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# Being better informed

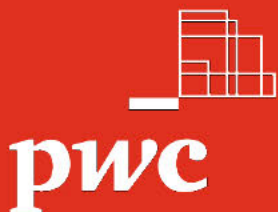
FS regulatory, accounting and audit bulletin

FS Regulatory Insights

September 2019

## In this month's edition:

- Payments: FCA delays implementation of SCA rules
- Insurance: PRA expects proxy model improvements
- Analysis: The rest of the SM&CR story



# Executive summary

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

August brought the usual summer slowdown in regulatory developments, but there were nonetheless noteworthy updates on Basel III, PSD2 and the SM&CR in particular.

The EBA published its advice on the implementation of Basel III in the EU, including a number of policy recommendations. Its impact study results indicate that overall, full implementation of Basel III will result in an average increase of 24.4% in the minimum capital requirement, with an aggregate capital shortfall of €135bn. But the EBA explains this is mostly driven by large, globally active banks, with the impact on medium-sized and small banks more limited.

In the conduct space, the FCA agreed a plan to give the payments and e-commerce industry more time to implement the Strong Customer Authentication (SCA) rules under PSD2. The rules, which impact the way banks and payment services providers verify customers' identities and validate payment instructions, were due to come into force on 14 September 2019. But following an EBA opinion stating that more time was needed for implementation, the FCA has agreed an 18-month deadline extension with firms. The UK regulator says it won't take enforcement action against firms during the 18-month period as long as they can show they're taking necessary steps to comply with the plan. Impacted firms should ensure they're on track to meet the new deadline, and

take note of the FCA's emphasis on managing the impact of SCA on different groups of customers, particularly the vulnerable and those with limited digital access.

Turning to insurance, the PRA published a letter to chief risk officers of life insurers setting out its findings and best practice from a survey comparing firms' use of proxy models. Life insurers use proxy models to emulate the outputs of a more complex model in a simpler, more efficient way. The PRA reports that insurers adopt a wide range of practices in proxy modelling and no firm has adopted best practice in all areas. So the PRA expects insurers to assess their approach against best practice and make suitable steps to improvement. It's also considering issuing a consultation on its expectations in this area.

Solo-regulated firms have been preparing for the roll out of the SM&CR, now less than three months away. In our feature article on p. 3, we take an in-depth look at the remaining challenges and what firms due to be brought into the regime can learn from the FCA's recent 'stocktake' review of how banks are embedding the SM&CR. We examine the difficulties presented by the Certification Regime and Conduct Rules in particular, and how firms can overcome these in time for the 9 December 2019 deadline.

As regulators increase their activity following the summer break, in the coming weeks we expect to see the FCA's final rules on proposed measures to reduce harm for retail investors in funds holding illiquid assets, an ESMA consultation on the PRIIPs review, the final text of the Investment Firms Review published in the Official Journal, and the FCA's general insurance pricing market study interim report. In the meantime, we hope you enjoy reading this month's updates.

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# Beyond Senior Managers: The rest of the SM&CR story



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With the deadline for the extension of the SM&CR to all solo-regulated firms less than three months away, almost all firms are well on their way towards being ready for the new regime. Of the three elements that make up the regime (the Senior Managers Regime [SMR], the Certification Regime and the Conduct Rules), it is the SMR and its implications which initially caused the most consternation among firms. But as the FCA reviews how banks are embedding the SM&CR, and as solo-regulated firms finalise their preparations, it is the Certification Regime and Conduct Rules which are creating headaches for both businesses and the regulator.

Solo-regulated firms should by now have completed most of the work in assigning their SMFs and mapping out responsibilities across their business. While some technicalities remain in clearly assigning responsibilities and defining a consistent, workable approach to reasonable steps, the SMF mapping has been largely straightforward owing to the FCA's detailed guidance and almost-automatic conversion for Core and Limited Scope firms. For some firms, particularly those in complex groups, there has been extensive consideration - and often adoption - of 'opting up' into the Enhanced regime. Global groups are also grappling with how to allocate their SMFs between individuals based in the UK and abroad, ensuring they meet the FCA's desire to

have UK individuals on the ground and accountable while drawing in appropriate senior individuals overseas where they have influence over the business.

What is likely to involve a heavier lift than first imagined, though, is the mapping of individuals into the Certification Regime. Many may have seen this as a simple (but important) transfer of responsibility from the FCA to individual firms to certify their staff, but it is complicated by the shifting goalposts between the Approved Persons Regime (APR) and SM&CR. As firms grapple with this, they must also take into account the FCA's policy statement (PS 19/20) issued in late July 2019, which clarifies the requirements and scope of the Certification Regime.

In addition, the FCA last month published the findings of its 'stocktake' review of how banking firms are embedding the SM&CR, highlighting weaknesses in the way banks have implemented the Certification Regime and the Conduct Rules. This puts banks on notice to make improvements in these areas, and gives a likely indication of where the regulator will focus when it comes to review how solo-regulated firms have implemented the SM&CR.

So as firms approach the home straight in their SM&CR preparations, what are the biggest challenges they're facing? And how can firms overcome these in time for the 9 December 2019 deadline?

## Defining certification

The certification regime requires firms to assess the fitness and propriety of certain individuals who could harm the firm or its customers. Before they can do this, firms need to identify which staff members the certification regime applies to - those who are not classed as Senior Managers but whose roles mean they can have a significant impact on customers, the firm or market integrity.

The starting point for firms in identifying their certified population should be a clear internal policy outlining a variety of scenarios to leave no doubt as to individuals' status when they join the firm, or if the scope of their role changes. Key to this is the involvement of senior individuals those staff report to and the SMF responsible for that area of the business, where relevant. These are the people who understand the day-to-day jobs of their direct reports and so are best placed to judge whether they meet the firm's policy on certification. It's important that firms test the interpretation and application of this policy, to ensure it is applied consistently.

Once firms have identified their certified population, when it comes to assessing the fitness and propriety of certified staff, the FCA flagged a number of issues in its banking SM&CR stocktake review. The regulator said there is 'room for progress' in the way banks

have implemented the Certification Regime, and highlights that most of the firms it looked at were unable to demonstrate the effectiveness of their assessment approach, their use of subjective judgment or how they ensure consistency across the population.

To ensure solo-regulated firms get this right, it's important to return to the underlying principles of the Certification Regime and its purpose of preventing harm to customers or market integrity. Firms should use those first principles as the basis for judgment overrides, ensure their policy is sufficiently robust for staff to follow it consistently, and ensure decisions are properly documented. Further to this, in a recent Inside FCA podcast episode, FCA Head of Conduct Specialist in Supervision David Blunt encouraged firms to focus on competence. He said firms should consider what competence means for each role, and ensure they give staff adequate training so they continue to be fit for their roles.

### Exercising judgment on the Customer Function

Within firms' overall Certification Regime policies, there are a number of specific roles and functions which are proving to be particularly challenging.

One point of contention especially relevant to asset management and financial advice firms is how to treat the Customer Function. Under the SM&CR, the Customer Function (previously captured by the CF30 controlled function) is extended to any person dealing with clients including retail and professional

clients and eligible counterparties. This will include those who: advise on investments and perform related functions such as dealing and arranging; deal, as principal or agent, and arrange (bring about) deals in investments; act in the capacity of an investment manager (and all connected functions); and act as a bidder's representative. This may mean that firms have some individuals who are not currently CF30s but who will be conducting the Customer Function under the SM&CR.

Following the FCA's recent policy statement, the scope of the Customer Function has been tightened to exclude those with no scope to choose, decide or reach a judgement on what should be done in a given situation and whose tasks do not require them to exercise significant skill. The regulator made the change in response to concerns from firms that the original definition would capture staff who interact with clients in purely administrative capacities. Through the amended definition, the FCA aims to give firms the flexibility to exercise judgment on whether a role requires certification. In making the call on which roles fit this definition, firms will need to consider whether roles are simple or largely automated, and whether they involve exercising discretion or judgement.

### Clarifying the Significant Management Function

In addition to the Customer Function, firms must consider the Significant Management Function and Material Risk Takers. Material Risk Takers are already a defined category under SYSC 19 and should therefore be

straightforward for firms to map over to the new regime, although firms should be mindful that this is the only category of certified staff with no territorial limitation.

The Significant Management Certification Function applies to staff below Senior Manager who are responsible for business units that are considered significant by the firm. This could be driven by factors such as the size and risk profile of the unit, number of customers served and its contribution to the P&L. These factors could usefully form the basis of a firm policy for identifying the certified population e.g. through their individual contributions to the P&L, those in 'heads of' roles, code staff, and anyone able to commit material amounts of the firm's resources.

The requirement to certify SMFs who also perform certified roles that are very different to their Senior Manager role already existed under SM&CR (and mirrored the situation under the APR regime), with the clearest example being directors of firms (SMF3s) who also undertake the Customer Function. PS19/20 has further clarified that for Core and Limited Scope firms, where a Senior Manager holds an SMF and also performs a Systems and Controls function (CF28 under the APR regime), the individual may need to be certified for the systems and controls part of their role if it differs significantly from their SMF role. Additionally, PS19/20 confirms that the Head of Legal function will not require approval as a Senior Manager, although these individuals will still be subject to the Certification Regime and Conduct Rules.

## Supervisory focus on Conduct Rules

While the third element of the SM&CR, the Conduct Rules, may have so far attracted less attention, now is the time for firms to sit up and take notice. In its SM&CR review of the banking sector, the FCA identified the most significant weaknesses in the way firms have implemented the Conduct Rules, and said it will increase its supervisory focus on this area. In both Enhanced and Core firms, it's worth bearing in mind that a Senior Manager will be accountable for notifications and training under the Conduct Rules through the b-1 prescribed responsibility. Only Senior Managers and certified individuals will need to be trained on the Conduct Rules by 9 December this year, with other staff due to be trained by the following December.

The FCA made clear that it expects all SM&CR firms to embed the Conduct Rules in their business. While it found that staff generally understood the rules, the regulator flagged that firms were not always sufficiently tailoring training on the rules to staff's job roles. It also found that many firms were unable to explain what a conduct breach looked like in the context of their business, and that some had failed to clearly map the rules to their firm's values.

Firms must ensure that all relevant staff understand the Conduct Rules and how the rules apply to them in practice - so it's crucial that training is appropriately tailored. They also need a framework to effectively and consistently identify and respond to any breaches. This is especially important for the

SMF population where breaches must be notified to the FCA within seven business days of concluding disciplinary action (for all other employees, the firm can report the breach as part of an annual reporting process).

Some firms have established a 'conduct panel' approach to provide an independent assessment of potential rule breaches and recommend actions to be taken, to ensure a fair and consistent decision making process is followed across the business. Firms may also wish to train staff in how to identify rule breaches.

### What firms need to do next

As we approach the SM&CR extension deadline, firms should focus on building the following key aspects into their implementation programme:

1. Consistent messaging to staff to set the right cultural 'tone from the top'. The regime should not be characterised as business as usual to staff; it should be used as an opportunity to enhance and reiterate positive governance and culture.
2. Thorough testing of embeddedness. Firms should review and challenge their mapping through the use of scenario workshops to understand where responsibilities are not clearly delineated and to gain insight into the reasonable steps Senior Managers should take in certain situations.

3. Review the certified population carefully. Do not assume that there is a direct map over from similar roles from the APR to SM&CR and give careful consideration to reporting lines to ensure certified individuals are overseen by sufficiently senior individuals under SM&CR.
4. Ensure robust Conduct Rules training is in place. Given the requirement to report breaches to the FCA, firms should ensure their staff are clear on expectations, with a particular focus on relevant high risk areas of their roles.

With the FCA clearly expecting high standards of compliance across all three areas of the regime, now's the time for firms to look beyond Senior Managers to the bigger picture of the SM&CR.



# Cross sector announcements

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## Regulation

### Benchmarks

#### Use of SONIA in cash products

The RFRWG published a summary of responses to the DP on Conventions for referencing SONIA in new contracts on 6 August 2019. In particular, respondents asked for:

- a close alignment of conventions between derivatives and cash products, and across currencies, e.g. by developing standardised documentation
- compounding in arrears with a five-day lag for SONIA bonds, to balance the need to capture realised movements in SONIA with a suitable period to complete operational processes
- compounding in arrears with a variable lag period (from one day through to the full interest period) for SONIA loans
- for both SONIA bonds and loans, the margin to be added after compounding SONIA rates
- CCPs to offer clearing of SONIA swaps with lag features to allow firms to hedge loans compounded in arrears with a lag.

This information should support market participants to prepare for adoption of SONIA

in cash products, and infrastructure providers and calculation agents in developing the necessary systems.

#### Seeking clarity on IBOR transition and EMIR

ISDA requested a statement from the EC and ESMA in relation to EMIR grandfathering in the context of IBOR transition, on 14 August 2019. ISDA says the statement should clarify that neither (1) the embedding of fallback provisions designed to enhance the contractual robustness of existing IBOR contracts, nor (2) the amendment of existing IBOR contracts to reference instead new RFRs, would on their own lead to imposing margin or clearing obligations under EMIR.

It believes this should apply to existing transactions referencing benchmarks of all kinds that have been executed by firms subject to EMIR. This would allow firms to take further action, to advance their transition away from IBORs, ISDA argues.

## Accounting

### PwC publications

Our Accounting briefing for August 2019 includes articles on:

- Brexit
- potentially unlawful State Aid to UK finance companies

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<ul style="list-style-type: none"><li>IBOR reform and the effect on hedge accounting</li><li>amendments to FRS 102 – Multi-employer defined benefit plans.</li></ul> <p>We have also published a <a href="#">video</a> of the highlights.</p> <p><b>Also this month</b></p> <p><b>FCA</b></p> <ul style="list-style-type: none"><li>The FCA should be given the formal power to recommend to HMT changes to the regulatory perimeter, according to a report by the TC issued on 2 August 2019: <a href="#">The work of the FCA: the perimeter of regulation</a>. The TC says the current system, whereby the FCA informally requests changes from HMT, is 'insufficient' to protect consumers. It makes a number of recommendations to HMT on the remit and powers of the FCA.</li><li>Claims management companies (CMCs) must do more to raise advertising standards, said the FCA in an <a href="#">update</a> on 23 August 2019. The regulator sets out a number of examples of bad practice it has observed, and warns firms that it will take compliance with the financial promotions rules into account when considering applications for full authorisation. It took over regulation of CMCs on 1 April 2019.</li><li>The FCA published a <a href="#">letter to Remuneration Committee Chairs (SMF12)</a> on 19 August 2019. The FCA highlights a continued focus on ex-post risk</li></ul>		<p>adjustments, accountability and diversity and inclusion. A new area of focus for the year ahead will be how culture is affected by non-financial incentives.</p> <p><b>FRC</b></p> <p>The FRC published a consultation proposing limited revisions to its assurance Standard, <a href="#">Providing assurance on client assets to the FCA</a> on 1 August 2019. It proposes changes mainly to reflect 'regulatory changes to the scope of the CASS regime, changes to improve the value of reporting to those charged with governance and some streamlining requirements'. The consultation closes on 27 September 2019.</p> <p><b>IBA</b></p> <p>IBA issued <a href="#">ICE Swap Rate - Possible Enhancements</a> on 16 August 2019. It seeks feedback on whether it should introduce a new suite of ICE swap rate tenors which would have SONIA as the floating leg. For that, IBA would use the same methodology, processes and governance as for the existing sterling swap rate benchmark. Feedback is due by 14 October 2019.</p> <p><b>ISDA</b></p> <p>ISDA published <a href="#">preliminary results</a> on Pre-Cessation Issues for LIBOR and certain IBORs on 9 August 2019. There were a wide variety of views on whether and how to implement a pre-cessation trigger related to non-representativeness for derivatives. Some respondents supported adding a pre-cessation trigger to the permanent cessation triggers, others supported its optional and flexible use,</p>	<p>while the rest opposed the pre-cessation trigger.</p> <p><b>TPR</b></p> <p>TPR published its <a href="#">annual defined contribution (DC) survey</a> on 1 August 2019. While most savers were in pension schemes that met all the expected governance standards, there was underperformance in small-scale schemes where 99% failed to meet the same criteria. Although no immediate actions arose from the survey, TPR notes the results have reinforced its view that the DC market should shrink, creating larger schemes that provide better value for money for savers.</p> <p><b>Working group on euro RFRs</b></p> <p>The working group on euro RFRs published a <a href="#">report</a> containing recommendations on the transition from EONIA to €STR for cash and derivatives on 19 August 2019. The focus is on the operational and valuation aspects of the transition. The group urges firms to prepare for the change in EONIA's publication time from business day T to day T+1 as of 2 October 2019, and the discontinuation of EONIA on 3 January 2022.</p>				



# Banking and capital markets

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## Regulation

### Capital and liquidity

#### Finalising Basel III implementation in Europe

The EBA published its Basel III reforms: impact study and key recommendations on 5 August 2019. This includes detailed policy advice on credit risk, SFTs, operational risk and the output floor published on the same day. This follows its July 2019 public hearing summary of its findings and is in response to the EC's May 2018 call for advice on these reforms.

Its impact study results indicate that overall, the weighted average minimum capital requirements (MCRs) of the banks in the sample increase by 24.4% with an aggregate capital shortfall of €135bn. But the EBA explains that this is mostly driven by 'large globally active banks' with the impact on medium-sized and small banks limited to MCR increases of 11.3% and 5.5% respectively. Further, for a quarter of the banks in the sample MCRs decrease. It also notes that the total capital shortfall would be reduced to €59bn if the banks retained their profits throughout the transition period.

The EBA points out that it based its assessment on conservative assumptions 'leading to potential overestimation of the impact'. This includes not taking into account

the 2019 revisions to FRTB - which it expects to have a lower impact.

The EBA makes 152 recommendations but broadly it considers the EU should implement:

- the credit risk revisions, but with 'minor exceptions' - it suggests the existing EU-specific supporting factors for SMEs and infrastructure lending exposures are not retained
- the SFT changes except for the minimum haircut floor framework which needs further assessment
- the new operational risk Standardised Approach, but with phase-in of the historical loss component by larger firms and with NCA discretion to allow smaller firm application of this loss component
- the output floor requirement, with application to all EU capital requirements and at all levels of consolidation.

It expects to complete its advice by reporting on the implementation of the finalised FRTB and CVA frameworks together with an analysis of the macroeconomic impact of the final Basel III framework 'later this year' - but also addressing a further request for advice by the EC.

## Conduct

### FCA releases SM&CR stocktake findings

The FCA published the [Senior Managers and Certification Regime Banking Stocktake Report](#) on 5 August 2019, following a review of the banking sector's implementation of the SM&CR.

While the FCA found that the industry has made a concerted effort to implement the regime, there are a number of areas where the regulator suggests more work is required, particularly in relation to embedding the certification regime and understanding of the conduct rules.

The FCA observes that most firms were unable to consistently and clearly demonstrate the effectiveness of their certification approach, and how consistency is ensured for the population below senior managers.

General improvements in firm culture were reported, but the report draws attention to difficulties in effectively embedding the conduct rules. While firms appear to be using their values to articulate how they relate to the rules, the FCA did not find consistent evidence that the rules were clearly mapped to these values. The FCA also raises concerns that there were 'potentially more significant weaknesses' in implementing the conduct rules for staff that aren't captured by the senior manager or certification requirements. With regards to conduct-related breaches, the regulator comments that many firms were unable to articulate what such a breach looked like in the context of their business, and notes a lack of

consistency in how breaches were recorded between firms.

The regulator states its intention to increase its supervisory focus on the conduct rules. The effort to build out the links between firm culture and the SM&CR will also continue. The SM&CR will commence for solo-regulated firms on 9 December 2019.

### Also this month

#### Basel Committee

The Basel Committee published [Frequently Asked Questions](#) (FAQs) on the new standardised approach for operational risk on 14 August 2019. The Committee plans to periodically update the FAQs along with any technical elaboration of the standards text to promote consistent global implementation of the requirements.

#### CMA

The CMA published results of its [banking customer satisfaction survey](#) on 15 August 2019. The FCA also published its [mandated current account data](#) on 15 August. The surveys are designed to help promote competition in the banking industry by clearly displaying views on service quality, wait times and operational incidents.

#### EBA

- The EBA [published](#) the data used for the identification of global systemically important institutions on 9 August 2019. The data includes 12 indicators from the 36 largest financial institutions across the EU.

The EBA plans to update the data on a yearly basis and to provide a more user-friendly platform to aggregate it across the EU.

- The EBA published [phase 2](#) of its technical package on reporting framework 2.9 on 21 August 2019. The package includes the validation rules, the Data Protection Manager data dictionary and Extensible Business Reporting Language taxonomies. The update reflects the amendments to the ITS on supervisory reporting related to financial reporting and benchmarking of internal approaches.
- The ECB published [revised supervisory expectations](#) for prudential provisioning for NPE to account for the new Pillar 1 requirements on 22 August 2019. New Pillar 1 rules require a deduction from own funds when NPEs are not sufficiently covered by provisions. The ECB's supervisory expectations apply to NPEs arising from loans originated before 26 April 2019, which are not subject to Pillar 1 NPE treatment.

#### EC

The EC issued a [letter](#) to the EBA regarding its review of the final elements of the Basel III framework on 15 July 2019. The EC considers that further work is necessary on the risk sensitivity in the equity exposure and specialised lending classes, quantitative impacts of the output floors, and the potential TLAC/MREL shortfalls.

## FCA

- The FCA confirmed an [extension](#) for the implementation of Strong Customer Authentication (SCA) standards under PSD2, in an update on 13 August 2019. Online banking services will have until March 2020 to comply with the requirements, while online shopping services (card issuers, payment firms and online retailers) will have until March 2021.
- The FCA sent a [Dear CEO letter](#) on the PSD2 requirements for Strong Customer Authentication (SCA) on 20 August 2019. The FCA has decided not to take enforcement action against firms that, as of 14 September 2019, don't meet the SCA requirements in those areas covered in the UK Finance [industry plan](#). The decision only applies to firms that can demonstrate that they have taken the necessary steps to comply with the industry plan to deliver SCA for card-not-present e-commerce transactions by 14 March 2021.

## FOS

The FOS published a [note](#) on 14 August 2019 outlining its key considerations when investigating complaints involving unaffordable or irresponsible lending. The FOS reiterates the need for lenders to undertake reasonable and proportionate affordability checks, ascertain whether repayments are sustainable for the borrower and to ensure any consumer vulnerabilities are taken into account.

## PRA

- The PRA published [Policy Statement 16/19](#) [Regulatory reporting: EBA Taxonomy 2.9](#) on 7 August 2019. The statement sets out the final rules updating the PRA's reporting requirements for ring-fenced bank reporting, Capital+ reporting and the scope of Financial Reporting to be reported by certain firms. The majority of changes will take effect on 1 March 2020 while the remaining ones will take effect on 1 June 2020.
- The PRA announced on its [CRD IV webpage](#) a delay in the finalisation of its policy on clarifications relating to Pillar 2B buffer estimation on 20 August 2019. It now intends to publish this by the 'end of October 2019' having indicated in [CP5/19 – Pillar 2 capital: updates to the framework](#) that it planned to implement these proposals by 1 October 2019.

## PSR

The PSR published [Specific Direction 10](#), requiring the introduction of Confirmation of Payee (CoP) at the UK's six largest banking groups, on 1 August 2019. CoP will help to reduce instances of Authorised Push Payment fraud by checking the name on an account receiving money matches the name entered by a payee.



# Asset management

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## Also this month

### ESMA

- ESMA published new data on bonds subject to pre- and post-trade transparency measures under MiFID II on 1 August 2019. ESMA assesses 594 bonds traded on EU venues to be liquid and, therefore, subject to the transparency requirements from 16 August to 15 November 2019.
- ESMA published new data in relation to the SI regime under MiFID II on 1 August 2019. The data shows the total number of trades and total volume over the period January 2019 - June 2019 for 22,961 equity and equity-like instruments, and 333,459 bonds.
- ESMA updated its public register with the latest double volume cap (DVC) data under MiFID II on 7 August 2019. This includes DVC data for the period of 1 July 2018 to 30 June 2019, together with updates to historic data which had already been published. The data shows that there have been 56 breaches in equities at the 8% cap, applicable to all trading venues, and 28 breaches in equities at the 4% cap that applies to individual trading venues.

# Insurance

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## Regulation

### Capital and liquidity

Proxy modelling - PRA highlights best practice

The PRA published a letter to chief risk officers of life insurers regarding its Proxy modelling survey: Best observed practice on 1 August 2019. It sets out the findings from its May 2018 survey comparing life insurers' use of proxy models and considers best practice in eight key areas:

- use of the proxy model
- fitting
- out-of-sample testing
- other testing
- acceptance criteria
- roll-forward
- out-of-model adjustments
- documentation.

The insurers use proxy models to emulate the outputs of a more complex model in a simpler and resource-saving manner. The PRA reports that its survey shows insurers adopt a wide range of practices in proxy modelling and, in its opinion, no firm has adopted best practice in all areas. So the PRA expects insurers to assess their current approach against best practice and agree with their supervisors suitable steps

to improvement. The PRA is also considering whether to issue a consultation on its expectations.

# Monthly calendar

## Open consultations

Closing date for responses	Paper	Institution
13/09/19	<a href="#"><u>CP19/20: Our framework: assessing adequate financial resources</u></a>	FCA
13/09/19	<a href="#"><u>TEG report on EU taxonomy - Call for feedback</u></a>	EC
15/09/19	<a href="#"><u>CP19/23: Signposting to travel insurance for consumers with medical conditions</u></a>	FCA
18/09/10	<a href="#"><u>CP18/19: UK Withdrawal from the EU: Changes following extension of Article 50</u></a>	BoE
27/09/19	<a href="#"><u>CP14/19: Pillar 2 liquidity: PRA110 reporting frequency threshold</u></a>	PRA
30/09/19	<a href="#"><u>Draft Guidelines on loan origination and monitoring</u></a>	EBA
30/09/19	<a href="#"><u>Consultation on draft opinion on the supervision of remuneration principles in the insurance and re-insurance sector</u></a>	EIOPA
30/09/19	<a href="#"><u>Consultation paper on the proposal for guidelines on outsourcing to cloud service providers</u></a>	EIOPA
03/10/19	<a href="#"><u>CP19/22: Prohibiting the sale to retail clients of investment products that reference cryptoassets</u></a>	FCA
04/10/19	<a href="#"><u>Draft RTS on liquidity horizons for the Internal Model Approach under points (a) to (d) of Article 325bd(7) of Regulation (EU) No 575/2013 (CRR II)</u></a>	EBA
04/10/19	<a href="#"><u>Draft RTS on back-testing requirements under Article 325bf(9) and profit and loss attribution requirements under Article 325bg(4) of Regulation (EU) No 575/2013 (CRR II)</u></a>	EBA
04/10/19	<a href="#"><u>Draft RTS on criteria for assessing the modellability of risk factors under the Internal Model Approach under Article 325be(3) of Regulation (EU) No 575/2013 (CRR II)</u></a>	EBA
04/10/19	<a href="#"><u>Consultation on Draft Guidelines on disclosure requirements under the Prospectus Regulation</u></a>	ESMA
18/10/19	<a href="#"><u>Consultation Paper on Proposals for Solvency II 2020 Review Harmonisation of National Insurance Guarantee Schemes</u></a>	EIOPA
18/10/19	<a href="#"><u>Consultation Paper on proposals for Solvency II 2020 Review Cover Note - Package on Supervisory Reporting and Public Disclosure</u></a>	EIOPA
30/10/19	<a href="#"><u>CP19/25: Pension transfer advice: contingent charging and other proposed changes</u></a>	FCA
31/10/19	<a href="#"><u>ESMA consults on MiFID II compliance function requirements</u></a>	ESMA
31/10/19	<a href="#"><u>Consultation Paper – Guidelines on performance fees in UCITS</u></a>	ESMA



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## Forthcoming publications

Date	Topic	Type	Institution
<b>Asset management</b>			
Q3 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
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
<b>Banking</b>			
Q3 2019	Review of the disclosure requirements for the LCR	Review	EBA
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
<b>Cross-sector conduct</b>			
Q1 2020	Treating customers fairly and data	Discussion paper	FCA
<b>Insurance</b>			
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
December 2019	General insurance pricing practices market study	Final report	FCA
<b>Operational resilience</b>			
Q4 2019	Building the financial sector's operational resilience	Consultation paper	PRA/FCA
Q1 2020	Cyber multi-firm review findings	Review findings	FCA

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Date	Topic	Type	Institution
<b>Pensions</b>			
Q4 2019	Independent governance committees remit extension	Policy statement	FCA
<b>Securities and markets</b>			
Q3 2019	Data use and access to data in wholesale markets	Call for input	FCA
<b>Supervision</b>			
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
BRRD II	Bank Recovery and Resolution Directive (EU) 2019/879 amending BRRD
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



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Council	Generic term representing all ten configurations of the Council of the European Union			DGS	Deposit Guarantee Scheme		
CPMI	Committee on Payments and Market Infrastructures			DGSD	Deposit Guarantee Schemes Directive 2014/49/EU		
CRA1	Regulation on Credit Rating Agencies (EC) No 1060/2009			DLT	Distributed ledger technology		
CRA2	Regulation amending the Credit Rating Agencies Regulation (EU) No 513/2011			D-SIBs	Domestic Systemically Important Banks		
CRA3	Proposal to amend the Credit Rating Agencies Regulation and directives related to credit rating agencies COM(2011) 746 final			EBA	European Banking Authority		
CRAs	Credit Rating Agencies			EC	European Commission		
CRD	'Capital Requirements Directive': collectively refers to Directive 2006/48/EC and Directive 2006/49/EC			ECB	European Central Bank		
CRD II	Amending Directive 2009/111/EC			ECJ	European Court of Justice		
CRD III	Amending Directive 2010/76/EU			ECL	Expected credit loss		
CRD IV	Capital Requirements Directive 2013/36/EU			ECOFIN	Economic and Financial Affairs Council (configuration of the Council of the European Union dealing with financial and fiscal and competition issues)		
CRD V	Capital Requirements Directive (EU) 2019/878 amending CRD IV			ECON	Economic and Monetary Affairs Committee of the European Parliament		
CRR	Capital Requirement Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms			ECP	Eligible counterparty		
CRR II	Capital Requirements Regulation (EU) 2019/876 amending CRR			EDIS	European Deposit Insurance Scheme		
CSD	Central Securities Depository			EEA	European Economic Area		
CSDR	Central Securities Depositories Regulation (EU) 909/2014			EEC	European Economic Community		
CSMAD	Criminal Sanctions Market Abuse Directive 2014/57/EU			EFTA	European Free Trade Association		
CTF	Counter Terrorist Financing			EIOPA	European Insurance and Occupations Pension Authority		
DEPP	The FCA's Decision Procedure and Penalties Manual			ELTIF	European long-term investment fund		
DG FISMA	Directorate-General for Financial Stability, Financial Services and Capital Markets Union			EMIR	Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (EU) No 648/2012		
DG MARKT	Internal Market and Services Directorate General of the European Commission			EP	European Parliament		
				EPC	European Payments Council		

Executive summary	Beyond Senior Managers: The rest of the SM&CR story	Cross sector announcements	Banking and capital markets	Asset management	Insurance	Monthly calendar	Glossary
ESA	European Supervisory Authority (i.e. generic term for EBA, EIOPA and ESMA)			FICC	Fixed income, currencies and commodities		
ESCB	European System of Central Banks			FiCOD1	Amending Directive 2011/89/EU of 16 November 2011		
ESG	Environmental, social and governance			FiCOD	Financial Conglomerates Directive 2002/87/EC		
ESEF	European Single Electronic Format			FMI	Financial Market Infrastructure		
ESMA	European Securities and Markets Authority			FMLC	Financial Markets Law Committee		
ESRB	European Systemic Risk Board			FMSB	FICC Markets Standard Board		
€STR	Euro short-term rate			FOS	Financial Ombudsman Service		
ETC	Exchange-traded commodity			FPC	Financial Policy Committee		
ETN	Exchange-traded note			FRC	Financial Reporting Council		
EU	European Union			FRTB	Basel Committee fundamental review of the trading book market risk capital requirements		
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			FSA	Financial Services Authority		
EURIBOR	Euro Interbank Offered Rate			FSB	Financial Stability Board		
Eurosystem	System of central banks in the euro area, including the ECB			FSBRA	Financial Services (Banking Reform) Act 2013		
EuSEF	The European social Entrepreneurship Funds Regulation			FS Act 2012	Financial Services Act 2012		
EuVECA	European Venture Capital Funds Regulation (EU) 345/2013			FSCP	Financial Services Consumer Panel		
FAMR	Financial Advice Market Review			FSCS	Financial Services Compensation Scheme		
FATF	Financial Action Task Force			FSI	Financial Stability Institute (of the BIS)		
FC	Financial counterparty under EMIR			FSMA	Financial Services and Markets Act 2000		
FCA	Financial Conduct Authority			FTT	Financial Transaction Tax		
Fiat currency	Currency whose value is underpinned by the strength of the issuing government, e.g. USD, GBP, euro and other major world currencies			G30	Group of 30		
				GAAP	Generally Accepted Accounting Principles		
				GDPR	General Data Protection Regulation		
				G-SIBs	Global Systemically Important Banks		

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G-SIFIs	Global Systemically Important Financial Institutions			IORP	Institutions for Occupational Retirement Provision		
HCSTC	High Cost Short Term Credit			IOSCO	International Organisation of Securities Commissions		
HMRC	Her Majesty's Revenue and Customs			IRB	Internal Ratings Based		
HMT	Her Majesty's Treasury			IRRBB	Interest rate risk in the banking book		
IA	Investment Association			ISDA	International Swaps and Derivatives Association		
IAIS	International Association of Insurance Supervisors			ITS	Implementing Technical Standards		
IASB	International Accounting Standards Board			JCESA	Joint Committee of the European Supervisory Authorities		
IBA	ICE Benchmark Administration			JMLSG	Joint Money Laundering Steering Committee		
ICAAP	Internal Capital Adequacy Assessment Process			KID	Key Information Document		
ICAS	Individual Capital Adequacy Standards			KIID	Key Investor Information Document		
ICO	Initial coin offering			KYC	Know your customer		
ICOBS	Insurance: Conduct of Business Sourcebook			LCR	Liquidity coverage ratio		
ICPs	Insurance Core Principles			LEI	Legal Entity Identifier		
ICT	Information and Communication Technology			LIBOR	London Interbank Offered Rate		
IDD	The Insurance Distribution Directive (EU) 2016/97			MA	Matching Adjustment		
IFRS	International Financial Reporting Standards			MAD	Market Abuse Directive 2003/6/EC		
ILAA	Internal Liquidity Adequacy Assessment			MAR	Market Abuse Regulation (EU) 596/2014		
ILAAP	Internal Liquidity Adequacy Assessment Process			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		
ILS	Insurance-Linked Securities			MCD	Mortgage Credit Directive 2014/17/EU		
IMAP	Internal Model Approval Process			MCOB	Mortgages and Home Finance: Conduct of Business sourcebook		
IMCO	The European Parliament's Committee on Internal Market and Consumer Protection			MCR	Minimum Capital Requirement		
IMD	Insurance Mediation Directive 2002/92/EC						
IMF	International Monetary Fund						



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Member States	Countries which are members of the European Union			OFT	Office of Fair Trading		
MiFID	Markets in Financial Instruments Directive 2004/39/EC			Omnibus II	Second Directive amending existing legislation to reflect Lisbon Treaty and new supervisory infrastructure (2014/51/EU). Amends the Prospectus Directive (Directive 2003/71/EC) and Solvency II (Directive 2009/138/EC)		
MiFID II	Markets in Financial Instruments Directive (recast) 2014/65/EU – also used to refer to the regime under both this directive and MiFIR			ORSA	Own Risk Solvency Assessment		
MiFIR	Markets in Financial Instruments Regulation (EU) No 600/2014			O-SIIs	Other systemically important institutions		
MLRO	Money Laundering Reporting Officer			OTC	Over-The-Counter		
MMF	Money Market Fund			OTF	Organised trading facility		
MoJ	Ministry of Justice			PAD	Payment Accounts Directive 2014/92/EU		
MoU	Memorandum of Understanding			PERG	Perimeter Guidance Manual		
MPC	Monetary Policy Committee			PIFs	Personal investment firms		
MREL	Minimum requirements for own funds and eligible liabilities			PPI	Payment Protection Insurance		
MTF	Multilateral Trading Facility			PRA	Prudential Regulation Authority		
NBNI G-SIFI	Non-bank non-insurer global systemically important financial institution			Presidency	Member State which takes the leadership for negotiations in the Council: rotates on 6 monthly basis		
NCA	National competent authority			PRIIPs	Packaged retail and insurance-based investment products		
NDF	Non-Directive Firms – firms that do not fall within Solvency II			PSD2	The revised Payment Services Directive (EU) 2015/2366		
NFC	Non-financial counterparty under EMIR			PSP	Payment service provider		
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			PSR	Payment Systems Regulator		
NPE	Non-performing exposure			P2P	Peer to Peer		
NSFR	Net Stable Funding Ratio			QIS	Quantitative Impact Study		
NST	National specific template			QRT	Quantitative Reporting Template		
NURS	Non-UCITS Retail Scheme			RAO	Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)		
OECD	Organisation for Economic Cooperation and Development			RDR	Retail Distribution Review		
Official Journal	Official Journal of the European Union						

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REMIT	Regulation on wholesale energy markets integrity and transparency (EU) 1227/2011			SMF	Senior Manager Function		
RFB	Ring-fenced bank			SOCA	Serious Organised Crime Agency		
RFQ	Request for quote			SOFR	Secured Overnight Financing Rate		
RFRs	Risk-free rates			Solvency II	Directive 2009/138/EC		
RFRWG	The Risk-free Rate Working Group of the BoE			SONIA	Sterling Overnight Index Average		
RONIA	Repurchase Overnight Index Average			SPV	Special purpose vehicle		
RRPs	Recovery and Resolution Plans			SREP	Supervisory Review and Evaluation Process		
RTS	Regulatory Technical Standards			SRF	Single Resolution Fund		
RWA	Risk-weighted assets			SRM	Single Resolution Mechanism		
SARON	Swiss Average Rate Overnight			SRMR	Single Resolution Mechanism Regulation (EU) No 806/2014		
SCR	Solvency Capital Requirement (under Solvency II)			SRMR II	Single Resolution Mechanism Regulation (EU) 2019/877 amending SRMR		
SCV	Single customer view			SSM	Single Supervisory Mechanism		
SEC	Securities and Exchange Commission (US)			SSR	Short Selling Regulation (EU) 236/2012		
SEPA	Single Euro Payments Area			STS	Simple Transparent and Standardised (concerning securitisations)		
SFP	Structured finance product			SUP	FCA supervision manual		
SFT	Securities financing transaction			SYSC	The part of the FCA handbook titled senior management arrangements, systems and controls		
SFTR	Securities Financing Transactions Regulation (EU) 2015/2365			T2S	TARGET2-Securities		
SFO	Serious Fraud Office			TC	Treasury Committee		
SI	Systematic internaliser			TLAC	Total Loss Absorbing Capacity		
SIMF	Senior Insurer Manager Function			TMTF	Transitional Measure on Technical Provisions		
SIMR	Senior Insurer Managers Regime			TONA	Tokyo Overnight Average Rate		
SM&CR	Senior Managers and Certification Regime			TPR	The Pensions Regulator		
SME	Small and Medium sized Enterprises						

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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

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