its intention to focus efforts on efficiently detecting serious misconduct, and conducting an efficient and fair investigation to obtain a clear view of the facts. In situations where the FCA considers no serious wrongdoing is occurring, it aims to stop its investigations and close the potential enforcement case. However, where it finds misconduct, the FCA expects to use deterrent and remedial powers such as fines, prohibitions and suspensions, as well as imposing more severe sanctions where firms fail to address harms.

PRA consults on 2019/20 fees

The PRA published consultation paper CP 9/19: Regulated fees and levies: rate proposals 2019/20 on 15 April 2019. It plans to set its Annual Funding Requirement (AFR) for 2019/20 at £255.3m, an increase of 5% and £12.2m on the previous year. The increase in AFR largely arises from additional EU withdrawal costs as well as ongoing regulatory activities and related increases concerning work on operational resilience, the resolvability framework, and FinTech and regulatory technology.

In addition, the PRA intends to recover £16m in other fees, a reduction of 45% and £13.1m on 2018/19. This is mainly due to the transition from implementation to supervision of requirements related to ring-fencing. The PRA expects a larger proportion of funding to come from these non-AFR sources in the future. This is intended to ensure its costs are more closely borne by the firms that generate them.

The PRA also proposes some fee-related rule changes to cover the eventuality that the UK leaves the EU without a withdrawal agreement during the 2019/20 fee year. In due course it expects to consult on further changes to reflect the impact of EU withdrawal on the PRA's supervisory approach in future fee years. The consultation closes on **14 May 2019**.

FCA consults on 2019/20 fees

The FCA published CP19/16: FCA regulated fees and levies: rate proposals 2019/20 on 17 April 2019. It plans to set its Annual Funding Requirement (AFR) for 2019/20 at £588.5m, an increase of 2.7% and £14.6m on the previous year.

The FCA continues its policy of allocating the AFR across its firm 'fee-blocks' to maintain an even distribution of increases/decreases other than where there are material and explainable exceptions. These exceptions currently relate to EU withdrawal costs, consumer credit, MiFID II and claims management companies. These amount to £20.8m (2018/19: £21.7m). It is setting its ongoing regulatory activities (ORA) budgeted costs, that exclude these explainable exceptions, at £537.7m (an increase of 2% and £10.5m). This meets the FCA's commitment to deliver an 'ORA budget that is flat in real terms'.

The fees payable by firms are also due to be reduced by financial penalties incurred by firms in 2018/19 that the FCA is able to retain to cover enforcement costs. The FCA estimates this at £48.6m (2018/19: £47m). The consultation also covers levies for other bodies including the FOS and the Money and Pensions Service. The consultation closes on **29 May 2019**.

Accounting

Our publications

IFRS Talks – PwC podcasts

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

- Episode 50: Navigating the Stakeholder agenda
- Episode 49: Q1 2019 Update and IBOR reform
- Episode 48: March IFRIC update podcast.

IFRS overview 2019

Our IFRS overview 2019 provides a summary of the recognition and measurement requirements of IFRSs issued by the IASB up to October 2018.

IFRS 9 Impairment – Intercompany loans

Our In depth publication IFRS 9 Impairment – Intercompany Loans provides guidance on IFRS 9's impairment requirements for intercompany loans. IFRS 9 requires entities to recognise expected credit losses for all financial assets held at amortised cost, including most intercompany loans from the perspective of the lender.

The previous guidance for assessing impairment of intercompany loans (IAS 39) uses an incurred loss model and provisions are recognised when there is objective evidence of impairment. Under IFRS 9, lenders of intercompany loans are required to consider forward-looking information to calculate expected credit losses regardless of whether there is an impairment trigger.

Also this month

BoE

- Dave Ramsden, Deputy Governor at the BoE, gave a speech on FinTech at Innovate Finance's Global Summit on 30 April 2019. Ramsden highlights the work of the BoE's Fintech Hub, such as its work on cryptoassets, blockchain and Open Banking. He also explores further topics the Bank is working on, namely the renewal of the Real Time Gross Settlement service, AI and business models unbundling core banking services.
- The BoE published a policy statement Fees regime for non-UK CCP recognition on 15 April 2019. This concerns recognition arrangements for third country CCPs when the UK leaves the EU. It is setting a fee of £35,000 payable from the date the BoE recognises the applicant CCP.

- The BoE published a consultation paper on the Fees regime for FMI supervision 2019/20 on 15 April 2019. This mainly covers UK CCPs and CSDs together with payment systems and service providers. It also addresses fees for recognition of non-UK CSDs. The consultation closes on **10 June 2019**.

Council

- The Council published an Outcome of proceedings, on 4 April 2019, relating to proposals to modernise EU consumer protection laws. The Council proposes a number of amendments that seek to strengthen the enforcement of rules, improve consistency of penalties across the EU and increase consumer awareness.
- The Council published a set of recommended amendments on 4 April 2019 to a proposed directive on establishing a framework to facilitate sustainable investment, known as the 'taxonomy'. The proposal sets out uniform criteria for determining whether an economic activity is environmentally sustainable. Together with several other legislative acts, the proposal aims to integrate ESG considerations into the investment and advisory process consistently across sectors. The taxonomy is expected to come into force in 2020.
- The Council published its conclusions on Towards an ever more sustainable EU by 2030 on 9 April 2019, concerning the implementation of the United Nations' 2030 agenda on sustainable development. The Council underlined the urgent need for accelerating the implementation of the agenda within the EU and globally. It now expects the EC to prepare an implementation strategy outlining timelines, objectives and measures to convert this into EU policies.

EC

- The EC recognised certain Singapore derivatives trading venues as compliant with the EU trading obligation on 1 April 2019, to allow EU investment banks that operate as swap dealers in Asia to comply with their MiFIR trading obligation. At the same time, the Monetary Authority of Singapore (MAS) exempted certain EU MTFs and OTFs from MAS's licensing requirements. This is to allow Singapore participants to trade with EU counterparties on those EU trading venues in compliance with Singapore's derivative trading obligations.
- Two Commission Implementing Decisions (CID) under EMIR and CSDR were published in the Official Journal on 3 April 2019. CID 2019/544 and CID 2019/545 grant temporary equivalence to the UK CCP regulatory regime under EMIR and the UK CSD regulatory regime under CSDR respectively. They will apply in the case of a no-deal Brexit.
- The EC opened a consultation questionnaire to evaluate EU rules relating to distance marketing in financial services on 9 April 2019. The EC invites comments on the effectiveness of the rules from consumers, businesses and regulators. The consultation closes on **2 July 2019**.
- Mariya Gabriel, EU Commissioner for Digital Economy and Society, gave a speech on blockchain at the inaugural meeting of the International Association for Trusted Blockchain Applications (INATBA), on 3 April 2019. Her speech focused on the work done by the EU so far regarding blockchain and championed INATBA's objectives of promoting global consistency, supporting interoperability and establishing policy dialogues.
- The EC published a Special Advisers' report on Competition Policy for the Digital Era, on 4 April 2019. The report explores the key characteristics of the digital economy, such as extreme economies of scale; how the EU's competition goals and methods may need refining in a digital world; and the application of competition rules to platforms and data.
- Two Commission Delegated Regulations (CDR) under EMIR were published in the Official Journal on 10 April 2019. CDR 2019/564 and CDR 2019/565 exempt OTC derivatives contracts that are being novated from a UK counterparty to an EU27 counterparty from EMIR margin requirements and clearing obligations for 12 months after Brexit day. The CDR replace two CDR adopted in December 2018 which ceased to apply as a consequence of the Article 50 period being extended.
- The EC published its Environmental Implementation Review 2019 (with accompanying annex outlining key priority actions and an EC staff working document) on 4 April 2019. The aim of the review is to improve implementation in the field of EU environmental policy and legislation. Together, the documents set out the status of environmental implementation following the original 2017 report, map the main challenges for each Member State, and highlight existing good practices.
- The EC published its independent high-level expert group on AI's Ethics guidelines for trustworthy AI on 8 April 2019. The aim of the guidelines is to promote lawful, ethical and robust AI and to provide a framework for achieving it. The framework includes seven key requirements that AI applications should respect to be considered trustworthy.
- The EC published a communication on its progress on Building trust in human-centric AI on 8 April 2019. This involves a three-step approach – setting out the key requirements for trustworthy AI, launching a large scale pilot in June 2019 and working on international consensus building for human-centric AI. This communication sets out how the EC plans to take forward the work of its independent high-level expert group on AI.

EIOPA

- EIOPA updated its consolidated Q&A on the PRIIPs KID on 4 April 2019. It includes new material on the aspects that should be considered when determining the recommended holding period of a PRIIP and additional guidance for multi-option products.
- On 12 April 2019, EIOPA published its decisions to revise the Register of IORPs Prudential Provisions, the Register of IORPs and the Database of Pension Plans and Products in the EEA following the implementation of the IORP II Directive on 13 January 2019. It intends to implement these decisions by 1 January 2020.

EP

- The EP approved new whistleblowing protections on 16 April 2019. The rules ensure whistleblowers are treated confidentially, and that they are able to report internally to the entity concerned or externally to competent authorities. The rules also add further protections for whistleblowers against retaliation, such as suspension, demotion and intimidation.
- The EP approved the proposal amending the regulation as regards the OTC derivatives contracts on 18 April 2019. The proposal includes amendments with respect to clearing obligation, reporting requirements, regulatory requirements for TRs and risk-mitigation techniques for OTC derivatives not cleared by CCPs.
- The EP voted in favour of a Regulation on a Pan-European Personal Pension Product (PEPP) on 4 April 2019. The rules will introduce personal pension products with standard features across the EU. Once the Council approves the Regulation, it will be published in the Official Journal and enter into force 20 days later.
- The EP adopted a number of proposals on 16 April 2019. Adopted texts include a regulation and a directive on the new prudential regime for investment firms, CRR II and CRD, as well as a regulation and a directive regarding loss-absorbing and recapitalisation capacity of credit institutions and investment firms. On the same day, the EP also adopted regulations for the ESA and financial markets and EU macro-prudential oversight of the financial system and establishing ESRB, as well as a directive amending the prudential regime for UCITS.
- The EP approved the creation of ESMA Supervisory Committee for EU CCPs and stricter rules for third-country CCPs of systemic importance, on 18 April 2019. The EP's final text comes after the Council published its final text on 29 March 2019.

EP and Council

The EP and the Council reached a final compromise on the ESA review proposal on 1 April 2019. The final text reinforces the coordination role of the ESAs, attributes new direct supervisory powers to ESMA, and enhances the EBA's role in the area of AML/CFT. In addition, ESAs' governance and funding will change. Also the ESRB Regulation was amended on 1 April 2019 in relation to the ESRB Chair, the ESRB internal governance, its membership, and the receivers of ESRB warnings and recommendations.

ESAs

- The ESAs published joint advice to the EC on the Need for legislative improvements relating to ICT risk management requirements in the EU financial sector on 10 April 2019. They recommend making explicit reference in sectoral legislation to ICT and cybersecurity risk. They also suggest harmonisation of reporting templates, taxonomy and timescales relating to incidents as well as steps to address concentration risk as part of the management of third party risks.
- The ESAs published joint advice to the EC on the Costs and benefits of developing a coherent cyber resilience testing framework for significant market participants and infrastructures within the whole EU financial sector on 10 April 2019. They indicate that this is premature at this stage given significant differences of maturity across and within financial sectors. In due course they consider a multi-stage approach to a testing framework is appropriate but suggest facilitating voluntary measures in the short term.

ESMA

- ESMA published MiFID II Supervisory briefing on appropriateness and execution-only on 4 April 2019. This is an update of its previous 2012 briefing and is directed at relevant NCAs but also at firms to help them implement the MiFID II appropriateness rules in a compliant way. The briefing covers situations where the appropriateness assessment is required, how to obtain information from clients, assessment of appropriateness, warnings to clients, qualification of firm's staff, and record keeping.
- ESMA updated its Public Register for the Trading Obligation for derivatives under MiFIR on 4 April 2019. The updates reflect the authorisation of a Dutch trading venue for derivatives subject to the trading obligation, and the recent equivalence decision for Singapore that allows EU to comply with the MiFIR trading obligation when concluding transactions on Singaporean venues.
- ESMA updated its Q&As on MiFID II and MiFIR transparency topics and market structures on 2 April 2019. ESMA added new Q&As to give clarity on money market instruments, the impact for SIs of an instrument changing liquidity status, reporting of prime brokerage transactions, quoting obligation for SIs in non-equity financial instruments, branches of third country firms operating as SIs in the EU, and third-country trading venues' access to an EU CCP.
- ESMA published its Translations for Guidelines on CCP Conflict of Interest

Management on 5 April 2019. The guidelines help to ensure a consistent EU-wide approach to mitigating conflict risks. NCAs must now report to ESMA within two months their compliance, or intention to comply, with the rules.

- ESMA launched its third EU-wide CCP stress test on 3 April 2019 to assess the resilience of the 16 CCPs authorised in the EU. For this exercise, ESMA updated its methodological framework by adding concentration risk to the credit and liquidity risk components of the test. ESMA said that it will include the three UK CCPs within its exercise unless there is a no-deal Brexit. The final report and results are expected in Q2 2020.
- ESMA issued Guidelines on Internalised Settlement Reporting under CSDR Article 9 on 30 April 2019. The guidelines apply immediately to NCAs and settlement internalisers in relation to internalised settlement reporting and the exchange of information between ESMA and NCAs regarding internalised settlement. The guidelines include the scope of data that settlement internalisers have to report and the entities responsible for reporting to NCAs. Settlement internalisers aren't required to report whether they comply or intend to comply with the guidelines.

ESRB

The ESRB published Features of a macroprudential stance: initial considerations on 8 April 2019. It seeks to provide a first step towards a common framework for the macro-prudential stance which can support the decision-making process of macro-prudential policymakers. It expects this to evolve as experience and understanding grows over time.

FCA

- Given the delay to the process of the UK's withdrawal from the EU, the FCA extended the deadline for the notification window for the temporary permissions regime (TPR) on 11 April 2019. The FCA expects firms that wish to enter the TPR to submit their notification by the end of 30 May 2019. It also expects firms that wish to update their existing notifications to submit their revised notifications by the end of 16 May 2019.
- The FCA published a statement in relation to CFDs and CFD-like products on 26 April 2019. This confirms that it will be delaying the publication of final rules to restrict the sale, marketing and distribution of these products to retail clients, as proposed in CP18/38: Restricting contract for difference products sold to retail clients and a discussion of other retail derivative products in December 2018. In the meantime, firms must continue to comply with ESMA's temporary measures in this area.
- The FCA published new Listing Rules checklists and Prospectus Rules checklists for issuers of securities on 26 April 2019. Issuers should use these checklists to show the FCA how they have complied with the applicable disclosure requirements when submitting documents for FCA approval under the Listing Rules and Prospectus Rules, respectively.
- The FCA made a number of announcements regarding its FinTech agenda on 29 April 2019. It announced the successful Green FinTech Challenge applicants, cohort five of its regulatory sandbox and the cross-border pilot being undertaken with eight firms as part of the Global Financial Innovation Network.
- The FCA published The Impact and Effectiveness of Innovate, on 29 April 2019, alongside a speech by Christopher Woolard, Executive Director at the FCA, at Innovate Finance's Global Summit. Both explore the impact the FCA's Innovation Hub has had on the market – helping to promote competition, providing direct support to firms and facilitating global action. The FCA also explores the evidence demonstrating how Innovate has had a beneficial impact upon consumer outcomes.

FOS

The FOS set out its plans for the next 12 months, in Our strategic plans for 2019/20 on 1 April 2019. It details how it will handle complaints brought by SMEs, and complaints about claims management companies, which have recently come under its jurisdiction.

FSB

The FSB published a Directory of Cryptoasset Regulators on 5 April 2019. The directory gives details of regulators and other international bodies within FSB jurisdictions working on cryptoasset issues and their respective remits.

Global Digital Finance

Global Digital Finance (GDF) published guidelines regarding Cryptoasset Safekeeping and Custody, on 24 April 2019. GDF provides a number of questions both firms and customers may wish to ask potential custodians regarding security protocols, operational risks, the fair treatment of customers and any segregation of duties.

IBA

- IBA announced that it has successfully completed the transition of all LIBOR panel banks to the waterfall methodology on 1 April 2019. The waterfall methodology requires panel banks to base their LIBOR submissions in eligible wholesale, unsecured funding transactions to the extent available. Despite this successful transition, IBA advised LIBOR users not to rely on the continued publication of any LIBOR settings when developing their fallback provisions, since there is no guarantee that any settings will continue to be published after end-2021.
- IBA published a paper to provide an update on the development of its USD ICE Bank Yield Index on 10 April 2019. It provides further details on its proposal in light of the feedback received and the

results of testing the preliminary index methodology, and it extends the feedback period until **31 May 2019**.

- The IBA updated its Benchmark statement and published the Panel bank criteria for LIBOR on 26 April 2019. This is the first annual review of the benchmark statement required under BMR that was published on 14 May 2018. The panel bank criteria meets the BMR requirement for administrators to have criteria for determining who may contribute input data as well as having a process for selecting contributors.

IOSCO

IOSCO published FR05/2019: The Application of Behavioural Insights to Retail Investor Protections, on 2 April 2019. Members should use the findings to improve retail investor protections. The findings include behavioural biases, such as emotional experiences and ‘rules of thumb’, and different outcomes based upon the method of interaction (human vs. online) or the extent of information assessed (partial vs. complete).

JCESA

- The JCESA published its Spring 2019 report on risks and vulnerabilities in the EU financial system on 2 April 2019. The report highlights a no-deal Brexit, risk of financial market repricing, asset price volatility and the tightening of financial conditions via increasing risk premia as the key financial sector risks in the EU. The report concludes that firms, market participants and counterparties should enact their contingency plans in a timely manner.
- The JCESA published its 2018 Annual Report on 9 April 2019. The report provides a detailed account of the Committee’s accomplishments during 2018 and highlights consumer protection and financial innovation as two priority areas. It also provides information on the ESAs' ongoing efforts in overseeing market developments and cross-sectoral risks.

Network for Greening the Financial System

The Network for Greening the Financial System (NGFS), a group of central banks and regulators, published A call for action: climate change as a source of financial risk on 17 April 2019. This sets out recommendations for central banks, regulators and industry to help to ensure a smooth transition to a low-carbon economy. Alongside this NGFS report, the BoE and ECB published statements confirming their commitment to the recommendations, stressing the importance of central banks leading by example.

Official Journal

Commission Delegated Regulation (EU) 2019/667 amending the EMIR RTS on the clearing obligation to extend the dates of deferred application of the obligation for certain OTC derivatives contracts was published in the Official Journal on 29 April 2019. The amendments were made in light of the extension of Article 50.

PRA

- Sarah Breeden, Executive Director at the PRA, gave a speech on Avoiding the storm: climate change and the financial system on 15 April 2019. This came alongside SS3/19: Enhancing banks’ and insurers’ approaches to managing the financial risks from climate change and PS11/19, which set out expectations on governance, risk management, scenario analysis, and disclosure. In addition to reiterating those expectations, the speech stressed the importance of collaboration between regulators, Government and the private sector internationally to achieve a smooth and orderly transition to a low-carbon economy.
- The PRA published an updated version of the Supervisory Statement SS2/19 PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after the UK’s withdrawal from the EU on 18 April 2019. The statement sets out the PRA’s expectations regarding the interpretation of the EU-based references found in reporting and disclosure requirements and regulatory transactions forms after the UK’s withdrawal from the EU.
- The BoE and the PRA published a Statement of Policy on their approach to the interpretation of the EU guidelines and recommendations on 18 April 2019. The statement sets out regulatory expectations regarding EU-derived laws and rules that are currently in place in the UK in light of the UK’s withdrawal from the EU.
- The PRA updated its Policy Statement PS10/17 Ensuring operational continuity in resolution: reporting requirements on 30 April 2019. The statement confirms that the PRA will collect the PRA109 operational continuity data via Excel. The PRA also updated the data items and instructions section of its regulatory reporting page providing an Excel template, instructions, and information about the submission deadline.

UK Government

The Government confirmed plans to bring forward legislation to require all pension providers to make consumers’ data available to them through a pensions dashboard, in Pensions Dashboard: Government response to the consultation on 4 April 2019. It expects the majority of schemes to be ready to go live with their data in three to four years’ time. The aim is for consumers to be able to see information about all their pensions in one place.

Banking and capital markets

In this section:

Hortense Huez
FS Regulatory Insights

hortense.huez@pwc.com

Regulation

Capital and liquidity

Evaluating BoE's stress testing approach

The BoE's Independent Valuation Office (IEO) published a report on the Evaluation of the BoE's approach to concurrent stress testing on 24 April 2019. The BoE published its response on the same day.

The IEO reports that it found 'good evidence that the approach successfully delivers on its principal objective: to provide a forward-looking assessment of banks' resilience and linked to that, an orderly and repeatable process for policy committees to inform the setting of firm and system-wide capital requirements'. But the IEO observes that the stress-testing framework is still maturing and sees opportunities for refinements. It makes recommendations around three main themes: advancing macro and microprudential outcomes, delivering stress tests more effectively, and improving communication of the outcomes of the stress tests.

The BoE intends to implement all of the IEO's recommendations. But some recommendations require further work and the BoE plans to report on these later in 2019 as part of its update to its approach to stress testing document.

Implementing a NPE capital backstop

Regulation (EU) 2019/630 amending CRR as regards minimum loss coverage for NPEs appeared in the Official Journal on 25 April 2019 and took effect a day later. This is a prudential backstop intended to address the build-up of future rather than existing NPEs and applies to exposures that originate on or after 26 April 2019. This change does not restrict NCAs' setting of pillar 2 credit risk capital requirements.

The CRR amendment introduces a deduction from regulatory capital of any shortfall between the level of accounting impairment recognised by firms and specified backstop levels that increase with the age of NPEs. For example, exposures secured on immovable property deemed non-performing for between three and four years attract a regulatory deduction factor of 25%. Beyond nine years the factor is 100%. Unsecured exposures and other secured exposures trigger a 100% factor after three and seven years respectively.

NPEs for the purposes of this deduction comprise exposures in default under previous CRR provisions, but also exposures that are impaired under applicable accounting standards or that have breached certain forbearance-related conditions. Forbearance measures refer to the refinancing or modification of the terms and conditions of debt obligations which 'would not have been granted had the obligor not experienced difficulties in meeting its financial commitments'.

Supervision

ECB makes supervisory fees changes

The ECB published for consultation, Amendments to the ECB regulation on supervisory fees on 11 April 2019. Its proposals include calculating fees based on the ECB supervisory costs actually incurred and levying them after the end of each supervisory year. This contrasts with the current approach which is based on supervisory cost estimates and fees levied during the supervisory year. In addition, the ECB intends to reduce the fees for smaller, less significant institutions that it indirectly supervises.

The changes are due to take effect for the 2020 supervisory year. The consultation closes on **6 June 2019**.

Also this month

Basel Committee

- The Basel Committee published guidelines setting out the rules for supervisors in assigning the risk assessments of eligible external credit assessment institutions to the risk weights available under the standardised approach to credit risk on 30 April 2019. The guidelines do not establish new eligibility requirements but provide further guidance to supervisors.
- The Basel Committee launched the consolidated version of its global standards for the regulation and supervision of banks on 9 April 2019. The consolidated framework reorganises the existing requirements to promote their consistent global interpretation and implementation. The Committee invites comments on the accuracy and clarity of the consolidated framework by **9 August 2019**.

EBA

- The EBA updated its list of diversified indices and submitted it to the EC for endorsement on 11 April 2019. The list is part of the ITS to calculate the capital requirements for position risk in equities according to the standardised rules.
- The EBA published responses to issues IV to VII raised by its working group on APIs under PSD2 on 1 April 2019. Issues receiving feedback include concerns with the availability and performance requirements of dedicated interfaces, the difficulty of identifying third party providers for the testing of interfaces and the lack of transparency around the timeline for the fall-back exemption process.
- The EBA published the final draft RTS on the conditions to allow institutions to calculate capital requirements of securitised exposures in accordance with the purchased receivables approach on 8 April 2019. The draft RTS recognises the specific circumstances under which institutions calculate capital requirements for securitisation transactions through internal modelling approaches.

EC

- EC Implementing Decision (EU) 2019/536 amending Implementing Decision 2014/908/EU as regards the lists of third countries whose supervisory and regulatory requirements are considered equivalent for the purposes of the treatment of exposures in accordance with CRR appeared in the Official Journal on 1 April 2019. Argentina has been added to the lists and the changes took effect from 21 April 2019.
- The EC published a report on the application and review of BRRD and SRMR and submitted it to the EP and the Council on 30 April 2019. The report discusses that the EU resolution framework has been applied only in a limited number of cases and concludes that it is too early to recommend any legislative changes.

ECB

The ECB published an interim update on the Targeted Review of Internal Models on 3 April 2019. The update complements the analysis on credit risk internal models. It also provides an overview of the main findings relating to the data quality review, and reports key shortcomings. Finally, it provides information about the next steps for the project.

FSB

The FSB published its Thematic Review on Bank Resolution Planning on 29 April 2019. The report evaluates the implementation by FSB jurisdictions of the resolution planning standard. It highlights that bank resolution planning frameworks have been adopted in most FSB jurisdictions but concludes that important work remains to ensure that bank resolution plans can be put fully into effect.

PRA

- The PRA launched a consultation (CP8/19) proposing to modify the format and content of the branch return form on 30 April 2019. The PRA's proposals include aligning balance sheet concepts in the branch return with those used in the PRA's wider reporting framework. It also proposes to reduce the number of data points reported by most firms. The consultation closes on **7 July 2019**.
- The PRA published an updated version of the Supervisory Statement SS18/15 Depositor and Dormant Account Protection on 18 April 2019. The statement sets out the PRA's requirements regarding the depositor and dormant account protection as part of its general approach to ensure there is a functioning legal framework when the UK leaves the EU. The statement will be effective from the date of the UK's withdrawal from the EU.

PSR

The PSR published its Annual Plan for 2019/20 on 27 April 2019. The PSR intends to shift its focus away from payments infrastructure this year and focus more on consumers' experience of payments. It highlights a programme of work which includes protecting people from Authorised Push Payment scams, reviewing access to cash through ATMs and a market review into card-acquiring services.

UK Finance

- UK Finance reported on Mid-tier banking competition on 3 April 2019. UK Finance believes mid-tier banks currently suffer a disproportionate regulatory burden. It has identified a number of key changes to help level competition, including the adoption of an industry average SVR for mortgage stress testing and reviewing ring-fencing thresholds.
- UK Finance published Third-party risk management – keeping control in a rapidly changing world on 10 April 2019. It sets out some of the regulatory drivers that require organisations to manage their third parties and the associated challenges. It also covers what a 'good' third party risk management function should look like and outlines the different approaches taken by organisations.

Asset management

In this section:

Andrew Strange
FS Regulatory Insights

andrew.p.strange@pwc.com

Also this month

EP

The EP agreed new EU rules on 16 April 2019, aimed at removing barriers to the cross-border distribution of investment funds. The approach has been to amend the UCITS directive, AIFMD, and EuVECA and EuSEF regulations, to remove overly complex requirements and diverging national regulatory frameworks. Once political agreement is reached, the changes will be published in the Official Journal and apply 20 days later, except some of the requirements for marketing communications and amendments to EuVECA and EuSEF regarding pre-marketing, which will apply two years after publication.

FCA

The FCA published a speech by Edwin Schooling Latter, Director of Wholesale Policy and Markets, on 3 April 2019 concerning effective stewardship. Latter indicated that this requires asset owners and asset managers to have a clear purpose that has clients' and beneficiaries' interests at its heart. He also observed that investor demand for stewardship is increasing, especially in relation to ESG. The FCA sought views on stewardship via a discussion paper (DP19/1) and a consultation paper (CP19/7) on improving shareholder engagement.

IA

The IA published a summary Response – FRC consultation on a revised UK stewardship code on 4 April 2019. It recognises the proposed revisions to the code set substantially higher expectations for investor stewardship policy and practice. The IA welcomes the 'direction of travel' but highlights several areas where the proposed code falls short, including the definition of stewardship and differentiation of roles and responsibilities of market participants.

Insurance

In this section:

Jim Bichard
UK Solvency II Leader
jim.bichard@pwc.com

Kareline Daguer
FS Regulatory Insights
kareline.daguer@pwc.com

Regulation

Conduct

With-profits review – FCA highlights governance concerns

The FCA published TR19/3 Review of the fair treatment of with-profits customers and its related Dear CEO letter on 25 April 2019. In this review, the FCA focuses on areas of with-profits fund management that it currently believes present the highest risk of customer harm. It also considers the effectiveness and independence of with-profits governance arrangements in achieving good outcomes for consumers.

The FCA reports that most firms are taking reasonable care to manage the risk of customer harm. But it also highlights a number of poor practices that it believes may result in customer harm if not corrected. The FCA sees failure of governance as the key cause of these poor practices.

The FCA found that, where funds were closed to new business, firms did not always use their run-off plans appropriately. It also identified weaknesses in assessments for and distribution of excess surplus and examples of insufficiently robust fund-level capital management approaches.

Further, the FCA is considering reviewing the use of With-Profits Advisory Arrangements (WPAAs) before the end of its 2019/20 year. It aims to assess the conduct of smaller with-profits firms, and the impact of WPAAs being included as senior managers under the SM&CR for the first time.

In the light of its findings, including the examples of good and poor practice, the FCA expects CEOs of with-profits insurers to assess whether they need to make any changes to the management of their with-profits business. As well as its normal supervisory processes, the FCA plans to hold round-table events for senior managers to understand what actions firms are taking to address the findings. If firms do not address the areas of poor practice highlighted in this review, the FCA intends to consider further action. See our Hot Topic – Thematic review of the fair treatment of with-profits customers for further details.

General insurance – FCA expects immediate action

The FCA published Thematic Review TR19/2: General insurance (GI) distribution chain on 10 April 2019, alongside a letter to the CEO of every authorised GI firm. It reports the results of its review of:

- value in the GI distribution chain, and how value is affected by different distribution chains, as well as the oversight and remuneration arrangements in place

- whether firms that outsource activities to other parties under delegated authority arrangements have responded appropriately to its 2015 thematic review.

The regulator highlights a number of harmful issues that it expects insurers to address, such as customers buying unsuitable products, paying excessive prices or not receiving services.

The FCA is also consulting on The GI distribution chain: Proposed guidance for insurance product manufacturers and distributors GC19/2 which sets out non-Handbook guidance for firms as manufacturers and distributors of GI products.

See our publication Value of GI products: still a concern for an overview of the FCA's concerns and the implications for insurers.

Pensions

EIOPA launches occupational pensions stress test

EIOPA launched its biennial Occupational Pensions Stress Test for 2019 on 2 April 2019. It aims to assess the resilience and potential vulnerabilities of the defined benefit and defined contribution pensions sector. For the first time, EIOPA proposes to include an analytical component to focus on pension funds' current exposures and risk management practices regarding ESG factors. It intends to use this to provide a starting point for ESG-related financial stability assessments.

EIOPA aims to publish the results and conclusions of the stress test by the end of 2019.

Solvency II

SCR – EIOPA promotes consistent approach to proportionality

EIOPA issued a Supervisory Statement on Solvency II: Application of the proportionality principle in the supervision of the SCR on 11 April 2019. EIOPA believes that in the case of immaterial SCR sub-modules, the principle of proportionality applies regarding the supervisory review process. Using this supervisory statement, it wants to promote convergence in supervisory practices while ensuring a prudent approach in the calculation of immaterial SCR sub-modules. For example, the statement sets out criteria to determine whether SCR sub-modules are immaterial. EIOPA also indicates that, for immaterial SCR sub-modules, supervisors may allow insurers not to perform a full recalculation on a yearly basis, taking into consideration the complexity and burden that such a calculation would represent when compared to the result of the calculation.

EIOPA revises reporting and disclosure ITS

EIOPA launched a Consultation on the amendments and corrections to the Implementing Regulation (EU) 2015/2450 with regard to the templates for the submission of information to the supervisory authorities and to the Commission Implementing Regulation (EU) 2015/2452, laying down ITS with regard to the procedures, formats and templates of the Solvency and Financial Condition Report on 2 April 2019. It proposes a number of corrections and amendments to the Solvency II reporting and disclosure ITS.

At present, EIOPA plans to keep changes to a minimum and, in particular, the proposed changes do not reflect the findings from the detailed review of Solvency II's requirements due to be undertaken in 2020.

The proposals reflect changes to the calculation of regulatory capital requirements for securitisations introduced by changes to the Solvency II Delegated Acts from 1 January 2019. They also cover further proposed changes to the Delegated Acts adopted by the EC on 8 March 2019, and currently under the scrutiny period of the EP and the Council. Further, EIOPA intends to update the list of nominated External Credit Assessment Institutions and make corrections to the instructions re template S.25.02 – SCR – for groups using the standard formula and partial internal model.

EIOPA plans to incorporate these amendments in the public working draft of the XBRL taxonomy version 2.4.0. It aims to publish this for consultation by 3 June 2019, with a view to releasing the final version by 15 July 2019.

The comment period ends on **14 May 2019**.

ERM – PRA publishes further consultation

The PRA published CP7/19 Solvency II: Equity release mortgages (ERMs) – Part 2 together with a letter from David Rule, Executive Director of Insurance Supervision on 3 April 2019. As outlined in PS31/18, the PRA is proposing further amendments to SS3/17 Solvency II: Matching adjustment – illiquid unrated assets and equity release mortgages for ERM portfolios.

In SS3/17 the PRA describes the Effective Value Test (EVT) to identify if firms appear to be taking inappropriately large MA benefit from restructured ERMs held within MA portfolios. The PRA is proposing that firms conduct the EVT assessment at least annually, and when establishing or altering restructured ERM notes and recalculating the value of the TMTP.

The PRA also describes how it intends to conduct regular reviews of the deferment rate and volatility parameters in the EVT. It proposes publishing any changes to these parameters on its website in plenty of time for year-end calculations.

In addition, the PRA outlines its proposals for the treatment of any suitable assets, other than ERMs, held in an SPV used to restructure ERM loans and ERMs with flexible advances and similar features.

In his letter, Rule highlights a recent research paper into ERM valuation and notes that the PRA believes 'the research paper's advocacy of ERM valuation using risk-neutral techniques is clearly expressed and merits serious consideration by firms and their auditors'.

The comment period ends on **3 July 2019**. See our At a glance – PRA proposes further amendments to SS3/17 on Equity Release Mortgages for further details.

Stress testing

EIOPA makes recommendations for group supervisors

EIOPA published its Insurance Stress Test 2018 Recommendations on 26 April 2019. The results of the stress test show the insurance sector is sufficiently capitalised to absorb the combination of shocks prescribed in the 2018 test.

However, it also finds groups vulnerable not only to low yields and longevity risk, but also to a sudden and abrupt reversal of risk premia, combined with an instantaneous shock to lapse rates and claims inflation. To ensure market stability, EIOPA outlines a number of recommendations for supervisors aimed at strengthening group supervision. EIOPA plans to monitor the implementation of its recommendations.

Accounting

IFRS 17

IFRS 17 – IASB plans to publish exposure draft

The IASB Transition Resource Group debated the definition, separation and measurement of an investment component in IFRS 17 and provided feedback on other submissions received at its 4 April 2019 meeting. See our In transition for a summary of the discussions published on 5 April 2019.

On 9 April 2019, the IASB agreed to proceed to an exposure draft to amend IFRS 17. It also reconfirmed the proposed one year deferral of IFRS 17 to periods commencing on or after 1 January 2022 and the temporary exemption of IFRS 9. It plans to publish the exposure draft of proposed amendments to IFRS 17 at the end of June 2019. See our In transition publication for further details.

Also this month

ABI

The ABI published Defining Safe Automation – A framework for regulating automated driving on 30 April 2019. It considers the definition of automated driving, the role of the driver when the car is automated, likely regulatory requirements and related insurance issues. The ABI and Thatcham Research intend to issue a detailed definition document (including the framework for defining safe automation and detailed requirements for motorway automation) for regulators in June 2019.

BoE

The BoE published An annuity is a very serious business: Part Two on 10 April 2019. In this speech, David Rule, BoE Executive Director of Insurance Supervision, concluded that the PRA's implementation of Solvency II works well as a prudential regime for UK annuity writers, but it needs to make the risk margin less sensitive to interest rates.

EIOPA

- EIOPA published a Report on supervisory activities in 2018 on 26 April 2019. The authority outlines its achievements for the period, priorities for 2019 and new supervisory activities. As part of its new supervisory activities, EIOPA plans to review conduct of business supervisory practices, analysis of the consistency of technical provisions best estimate calculation and the supervision of run-off undertakings.
- EIOPA hosted its Fourth InsurTech Roundtable on the use of cloud computing by (re)insurance undertakings on 11 April 2019. It considers EIOPA's work on outsourcing to cloud service providers, including key issues to be addressed in the principle-based guidelines it's currently developing.
- EIOPA published its Risk Dashboard – April 2019 on 11 April 2019. Overall it finds risks for the EU insurance sector continue to remain stable. Macro risks and credit and market risks remain at medium level, profitability and solvency risks are also unchanged, but insurance risks have risen to medium level due to a further increase in the catastrophe loss ratio.
- In April 2019, EIOPA published answers to questions on: (EU) 2015-35 supplementing Directive 2009-138, (EU) No 2015-2013 standard deviations in relation to health risk equalisation systems and classification of own funds. EIOPA publishes Q&A on Regulation to ensure consistent and effective application of EU regulation and to aid supervisory convergence.
- EIOPA published a summary of the EIOPA cyber insurance workshop held on 1 April 2019. It considers the challenges facing the European cyber insurance market and possible solutions. In particular EIOPA addresses covering and quantifying cyber risks.

FCA

The FCA updated its Call for Input on access to insurance on 4 April 2019. Since issuing its Feedback Statement in July 2018, the regulator has been exploring different options for signposting people with pre-existing medical conditions to travel insurance providers able to provide them with suitable insurance. The FCA plans to develop its proposals (including the production of a user-friendly guide to travel insurance for consumers with pre-existing conditions) and consult on them before summer 2019.

IAIS

The IAIS published its Aggregate Report on Phase 2 Implementation Assessment of the Global Systemically Important Insurers (G-SIIs) Policy Measures (Liquidity Management Plan) on 4 April 2019. It considers the implementation of supervisory policy measures by group-wide supervisors for G-SIIs, with an emphasis on liquidity management and planning.

PRA

- On 8 April 2019 the PRA published a hotfix (and updated XBRL filing manual) for the BoE Insurance data point model and XBRL taxonomy v1.0.0 to be used from 31 December 2018. It also published an Interpretation of the NST NS.07 (Business model analysis non-life) LOG file for year-end 2018 reporting only.

- The PRA sent a Request for technical input to life and general insurers on 15 April 2019. It seeks feedback on its proposed insurance stress test by 31 May 2019. The regulator plans to conduct the stress test from 1 July 2019 to 30 September 2019.

Monthly calendar

Open consultations

Closing date for responses	Paper	Institution
14/05/19	CP9/19: Regulated fees and levies: Rates proposals 2019/20	PRA
25/05/19	Draft Guidelines on Credit Risk Mitigation for institutions applying the IRB Approach with own estimates of LGDs	EBA
28/05/19	CP19/10: Publishing and disclosing costs and charges to workplace pension scheme members and amendments to COBS 19.8	FCA
29/05/19	CP19/16: FCA regulated fees and levies 2019/20	FCA
06/06/19	Consultation on amendments to the supervisory fees framework	ECB
10/06/19	Fees regime for financial market infrastructure supervision 2019/20	BoE
13/06/19	CP5/19 Pillar 2 capital: Updates to the framework	PRA
14/06/19	CP19/12: Consultation on Investment Platforms Market Study Remedies	FCA
26/06/19	CP19/14: Mortgage customers: proposed changes to responsible lending rules and guidance	FCA
03/07/19	CP7/19 Solvency II: Equity release mortgages – Part 2	PRA
07/07/19	CP8/19 Supervising international banks: Revision of the Branch Return	PRA
09/07/19	GC19/2: General insurance distribution chain: proposed guidance for insurance product manufacturers and distributors	FCA
15/07/19	CP19/15: Independent Governance Committees: extension of remit	FCA
15/07/19	CP10/19: Enforcement: Changes to the PRA’s settlement policy	PRA
09/08/19	Consolidated Basel Framework	Basel Committee

Forthcoming publications

Date	Topic	Type	Institution
Asset management			
Q2 2019	Proposed amendment of permitted links rules	Policy statement	FCA
Q3 2019	Amendments to bond market liquidity and size specific to the instrument thresholds under MiFIR	Amendment to RTS	ESMA
Q3 2019	Illiquid assets and open-ended funds – feedback to CP18/27 and final rules	Policy statement	FCA
Q3 2019	P2P and investment-based crowdfunding platforms	Policy statement	FCA
Q4 2019	Functioning of the consolidated tape equity under MiFID II	Report	ESMA
Q4 2019	Prices for pre and post-trade data under MiFIR	Report/technical advice	ESMA
Q4 2019	EU investment firm prudential regime implementation	Consultation paper	FCA
Banking			
Q2 2019	Review of the disclosure requirements for the LCR	Review	EBA
Q2 2019	Guidelines on banks' loan origination, internal governance and monitoring	Guidelines	EBA
June 2019	High-cost credit review: Overdrafts PS to CP18/42	Policy statement	FCA
Summer 2019	FCA guidance on cryptoassets	Policy statement	FCA
Q3 2019	ITS on MREL disclosure and reporting	Consultation	EBA
Q3 2019	Guidelines on credit risk mitigation	Guidelines	EBA
Q3 2019	Feedback on cash savings market discussion	Feedback statement/consultation paper	FCA
Q4 2019	Draft ITS on Pillar 3 disclosures	Draft ITS	EBA
Q1 2020	Mortgage market study	Final report	FCA
Consumer credit			
June 2019	Market study on credit information	Terms of reference	FCA
Cross sector conduct			
Q3 2019	Fair pricing in financial services	Feedback statement	FCA
Q1 2020	Treating customers fairly and data	Discussion paper	FCA

Date	Topic	Type	Institution
Insurance			
H1 2o19	Revision to supervisory statement on TMTP	Consultation paper	PRA
Q2-Q4 2019	Solvency II outstanding issues (inc. ongoing assessment of the effective value test)	Consultation paper	PRA
Q4 2019	General insurance value measures reporting	Policy statement	FCA
Operational resilience			
Q4 2019	Building the financial sector's operational resilience	Consultation paper	PRA/FCA
Q1 2020	Cyber multi-firm review findings	Review findings	FCA
Pensions			
Q2 2019	Retirement outcomes review	Policy statement	FCA
Q4 2019	Independent governance committees remit extension	Policy statement	FCA
Securities and markets			
Q2 2019	Money laundering in capital markets	Report	FCA
Q3 2019	Data use and access to data in wholesale markets	Call for input	FCA
Supervision			
Q1 2020	FCA principles review	Discussion paper	FCA

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

Glossary

ABI	Association of British Insurers
ABS	Asset Backed Security
AI	Artificial intelligence
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Managers Directive 2011/61/EU
AML	Anti-Money Laundering
AMLD3	3rd Money Laundering Directive 2005/60/EC
AMLD4	4th Money Laundering Directive 2015/849/EU
AMLD5	5th Money Laundering Directive
AQR	Asset Quality Review
ASB	UK Accounting Standards Board
Banking Reform Act (2013)	Financial Services (Banking Reform) Act 2013
Basel II	Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework
Basel III	Basel III: International Regulatory Framework for Banks
Basel Committee	Basel Committee of Banking Supervision (of the BIS)
BCR	Basic capital requirement (for insurers)
BIS	Bank for International Settlements
BoE	Bank of England
BMR	EU Benchmarks Regulation
BRRD	Bank Recovery and Resolution Directive 2014/59/EU
CASS	Client Assets sourcebook
CCA	Consumer Credit Act 1974 (as amended)
CCB	Countercyclical capital buffer
CCD	Consumer Credit Directive 2008/48/EC
CCPs	Central Counterparties
CDS	Credit Default Swaps
CET1	Common Equity Tier 1
CFTC	Commodities Futures Trading Commission (US)
CGFS	Committee on the Global Financial System (of the BIS)
CIS	Collective Investment Schemes
CMA	Competition and Markets Authority
CMU	Capital markets union
COBS	FCA conduct of business sourcebook
COCON	FCA code of conduct sourcebook
CoCos	Contingent convertible securities
ComFrame	The Common Framework
CONC	FCA consumer credit sourcebook
COREP	Standardised European common reporting
Council	Generic term representing all ten configurations of the Council of the European Union

CPMI	Committee on Payments and Market Infrastructures
CRA1	Regulation on Credit Rating Agencies (EC) No 1060/2009
CRA2	Regulation amending the Credit Rating Agencies Regulation (EU) No 513/2011
CRA3	Proposal to amend the Credit Rating Agencies Regulation and directives related to credit rating agencies COM(2011) 746 final
CRAs	Credit Rating Agencies
CRD	'Capital Requirements Directive': collectively refers to Directive 2006/48/EC and Directive 2006/49/EC
CRD II	Amending Directive 2009/111/EC
CRD III	Amending Directive 2010/76/EU
CRD IV	Capital Requirements Directive 2013/36/EU
CRD V	CRD IV-related EC November 2016 banking reform package amendments
CRR	Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms
CRR II	CRR-related EC November 2016 banking reform package amendments
CSD	Central Securities Depository
CSDR	Central Securities Depositories Regulation (EU) 909/2014
CSMAD	Criminal Sanctions Market Abuse Directive 2014/57/EU
CTF	Counter Terrorist Financing
DEPP	The FCA's Decision Procedure and Penalties Manual
DG FISMA	Directorate-General for Financial Stability, Financial Services and Capital Markets Union
DG MARKT	Internal Market and Services Directorate General of the European Commission
DGS	Deposit Guarantee Scheme

DGSD	Deposit Guarantee Schemes Directive 2014/49/EU
DLT	Distributed ledger technology
D-SIBs	Domestic Systemically Important Banks
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECJ	European Court of Justice
ECL	Expected credit loss
ECOFIN	Economic and Financial Affairs Council (configuration of the Council of the European Union dealing with financial and fiscal and competition issues)
ECON	Economic and Monetary Affairs Committee of the European Parliament
ECP	Eligible counterparty
EDIS	European Deposit Insurance Scheme
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Association
EIOPA	European Insurance and Occupations Pension Authority
ELTIF	European long-term investment fund
EMIR	Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (EU) No 648/2012
EP	European Parliament
EPC	European Payments Council
ESA	European Supervisory Authority (i.e. generic term for EBA, EIOPA and ESMA)

ESCB	European System of Central Banks
ESG	Environmental, social and governance
ESEF	European Single Electronic Format
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
€STR	Euro short-term rate
ETC	Exchange-traded commodity
ETN	Exchange-traded note
EU	European Union
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
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

FiCOD	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
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
ICT	Information and Communication Technology
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
IRRBB	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
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
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 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
SCR	Solvency Capital Requirement (under Solvency II)
SCV	Single customer view
SEC	Securities and Exchange Commission (US)
SEPA	Single Euro Payments Area
SFP	Structured finance product
SFT	Securities financing transaction
SFTR	Securities Financing Transactions Regulation (EU) 2015/2365
SFO	Serious Fraud Office
SI	Systematic internaliser
SIMF	Senior Insurer Manager Function
SIMR	Senior Insurer Managers Regime
SM&CR	Senior Managers and Certification Regime
SME	Small and Medium sized Enterprises
SMF	Senior Manager Function
SOCA	Serious Organised Crime Agency

SOFR	Secured Overnight Financing Rate
Solvency II	Directive 2009/138/EC
SONIA	Sterling Overnight Index Average
SPV	Special purpose vehicle
SREP	Supervisory Review and Evaluation Process
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SRMR	Single Resolution Mechanism Regulation
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
T2S	TARGET2-Securities
TC	Treasury Committee
TLAC	Total Loss Absorbing Capacity
TMTP	Transitional Measure on Technical Provisions
TONA	Tokyo Overnight Average Rate
TPR	The Pensions Regulator
TR	Trade Repository
UCITS	Undertakings for Collective Investments in Transferable Securities
UCITS V	UCITS V Directive 2014/91/EU
UKLA	UK Listing Authority

UK Finance	Trade body representing the banking and finance industry, formed by a merger of a number of associations including the British Bankers' Association
UTI	Unique Trade Identifier
XBRL	eXtensible Business Reporting Language

Contacts

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

Kareline Daguer
+44 (0) 7739 874106
kareline.daguer@pwc.com
Insurance, conduct and prudential

David Brewin
+44 (0) 7809 755848
david.r.brewin@pwc.com
Client assets and prudential regulation

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

Adam Stage
+44 (0) 7483 422845
adam.stage@pwc.com
Operational resilience

Hortense Huez
+44 (0) 7738 844840
hortense.huez@pwc.com
Prudential regulation, Basel III, liquidity and funding

Tania Lee
+44 (0) 7976 687457
tania.a.lee@pwc.com
Insurance, Solvency II

Conor MacManus
+44 (0) 7718 979428
conor.macmanus@pwc.com
Prudential regulation

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

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

Mete Feridun
+44 (0) 7483 362070
mete.feridun@pwc.com
Prudential regulation, banks and asset managers

Mike Vickery
+44 (0) 7808 573882
mike.p.vickery@pwc.com
Insurance, Solvency II

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

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

190502-110914-JD-OS