

Being better informed

FS regulatory, accounting and audit bulletin

*PwC FS Regulatory Centre
of Excellence*

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In this issue:

- *LIBOR investigations*
- *EU and US OTC rules*
- *FiCOD consultation*
- *Remuneration rules*



Executive summary

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.



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August was the quietest month for regulatory developments that we have seen for several years, but this is just a temporary reprieve, as the EU is committed to finalising its raft of proposed legislation before the end of 2013.

Remuneration continues to preoccupy both regulators and senior management across all financial sectors. The G20 agenda has already driven through some change but much more is coming. In our feature article we review the changing regulatory landscape, and what firms need to review in their remuneration arrangements.

LIBOR reform continues to be a significant focus. Regulators reacted quickly to the July enforcement actions with legislative and policy proposals to reform the setting and governance of interest rate benchmarks. Following the EC's amended proposal in July to make benchmark manipulation an offence under MAD II/MAR, ECON has launched a consultation.

OTC derivative reform also pushed ahead in August. EMIR came into force on 16 August 2012, triggering reporting requirements. Firms need to collect trade reporting data from that date to prepare to meet the reporting requirements, which are likely to kick in from 1 July 2013 according to the draft RTS from ESMA.

In the US, final rules on swap definitions and record keeping were published in the Federal Register on 13 August 2012, triggering compliance dates for many Dodd-Frank Title VII rules. The CFTC also issued other final rules, no action letters and new proposed rules on swap trading.

EU politicians will grapple with finalising the CRD IV/CRR text over the next couple months. In August work on the underlying rules continued: the ESAs publishing a joint consultation paper on financial conglomerates' capital calculations, to harmonise the methods used to calculate supplementary capital.

September will bring seismic banking union proposals from the EC, which we

will be scrutinising closely. We are also going to see further developments on CRD IV, AIFMD and EMIR, along with final guidance on key short selling rule issues. The summer respite is over – get ready for a busy autumn!

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How to read this bulletin?

Review the Table of Contents of the relevant Sector sections to identify the news of interest.

You can go directly to the topic/article of interest by clicking in the *active links* (activated by pressing the Control key + and the hyperlinked article title) within the Table of Contents.

Hyperlinks to the source documents are provided in each article. These are also activated by pressing the Control key and the hyperlinked document title.

Contents

<i>Executive summary</i>	<i>1</i>
<i>Reward regulations in financial services</i>	<i>3</i>
<i>Cross sector announcements</i>	<i>6</i>
<i>Banking and Capital Markets supplement</i>	<i>15</i>
<i>Insurance supplement</i>	<i>17</i>
<i>Calendar</i>	<i>19</i>
<i>PwC insights</i>	<i>25</i>
<i>Glossary</i>	<i>26</i>
<i>Contacts</i>	<i>29</i>

Reward regulations in financial services

The global financial crisis led to increased scrutiny of financial services sector remuneration policies and practices by politicians, regulators, media and the public. This has resulted in a multitude of new national and international legislation and guidelines designed to control remuneration and incentive policies which were seen as inappropriate by many.

Remuneration rules today

Following the financial crisis, the FSB and a number of national regulators reviewed the remuneration governance and structural arrangements within the financial services sector. The main conclusions were that:

- firms and regulators had failed to appreciate the extent to which remuneration policies and practices could encourage excessive risk taking
- remuneration structures could encourage excessive risk taking by focusing on cash-based, short-term incentives, and that bonus pool calculations did not sufficiently take

account of firms' capital and liquidity costs and risks

- performance management systems focused too heavily on financial performance and did not take into account either multi-year financial performance and non-financial performance factors.

The FSB formalised its conclusions in a set of principles published in April 2009, *Principles for Sound Compensation Practices*, later supplemented by the Principles for Sound Compensation Practices - *Implementation Standards* (together, "the Principles") in September 2009. National regulators then began drawing up plans for implementing the Principles into national regulations. In the US, the FRB published a set of high level guidance in late 2009 and in the UK, the FSA implemented its first Remuneration Code ("Code") in January 2010. The EC also produced proposals for incorporating remuneration rules into CRD III during 2009: a final text was agreed by the co-legislators in July 2010 and came into

force in January 2011. The FSA then revised its Code to take account of the CRD III requirements, and other EU regulators enacted national legislation or supervisory rules similar to the FSA's updated Code.

The Principles represent the globally accepted standards but countries have implemented the Principles in different ways. Some jurisdictions, particularly the EU Member States, have implemented the Principles through legislation or binding requirements while other jurisdictions implemented them as guidance.

Key themes

The following themes are consistent among the international standards and national rules:

Governance & Process

Remuneration governance systems and processes are uniformly required in all rule sets - risk management functions are critical for preventing excessive risk taking by staff and in encouraging effective risk management throughout a firm.

Remuneration committees (or equivalent) should oversee remuneration policies for, and decisions by, senior management and material risk takers. The remuneration committee should reward senior employees in a manner that encourages the long-term success of the firm, rather than a short-term growth perspective.

Risk Adjustment & Performance Management

The calculations of variable bonus pools should be based on net profits and should consider cost of capital and liquidity requirements, as well as the current and future risks facing the organisation. Individual allocations of variable remuneration should be based on a combination of the performance of the individual, business unit and firm. The measurements of performance should consider a range of metrics, including both financial and non-financial factors.

Disclosure

Regulators have increased the disclosure requirements relating to

compensation paid to senior management and material risk takers, drawing more individuals into the scope of disclosure requirements and requiring more detailed information. Many remuneration rules now also require quantitative disclosures and descriptions of governance arrangements, design features of compensation arrangements and require firms to better establish the link between pay and performance.

Control Function Remuneration

Performance factors for risk and compliance officers should exclude the financial performance of business areas they oversee. The remuneration committee should directly oversee remuneration of senior risk and compliance officers.

Remuneration Structures

Prescriptive requirements relating to remuneration structures, in particular deferral requirements, have often been the biggest area of focus. For example staff who have been identified as senior management or “risk takers” under CRD III may be required (dependent on proportionality provisions relating to the nature, scale and complexity of the organisation) to defer 40%, sometimes 60%, of variable remuneration for a

period of no less than three years. At least 50% of all this variable compensation must be delivered in shares or share linked instruments.

In addition we have seen regulators scrutinize the ratio of fixed to variable pay, and apply restrictions on the use of guarantees, severance payments and retention awards.

Developments in the next 12 months

CRD IV – expanding the remuneration regime

The primary purpose of CRD IV is to implement the Basel III capital rules into the EU law. But CRD IV is also expected to include some important changes to the existing CRD III remuneration rules:

- **Fixed to variable remuneration ratios** – The EP focussed squarely on this issue, introducing many amendments to the EC’s proposals. The final compromise adopted by the ECON Committee in May 2012 was for a 1:1 ratio of fixed remuneration to variable, so, according to their position, annual bonuses will not be allowed to exceed base salary. The Council does not support this move but the

EP’s position is entrenched and so the outcome of their joint negotiations is uncertain.

- **Code Staff criteria** - The EBA has highlighted the low number of Identified Staff (known as Code Staff in the UK), identified by EU banks as a proportion of total employees. The EBA is preparing another set of draft regulatory technical standards to clarify (and amend) the current CEBS December 2010 guidelines’ criteria used to identify material risk takers.
- **Capital instruments** - The EBA has also been tasked by the EC to develop a technical standard to specify the classes of capital instruments that can serve as alternatives to shares under CRD III. At present the conditions are so restrictive that no firm has been able to satisfy them. New rules should give banks greater flexibility in the way they structure their bonus deferral plans for Code Staff.
- **Enhanced disclosure requirements** – CRD IV builds on the disclosure requirements in CRD III which requires firms to disclose the number of employees who receive remuneration above €1m.

Disclosure must break down such staff salaries into bands of €500k as part of banks’ Pillar III disclosures.

AIFMD – requirements aligned to other rules

The remuneration aspects of AIFMD borrow heavily from CRD III and must be implemented by EU Member States by 22 July 2013. Firms have discretion to apply proportionality in implementing the rules, and this will be a key element to determining the impact of the following key AIFMD requirements:

- Identified staff – potential to be more onerous than requirements
- Deferral / share-like instruments – potential to be more onerous than current Tier 4 Code requirements
- Disclosure – aligned to CRD III requirements
- Carried interest – whether this is classified as remuneration and if so how it is valued.

The ‘cut and paste’ approach to applying high level remuneration principles to different regulations presents some significant implementation challenges for regulators. Further, it increases the

risk of unintended consequences by imposing regulations originally designed for large banks on agency model businesses.

What firms need to consider now

Firms should consider how their remuneration governance, policies and structures are documented and ensure that they can demonstrate both adequate documentation of processes and compliance with the regulations. Going forward, we expect that regulators will increasingly focus on the capital, liquidity and risk management aspects of remuneration.

We advise firms to assess the following issues when assessing their remuneration arrangements:

- **Bonus pools.** How do you take into account capital and liquidity costs, and risk adjustments as part of bonus pool calculations? The combination of higher capital and liquidity costs with lower financial performance (likely in an increasingly challenging business environment) will mean that bonus pools will be under significant pressure. This pressure will increase further if, as appears increasingly likely, limits or restrictions on levels

of variable remuneration are introduced. Firms must consider alternative structures and benefits schemes.

- **Threats to talent.** CRD IV remuneration rules could be effective from 1 January 2013, impacting FY2012/13 variable remuneration paid after this date. Consider the impact of the new restrictions on variable remuneration levels on staff turnover, and begin creating a talent contingency plan.
- **Expansion of remuneration compliance reporting obligations.** Consider the impact of changes to Code Staff criteria, which will increase the numbers of staff subject to the Code, on existing remuneration governance structures and processes. Do you have adequate staff and infrastructure resources to manage the increased compliance obligations?
- **Alternatives to cash and shares.** The EBA's technical standard on capital instruments will give firms greater flexibility in how to structure deferred compensation arrangements, particularly for Code Staff.

If your firm has yet to undertake a review of remuneration arrangements (including significant improvements in your risk adjustment processes) to prepare for the regulatory changes on the horizon, planning should be undertaken at the earliest opportunity. Increasing regulation is bringing more organisations and staff into the scope of remuneration rules and disclosure obligations and will limit existing compensation structures for many staff – changes which will have significant commercial impact. Such an exercise may involve engaging with parent companies, so review and remediation periods should be planned with adequate time for implementation and embedding new processes across group companies.

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Cross sector announcements

In this section:

Regulation 7

Capital and liquidity 7

ESAs consult on conglomerate capital calculations 7

Dodd-Frank Act 7

Key Dodd-Frank Act Title VII dates set 7

Final Title VII rules published in Federal Register 7

CFTC approves final Title VII rules 7

CFTC proposes new Title VII rules 8

CFTC other Title VII announcements 8

ISDA publishes Dodd-Frank Protocol and cleared swap addendum 8

Enforcement 9

ECON seeks help to 'fix' LIBOR 9

Financial crime 9

ESAs strengthen AML supervision for payment institutions 9

Market infrastructure 9

Basel Committee calls for improved FX settlement risk 9

ECB T2S guidelines published in Official Journal 10

ESRB advises on EMIR OTC derivative use and collateral 10

ESMA publishes EMIR CP responses 11

FSB reports on LEI developments 11

FSB consults on where to locate new LEI entities 11

MiFID 12

ESMA updates MiFID pre-trade transparency waivers 12

ESMA publishes translations of MiFID suitability guidelines 12

Operating rules and standards 12

ESMA publishes SSR statement 12

Other regulatory 12

IOSCO consults on technology challenges to market surveillance 12

RRP 13

FSB launches peer review of resolution regimes 13

Shadow Banking 13

ECON publishes draft report on shadow banking 13

Accounting 14

IFRS 14

PwC updates illustrative IFRS consolidated financial statements for 2012 year ends 14

Practical guide to IFRS - Revenue from contracts with customers: Ready, set, redeliberate 14

IFRS news 14

Accounting briefing 14

Impairment model for financial assets 14

Regulation

Capital and liquidity

ESAs consult on conglomerate capital calculations

The ESAs published a *Joint Consultation Paper on Draft Regulatory Technical Standards on the uniform conditions of application of the calculation methods under Article 6.2 of the Financial Conglomerates Directive* (the CP) on 31 August 2012. The CP sets out specifications to ensure the uniform application of the calculation methods for determining the amount of capital required at the level of the financial conglomerate.

CRR/CRD IV requires the ESAs to harmonise the three methods currently used to calculate supplementary capital requirements, namely:

1. method 1: accounting consolidation- calculated on the basis on the consolidate position of the group
2. method 2: deduction and aggregation method- based on the accounts of solo entities

3. method 3: combination of methods - combination of method 1 & 2, where the use of either method alone would not be appropriate.

The CP sets out uniform specifications for the three methods, in particular the transferability and availability of own funds and the treatment of deficits at financial conglomerate level. It also specifies that multiple gearing and intra-group creation of own funds must be avoided.

The consultation closes on
5 October 2012.

Dodd-Frank Act

Key Dodd-Frank Act Title VII dates set

A number of important developments in August moved the Dodd-Frank Act Title VII OTC derivatives rules closer to implementation. The most critical development was the publication of the SEC/CFTC joint rules defining certain swap definitions and record keeping requirements, an event which triggered the effective compliance dates for many Dodd-Frank Title VII requirements.

Other developments included CFTC's publication of final rules on documentation and certain risk

management requirements, including reconciliations and the CFTC's consultation on the first set of derivative contracts which may be subject to US mandatory clearing obligations. These rules will likely influence policies in other jurisdictions which have not yet completed detailed OTC derivatives trading, clearing and reporting standards.

Final Title VII rules published in Federal Register

Further Definition of "Swap," "Security-Based Swap," and "Security-Based Swap Agreement"; Mixed Swaps; Security-Based Swap Agreement Recordkeeping; on 13 August 2012. The SEC together with the CFTC have added rules under the Securities Exchange Act of 1934 and provide interpretations regarding which products would – and would not – be considered a “swap” or a “security-based swap.” The rules also identify which Title VII contracts are swaps subject to CFTC regulation, security-based swaps subject to SEC regulation, or mixed swaps subject to regulation by the CFTC and the SEC. The rules come into force on 12 October 2012.

Conforming rule on registration of intermediaries was published in the Federal Register on 28 August 2012. These CFTC rules are intended to create uniformity in treatment of previously regulated and newly regulated commodity interest transactions (e.g., swaps and futures) by registered intermediaries, such as futures commission merchants (FCM) and other registrants. The rule comes into force on 29 October 2012.

CFTC approves final Title VII rules Final Rules Establishing Swap Dealer and Major Swap Participant Requirements for Swap Trading Relationship Documentation, Swap Confirmation, Reconciliation and Compression of Swap Portfolios was published by the CFTC on 27 August. Confirmation, portfolio reconciliation, and portfolio compression have been recognized as essential post-trade processing mechanisms for reducing risk and improving operational efficiency. These rules also will help highlight risk management concerns for swap dealer and major swap participant senior management and regulators at an earlier stage. The rules come into

force 60 days after publication in the Federal Register.

CFTC proposes new Title VII rules Clearing Requirement Determination was published in the Federal Register on 8 August 2012. The rules include details of credit default swaps and interest rate swaps which will likely be the first set of derivative contracts subject to mandatory clearing. The comment period closed on **9 September 2012**.

Inter-Affiliate Clearing Exemption was published in the Federal Register on 21 August 2012. The rules would exempt certain types of inter-affiliate swaps. The CFTC is considering whether alternative methods of counterparty risk mitigation may be appropriate for swaps between majority-owned affiliates of the same corporate group. The comment period closes on **20 September 2012**.

Conforming Amendments to Part 4 Regulations Governing Operations and Activities of Commodity Pool Operators (CPOs) and Commodity Trading Advisers (CTAs) was published by the CFTC on 23 August 2012 (Federal Register 5 September

2012). The Dodd-Frank Act broadened the CPO and CTA definitions in the Commodity Exchange Act (CEA) to include swap-related activity. The CFTC amendments revise Part 4 of the CEA by requiring CPOs and CTAs to include information on swap intermediaries and activities under the disclosure, reporting and recordkeeping requirements under Part 4. CPOs and CTAs will now be subject to the same regulatory structure for both their futures and swaps activities.

CFTC other Title VII announcements Temporary no-action relief to persons eligible for the trade option exemption was published on 14 August 2012, allowing market participants to rely on the trade option exemption found under CFTC regulation 32.3. The relief expires on the earlier of December 31, 2012 or the effective date of any final action taken by the Commission in response to comments on the CFTC's Trade Option Exemption Interim Final Rules.

Frequently asked questions (FAQ) on Commodity Pool Operators a(CPO) nd Commodity Trading Advisers (CTA): Amendments to compliance

obligations was published on 14 August 2012. The FAQ addresses common CPO/CTA registration and compliance issues: compliance dates, wholly owned subsidiaries, trading limits, and the process for transitioning from exempt status under CFTC regulation 4.13(a)(4) to registration or relief under another exemption.

CICI website for market participants to register for CFTC Interim Compliant Identifiers (CICIs) was launched on 21 August 2012. CICIs are LEIs which will be used by registered entities and swap counterparties in complying with the CFTC's swap data reporting regulations (until after a global LEI is adopted). The CFTC appointed DTCC-SWIFT as a CICI provider on 24 July 2012. DTCC created a *frequently asked questions* site, which includes information on when swap dealers, major swap participants and end users (swap parties who are not SDs or MSPs) must register for CICIs.

ISDA publishes Dodd-Frank Protocol and cleared swap addendum

ISDA published its *ISDA August 2012 DF Protocol* (DF Protocol) on 13 August 2012. The DF Protocol contains a suite

of documents designed to help derivative trading entities meet their Dodd-Frank Act Title VII obligations, the first of which takes effect on 12 October 2012.

The DF Protocol is the first of a series of protocols (a multilateral contractual amendment process) created by the ISDA Dodd-Frank Documentation Initiative. The DF protocol amendment process is not legally required, however counterparties who seek to use the DF Protocol must adhere to protocol instructions on the ISDA website.

The DF Protocol supplements existing ISDA agreements by incorporating notices, representations, warranties and covenants to address Dodd-Frank Title VII requirements. ISDA advises derivative traders to obtain legal advice as to whether the DF Protocol terms address their situation, products and types of counterparties.

Unlike other ISDA protocols, which are effective solely through execution of an adherence letter by each party to an ISDA Master Agreement, the DF Protocol requires counterparties to complete additional documentation. To automate the information gathering

process and to facilitate electronic contractual amendments, ISDA and trading technology firm Markit have launched *ISDA Amend*, a Markit-built technology platform.

ISDA anticipates publishing more documentation amendments as final Dodd-Frank Act Title VII rules are published. Rules addressing margin for uncleared swaps, swap documentation, and portfolio reconciliation, compression and dispute resolution (published by the CFTC on 27 August 2012) will all likely require further changes to ISDA documentation.

Separately, ISDA and the US Futures Industry Association (FIA) published the *FIA-ISDA Cleared Futures Addendum* (the addendum) on 29 August 2012. The addendum is a template that can be used by US futures commission merchants (FCMs) and their customers to document their dealings in OTC swaps. It includes representations for each party to make regarding certain clearing-related matters, such as the treatment of customer collateral. The Addendum also sets forth the close-out methodology for cleared OTC swaps,

the triggers for liquidation, and provisions for valuing the terminated trades. In addition, the Addendum contains provisions governing tax issues regarding cleared OTC transactions.

The addendum is designed to supplement futures and options agreements between US FCMs and their customers. "As the financial industry moves toward central clearing for OTC derivatives transactions, there is a growing need for standard documentation such as this Addendum," said FIA President and CEO Walt Lukken.

Enforcement

ECON seeks help to 'fix' LIBOR

ECON published a *Questionnaire for the Public consultation on Market Manipulation: Lessons and Reform post LIBOR/EURIBOR* on 20 August 2012.

This questionnaire addresses the EC's *amendments* to its MAD II legislative proposals, adopted on 25 July. The amendments will prohibit the manipulation of benchmarks, including LIBOR and EURIBOR, and make such

manipulation a criminal offence. Arlene McCarthy MEP, ECON's Vice President and Rapporteur on for MAD II, drafted the questionnaire to obtain industry views on the amendments and to seek suggestions on other measures to protect the integrity and quality of benchmarks, improve their operation and governance and raise investor confidence in light of the scandal.

The consultation closes on **17 September 2012**. The amendments may delay the timetable for implementation of MAD II. ECON's was scheduled to vote on the MAD II proposed legislation on 20 September 2012, but the vote will be postponed to incorporate amendments related to the revised proposals.

Financial crime

ESAs strengthen AML supervision for payment institutions

The ESAs published a *Supervisory Protocol for Cooperation in the field of Anti-money Laundering* on 2 August 2012. The Protocol facilitates cross-border information exchange between home and host payment institution supervisors. The Protocol focuses on supervisory issues relating to AML

obligations under AML3 and the Payment Services Directive.

The document addresses:

- Principles of cooperation that apply to the Protocol
- Areas of common understanding
- Passport notification and registration process
- Supervision of the payment institution's activities through its agents and branches
- Confidentiality

The Protocol is non-binding guidance which sets out a structure for cooperation and coordination between national supervisors. The Protocol does not replace or derogate national laws, which may give supervisors powers and responsibilities beyond the Protocol.

Market infrastructure

Basel Committee calls for improved FX settlement risk

The Basel Committee published its consultation *Supervisory guidance for managing risks associated with the settlement of foreign exchange transactions* on 17 August 2012.

The consultation updates guidance on foreign exchange (FX) settlement risks, addressing governance, principal risk, replacement cost risk, liquidity risk, operational risk, legal risk and capital requirements for FX transactions. The updated guidance includes a new section on payment-versus-payment (PVP) settlement mechanisms, which were nascent when the original guidance was published in 2000.

The Basel Committee believes that banks should reduce principal risk in PVP settled transactions by using financial market infrastructures that provide PVP arrangements. Where PVP settlement is not practicable, banks should identify, measure, control and reduce the size and duration of the remaining principal risk.

The updated guidance only refers to trades with two settlement payment flows, such as FX spot transactions, FX forwards, FX swaps, deliverable FX options and currency swaps involving exchange of principal are all within scope.

The consultation closes on
12 October 2012.

ECB T2S guidelines published in Official Journal

The ECB's Guidelines on TARGET2-Securities (T2S) (ECB/2012/13) were published in the Official Journal on 11 August 2012.

T2S is a European securities settlement platform which offers centralised delivery-versus-payment (DvP) settlement in central bank funds across all European securities markets. The migration phase to T2S should start in 2015.

Four central banks (Deutsche Bundesbank, the Banco de España, Banque de France and the Banca d'Italia) are developing and will operate T2S on behalf of the Eurosystem. The Guidelines task these central banks to build the infrastructure to support T2S; provide the technical components and documentation of the settlement system; obtain all licences necessary to operate the system; and provide training and operational support to participants.

The ECB's Governing Council is the ultimate decision making body for T2S, with support from the T2S Board. The Guidelines lay down the internal

governance arrangements for T2S, in particular the formation and composition of the T2S Board and how it interacts with other stakeholders.

The ECB adopted the Guidelines on 18 July 2012, and they came into force two days later. The Guidelines repeal the original guidelines (ECB/2010/2) which the ECB adopted in 2010.

ESRB advises on EMIR OTC derivative use and collateral

ESRB published its advice to ESMA on the Use of OTC Derivatives by non-financial corporations (OTC Paper) and the Eligibility of Collateral for CCPs (Collateral Paper) on 29 August 2012. Both papers were accompanied by macro prudential stances, which consider the systemic risk of the ESRB's recommendations. ESMA requested ESRB's input as part of its consultation on Draft Technical Standards for the Regulation on OTC Derivatives, CCPs and Trade Repositories (ESMA CP), published on 25 June 2012.

In the OTC Paper the ESRB confirmed ESMA's view that non-financial firms should be required to clear derivatives through CCPs and endorsed ESMA's detailed definitions of commercial and

treasury financing activities. The ESRB also supported ESMA's position that clearing thresholds for non-financial corporations should be based on clear macro prudential principles. The ESRB however suggests a more granular two-step process to determination of the thresholds relating to non-financial firms.

In the Collateral Paper the ESRB proposed collateral requirements which would ensure certainty over the transferability, essentially limiting collateral to only securities that are listed and publicly traded. Also, under current practice, securities issued by clearing members may posted as collateral by other clearing members. The ESRB recommends that this practice should either be limited or that firms should be subject to haircuts (capital charges). However, the haircut methodology should minimise sudden and large capital requirement increases during times of market stress (i.e. to mitigate pro-cyclicality). The ESRB also advises that CCPs should reduce their reliance on CRA ratings, in favour of CCPs' own internal risk models.

EMIR requires ESMA to deliver its proposed draft technical standards to the EC by 30 September 2012. EMIR also requires the EBA to deliver its recommendations on CCP capital standards at the same time.

ESMA publishes EMIR CP responses

ESMA published *responses* to its June 2012 EMIR *Consultation on draft technical standards for OTC Derivatives, CCPs and trade repositories* on 10 August 2012.

More than 100 responses were received from a variety of international stakeholders (firms, trade bodies, services providers, and market infrastructure representatives).

As indicated above, ESMA is due to deliver its final draft technical standards on issues covered by the consultation to the EC by 30 September 2012. The EC will then have up to three months to endorse them.

ESMA is expected to publish separate consultations on issues relating to third countries and collateral requirements for non-cleared trades later this year.

FSB reports on LEI developments

The FSB reported the following LEI announcements in August:

- *Launch of the LEI Private Sector Preparatory Group (PSPG)* (3 August 2012). The PSPG, including representatives from more than 100 institutions and 25 countries, supports the LEI Implementation Group (IG). The PSPG held its first meeting on 25 July in New York City to begin its work to gather industry views on LEI issues. The PSPG work is organised under three work streams: Governance and Legal frameworks, Operations and Data.
- *Views on jurisdiction in which to establish the LEI Foundation and Central Operating Unit (COU) of the LEI system* (10 August 2012). The FSB Secretariat called for legal experts to recommend a jurisdiction in which to domicile the future LEI Foundation (a not-for-profit organisation that will create the COU) and the COU (a separate legal entity tasked to ensure the application of uniform LEI standards and protocols and to maintain a centralised database of identifiers and corresponding reference data). The FSB also requested that legal experts submit proposals on legal structures for each of the FSB and COU entities in the proposed jurisdictions. The response period closed on 10 September 2012.
- *LEI System Operational Solutions Demonstration Day* (22 August 2012). The IG has scheduled an LEI Operational Solutions Demonstration day on 15 October 2012 in Basel, Switzerland. Participants are invited to demonstrate operational proposals and solutions which will advance the development of the global LEI system. The IG also invites participants to demonstrate identification systems which are used in other industries but may be relevant to the LEI. Nominations must be received by 22 September 2012.
- *Progress note on Global LEI initiative* (23 August 2012). This report is the first of a series of reports that the IG will provide every three weeks. The inaugural

report discusses the creation of the IG, the PSPG and the charter for the Regulatory Oversight Committee (ROC), as well as operations, ownership and hierarchy priorities for the project.

The report also notes that the CFTC announced in July that it had designated DTCC/SWIFT as the provider of the US Interim Compliant Identifiers (CICIs) for a two year period, after which time it intends to adopt the FSB LEI regime. IG members are monitoring early mover decisions closely, to ensure that they do not have an adverse impact on the costs or operational flexibility of the global system, for instance by locking the future global LEI system into early, local technical system design choices.

FSB consults on where to locate new LEI entities

The FSB published its consultation *Seeking views on matters regarding the jurisdiction for establishment of the Global Legal Entity Identifier (LEI) Foundation and Central Operating*

Unit (COU) of the global LEI system on 10 August 2012.

The FSB seeks legal experts on the most appropriate jurisdiction in which it should establish two new bodies: the Global LEI Foundation (the Foundation) and the COU. Legal experts should consider the intellectual property and data protection laws, tax legislation, regulatory framework and judicial system when suggesting a potential domicile for the Foundation and COU.

Industry views will aid the LEI Implementation Group, including members Ben Higgin and Chris Pullano from our firm, with steering the formation of the global LEI system. The first meeting of the LEI Group took place in New York City on 25 July 2012.

The consultation closes on **10 September 2012**.

MiFID

ESMA updates MiFID pre-trade transparency waivers

ESMA updated its Waivers from Pre-trade Transparency Q&A document on 8 August 2012, including new examples for the order management facility

waiver under Article 18(2) of the MiFID Implementing Regulation. ESMA's Q&As aim to promote supervisory convergence as well as clarity and certainty for firms.

ESMA publishes translations of MiFID suitability guidelines

ESMA published the official translations of its guidelines on certain aspects of MiFID suitability requirements on 21 August 2012. This triggers a two month period during which national supervisors must confirm their intention to comply (or their compliance) or explain why not. In the absence of a response, a supervisor will be considered non-compliant.

The guidelines will apply 60 days after the above reporting deadline on 20 December 2012.

Operating rules and standards

ESMA publishes SSR statement

ESMA issued a Statement- Short Selling Regulation Update on 30 August 2012. The statement alerts market participants to a forthcoming consultation on the notification

procedure for market making and authorised primary dealer exemptions which ESMA expects to issue in mid-September. It expects supervisors and firms to use the CP as guidance for the procedure pending final rules in light of fact that firms are permitted to submit such notifications from 1 September 2012 under SSR in anticipation of the regime going live on 1 November 2012.

Other regulatory

IOSCO consults on technology challenges to market surveillance

IOSCO released its consultation, Technology Challenges to Effective Market Surveillance Issues and Regulatory Tools on 22 August 2012. The consultation is addressed to financial supervisors and is designed to improve regulatory market surveillance.

In its review of market practices, IOSCO found that current surveillance tools are insufficient; inter alia, they do not capture data in time to detect market abuse behaviour and/or rule breaches and data errors. IOSCO also found wide differences on what data is collected, how it is collected and the level of cooperation across

jurisdictions. It noted disparities in regulatory data reported even by different trading venues within one jurisdiction.

IOSCO recommends that supervisors:

- ensure they have the necessary legal, organisational and technical capabilities to monitor trading venues effectively
- periodically review and update their surveillance capabilities in light of market developments and technology advances
- use direct market participant identifier codes to associate the customer and market participant with each other and transaction
- require firms to report data in a usable and consistent format
- implement security safeguards to protect all reported data
- require trading venues and their participants to synchronise the business clocks they use to record the date and time of any reportable event

- understand the extent of their cross-border surveillance capabilities

The consultation closes on
10 October 2012.

The draft report now goes to the full ECON Committee for endorsement before final adoption.

RRP

FSB launches peer review of resolution regimes

The FSB published a questionnaire *Thematic Peer Review of Resolution Regimes* (Peer Review questionnaire) on 3 August 2012 to launch its international review of resolution rules. This follows the publication of its high level standards in its *Key Attributes of Effective Resolution Regimes for Financial Institutions* (Key Attributes) in November 2011.

The Key Attributes apply to systematically significant financial institutions across all financial sectors (banking, insurance, securities, and financial market infrastructures).

The Peer Review will assist the FSB in developing a methodology that provides greater technical detail than the high

level standards available in the Key Attributes. The FSB will also compare existing regimes and planned reforms against the Key Attributes benchmark. It will use the review to identify best practices and any material gaps in resolution standards.

The first section of the questionnaire seeks information on lessons learned in implementing resolution regimes and the plans and timelines required to implement reforms. The second section seeks information on implementation of the Key Attributes in resolution regimes across different financial sectors in each jurisdiction.

The questionnaire requires national authorities to cover resolution regimes for all financial sectors within their countries in the response.

Responses are due by **28 September 2012.**

Shadow Banking

ECON publishes draft report on shadow banking

ECON published its draft *Own Initiative Report on Shadow Banking* on 23 August 2012.

It calls for legislative proposals to:

- impose capital requirements on liquidity lines provided to structured investment vehicles
- set a large exposure limit of 25% of own funds for all unregulated entities
- extend CRD IV to include non-deposit taking finance companies that are not captured by the CRR.

It also envisages that all shadow banking entities, linked or sponsored by a bank, should be included in a bank's balance sheet for prudential consolidation purposes.

ECON wants to limit the number of times a financial product can be securitised, requiring securitisation originators to retain a financial interest in the product and to introduce a requirement for independent valuation of the underlying assets and requirements to standardise securitisation products.

The report highlights that money market funds (MMFs), in particular those offering a stable net asset value to investors, are susceptible to runs and

stresses. ECON want MMFs to either adopt a variable asset value (floating NAV) with daily mark-to-market valuations, or, for funds that maintain a constant value, be subject to capital requirements.

Accounting¹

IFRS

PwC updates illustrative IFRS consolidated financial statements for 2012 year ends

PwC has updated the *financial statements* for financial years beginning on or after 1 January 2012 for a fictional entity to illustrate the disclosure and presentation requirements of the IFRS standards and interpretations.

The entity is an existing preparer of IFRS financial statements. There are appendices for early adopters of IFRS 9, 'Financial instruments', IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint arrangements' IFRS 12, 'Disclosure of interests in other entities', IFRS 13 'Fair value measurement', IAS 19 (revised), 'Employee benefits' and IAS 1 (amendment), 'Statement of profit or loss and other comprehensive income'.

¹ This section includes accounting developments with a direct or potential impact on the financial services industry only.

Practical guide to IFRS - Revenue from contracts with customers: Ready, set, redeliberate

Our *practical guide* summarises the IASB and FASB redeliberations and tentative decisions made during the July board meeting, and the potential effects on certain industries.

IFRS news

IFRS news is our monthly newsletter highlighting developments at the IASB. The *July/August 2012 edition* addresses the following issues:

- IFRS and IASB Boards could diverge on impairment proposals
- EU endorses five standards with later effective dates
- Cannon Street press:
 - Leasing re-deliberations
 - Revenue update
 - SEC's 'work plan'
 - Transition guidance for IFRSs 10, 11 and 12
 - Accounting for rate-regulated activities
- IFRS quiz: cash flow statement

- country profile: Russia

Accounting briefing

Accounting briefing is our newsletter considering practical issues for the UK accountant. The *August 2012* edition looks at the following:

- new UK GAAP
- directors' remuneration
- recent corporation tax enactments
- economic downturn – accounting issues.

Impairment model for financial assets

Over the past months, the IASB and FASB jointly deliberated a proposed “three bucket” impairment model for financial assets. The FASB met recently to discuss the next steps for the project. Our Straight Away alert '*Will the IASB and FASB impairment models be converged?*' looks at progress and next steps.

Banking and Capital Markets supplement

In this section:

Regulation	16
Capital and liquidity	16
EBA postpones FINREP	16
ECB adopt measures to support bank lending	16

Banking & Capital Markets



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Regulation

Capital and liquidity

EBA postpones FINREP

In an *Update on the finalisation and implementation of the standards on supervisory reporting*, the EBA announced on 31 July 2012 that FINREP implementation will be postponed until 1 January 2014 because it has not finalised the ITS on supervisory reporting under the CRR regime.

The EBA is waiting on the EP, Council and the EC to agree the final texts for CRD IV and CRR before issuing the final ITS on supervisory reporting. However with the implementation date of CRR remaining fixed this leaves institutions in a difficult position.

However, the EBA recognises the technological and other challenges firms face in complying with the CRR, and the related common regulatory reporting regime (COREP). Therefore some data requirements may be phased-in, particularly those not directly used to assess compliance with specific CRR requirements.

In a *Statement on CRD IV's implementation* on 1 August 2012, the FSA stated 'it does not appear feasible' for CRR to come into force on 1 January 2013. However, the EBA has given no indication otherwise: CRR is still likely to come into force on 1 January 2013, with national supervisors being required to check firms' compliance at that date.

ECB adopt measures to support bank lending

ECB's Governing Council *repealed* *ECB/2011/25*, adopted *Guideline ECB/2012/18 and amended Guideline ECB/2007/9* on 2 August 2012. These measures transform ECB/2011/25 into a Guideline which national central banks (NCBs) can implement in their contractual or regulatory arrangements. The Guidelines relate to Eurosystem refinancing operations and eligibility of collateral to support credit and liquidity in the Euroarea.

This change means that the ECB and NCBs may decide that counterparties may reduce the amount of, or terminate, certain longer-term refinancing operations before maturity, in certain circumstances.

Also, NCBs will have more flexibility to widen the scope of eligible collateral to include asset back securities whose underlying assets include exclusively either residential mortgages or loans to small and medium-sized enterprises.

Insurance supplement

In this section:

Regulation 18

Other regulatory 18

EIOPA Annual Report 2011 18

Solvency II 18

EU delays to the Omnibus II plenary vote 18

Accounting 18

IFRS 18

IASB Insurance Contracts Project – IFRS 4 Phase II 18

Insurance



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Regulation

Other regulatory

EIOPA Annual Report 2011

EIOPA has published the *Summary of their Annual Report 2011* in all the EU official languages.

Solvency II

Solvency II is a fundamental review of the prudential regulatory requirements for the European insurance industry. The timetable set out in a short amending Directive, passed by the EP on 3 July 2012, requires the transposition of the Solvency II Directive by Member States by 30 June 2013, with 1 January 2014 the date for implementation.

The Omnibus II Directive will amend Solvency II to specify areas of, and timing for, further Solvency II legislation; to incorporate new powers given to EIOPA and make a number of other technical amendments.

Trilogue discussions are taking place between the EC, ECON and the Council to reach agreement on the Omnibus II proposals. Reaching political

agreement in trilogue signals the finalisation of the legislative process, however, the EU legislators failed to reach an agreement prior to the summer legislative recess, and the resulting delay adds to continued uncertainty around the Solvency II implementation timetable and publication of final rules. The next trialogue discussion is scheduled for 18 September 2012.

EU delays to the Omnibus II plenary vote

In light of delay in finalising the trilogue negotiations, the EP revised again in August its indicative *date* for the plenary vote on Omnibus II to **20 November 2012**. This brings home the fact that the timeline for a 1 January 2014 launch of the new regime is being seriously squeezed through the difficult and extended trilogue negotiations.

Accounting²

IFRS

IASB Insurance Contracts Project – IFRS 4 Phase II

The IASB is working alongside the FASB to develop a harmonised IFRS for insurance contracts, although differences remain between the IASB and FASB's tentative decisions. The IASB expects to publish a review draft or revised exposure draft (ED) during the second half of 2012. In their *joint note* on accounting convergence, the IASB and FASB Boards indicated that on the basis of their current plan, they could issue the final insurance contract standard in 2013. The final standard is not expected to be effective before 1 January 2015. For further background information see our *webpage* on this project and also the IASB's high level project summary in the Current Status on Insurance Contracts.

The IASB and FASB will continue their discussion at their joint meeting in the week commencing 17 September 2012, which will continue in the week commencing 24 September.

² This section includes accounting developments with a direct or potential on the financial services industry only.

Calendar

Open consultations

Closing date for responses	Paper	Institution
14/09/12	<u>Consultation paper – adaptation to cross-CSD settlements in T2S</u>	ECB
15/09/12	<u>Draft regulatory technical standards for credit valuation adjustment risk on the determination of a proxy spread and the specification of a limited number of smaller portfolios (EBA/CP/2012/09)</u>	EBA
17/09/12	<u>ECON questionnaire for the public consultation on market manipulation: lessons and reform post LIBOR/EURIBOR</u>	EP
25/09/12	<u>Consultation on recallability of repo and reverse repo arrangements</u>	ESMA
27/09/12	<u>Consultation paper – guidelines on sound remuneration policies under the AIFMD</u>	ESMA
28/09/12	<u>Thematic peer review of resolution regimes</u>	FSB
28/09/12	<u>Consultation on margin requirements for non-centrally cleared derivatives</u>	BIS / IOSCO
30/09/12	<u>Consultation paper – guidelines on sound remuneration policies under the AIFMD</u>	ESMA
30/09/12	<u>Draft regulatory technical standards on the specification of the calculation of specific and general credit risk adjustments (EBA/CP/2012/10)</u>	EBA

Closing date for responses	Paper	Institution
05/10/12	<i><u>Joint consultation paper on draft Regulatory Technical Standards on the uniform conditions of application of the calculation methods under Article 6.2 of the Financial Conglomerates Directive (JC/CP/201202)</u></i>	ESAs
10/10/12	<i><u>Consultation Report: Technological challenges to effective market surveillance issues and regulatory tools</u></i>	IOSCO
12/10/12	<i><u>Consultative document Supervisory guidance for managing risks associated with the settlement of foreign exchange transactions</u></i>	BCBS
18/10/12	<i><u>IP/12/853 – European Commission launches consultation on future framework for investment funds (UCITS VI)</u></i>	EC
05/11/12	<i><u>Tax problems linked to cross-border venture capital investment</u></i>	EC

Forthcoming publications in 2012 / 2013

Date	Topic	Type	Institution
Accounting			
Banking Structure			
Q3 2012	Report from the high-level expert group examining the structural aspects of the EU banking sector	Report	EC
Banking Union			
12/09/2012	Commission proposal for the single supervisory mechanism	Legislative proposal	EC
Capital and Liquidity			
Q1-Q4 2012	CRR/CRD IV	76 regulatory technical standards, 32 implementing technical standards and 20 guidelines	EBA
Q4 2012	Review of Financial Conglomerates Directive	Legislative proposals	EC
TBC 2013	Revision of Financial Conglomerates Directive (FICOD II)	Legislative proposals	EC
Consumer protection			
Q3 2012	Directive on misleading and comparative advertising (2006/114/EC)	Communication	EC
Q4 2012	An EU framework for collective redress	Legislative proposals	EC
Q4 2012	Investor Guarantee schemes- revision	Legislative proposals	EC
Q4 2012	Bank accounts	Legislative proposals	EC

Date	Topic	Type	Institution
<i>Financial crime, security and market abuse</i>			
Q3 2012	European terrorist finance tracking system	Legislative proposals	EC
Q3 2012	Financial message data transfer from the EU to the USA for the purposes of the Terrorist Finance Tracking Program	Report	EC
Q4 2013	Market Abuse Review	Technical advice	ESMA
TBC 2012	Third Anti-Money Laundering Directive	Legislative proposals	EC
<i>Insurance</i>			
Q3 2013	Institutions for Occupational Retirement Provision	Legislative proposals	EC
<i>Securities and markets</i>			
Q4 2012	OTC Derivatives, CCP Requirements, Trade Repositories and CCP Interoperability (EMIR)	Guidelines	ESMA
Q4 2012	Securities Law Directive	Legislative proposals	EC
Q4 2012	Limitation period and further procedures for fining credit rating agencies	Regulation	EC
Q4 2012	Revision of the Transparency Directive	Discussion papers	ESMA
Q4 2012	Close-out netting	Legislative proposals	EC
TBD 2013	Credit Rating Agencies III Regulation	Technical advice	ESMA
<i>Products and investments</i>			
Q3 2012	Alternative Investment Fund Managers Directive – Level 2 measures	Regulation	EC

Date	Topic	Type	Institution
Q4 2012	Alternative Investment Fund Managers Directive – cooperation agreements	Technical standards	ESMA
TBD 2013	Packaged Retail Investment Products	Technical standards	ESMA
Q4 2012	EU Social Entrepreneurship Funds	Technical advice	ESMA
Q4 2012	EU Venture Capital Funds	Technical advice	ESMA
TBD 2013	Undertakings For The Collective Investment Of Transferable Securities V	Technical advice	ESMA
TBD 2013	Markets in Financial Instruments Directive II	Technical advice	ESMA
TBD 2013	Markets in Financial Instruments Directive II	Guidelines	ESMA
Recovery and Resolution			
Q4 2012	Rescue and restructuring of financial institutions in Europe	Guidelines	EC
TBD 2013	EU framework for recovery and resolution plans	Technical advice	EBA
Solvency II			
Q1 2013	Draft Level 2 delegated acts	Level 2 text	EC
TBD 2013	Solvency Level 3 measures	Level 3 text	EIOPA
Supervision, governance and reporting			
Q3 2012	Corporate reporting	Guidelines/ recommendations	ESMA
Q4 2012	EU corporate governance and company law	Action plan	EC
Q4 2012	Storage of regulated information at ESMA	Discussion paper	ESMA

Date	Topic	Type	Institution
Q4 2012	Supervisory convergence	Discussion paper	ESMA
Q4 2012	Revision of Enforcement Standards	Consultation paper	ESMA
Q4 2012	Remuneration and supervisory co-operation arrangements	Guidelines/ recommendations	ESMA

Main sources: ESMA 2012 work programme; EIOPA 2012 work programme; EBA 2012 work programme; EC 2012 work programme;

PwC insights

Banking

Banking reform: a new equilibrium

Banks are responding vigorously to industry reforms, but their responses need to be framed by the way the world is changing. Otherwise, banks may run the risk of emerging from the crisis recapitalised, restructured, reformed – but irrelevant. We explore:

The permanent shift in banking to a ‘new equilibrium’.

- How bank responses could be counter-productive to themselves and to the economy; inviting further intervention.
- How balance sheet deleverage will reduce equity returns, and equity costs, requiring banks and investors to re-set targets and expectations.
- The importance of reinstating ‘economic’ decision tools, in place of regulatory models.
- The benefits of equity financing, and the crucial need for renewed

investor confidence and wider stakeholder endorsement.

- The bright future.

Read more [here](#).

Fundamental review of the trading book

The Basel Committee on Banking Supervision has released the consultative document “Fundamental Review of the Trading Book” (FRTB). This review of the trading book is likely to have far-reaching implications for trading activities. Find out what the impacts could be for firms, individual business units and the industry. We have compared the differences between Basel 2.5 and this review, and looked at what you should be doing today. Read more [here](#).

Preventing another ‘LIBOR’ through adequate controls and reporting

Banks routinely report volumes of data to a multitude of external stakeholders including investors and other financial market participants, regulators or the general public. The LIBOR scandal has demonstrated the consequences of

inadequate controls needed to ensure the reliability of this important information. How certain can banks’ management be that there isn’t another ‘LIBOR’ somewhere amidst this myriad of reporting? Read more [here](#).

For a full library of insights into all issues affecting banking, please visit our new, easy to navigate [online library](#).

Asset Management

Becoming a “trusted hedge fund advisor”

At a time when trust is a topic of debate in the financial sector, hedge fund managers have been taking great strides towards improving investor confidence. In doing so, they’ve been moving towards gaining the status of ‘trusted hedge fund advisor’. Read more [here](#)

For a full library of insights into all issues affecting asset management, please visit our new, easy to navigate [online library](#).

Insurance

Cutting through the regulatory knot

Wherever insurers are in the world, they are likely to be facing a raft of new regulations that go beyond simple changes in compliance procedures to effect how they price their products, deal with their customers and make decisions within their business. Read more [here](#).

Find out more about all issues affecting the insurance industry, please visit our [online library](#).

Glossary

AIFMD	Alternative Investment Fund Managers Directive (Directive 2011/61/EU)	CFPB	Consumer Financial Protection Bureau (US)
AIMA	Alternative Investment Management Association	CFTC	Commodities Futures Trading Commission (US)
AMICE	Association of Mutual Insurers and Insurance Cooperatives	CGFS	Committee on the Global Financial System (of the BIS)
AML	anti-money laundering	CIS	collective investment schemes
AML3	3 rd Anti-Money Laundering Directive (Directive 2005/60/EC)	ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
Basel Committee	Basel Committee of Banking Supervisors (of the BIS)	Council	Generic term representing all ten configurations of the Council of the European Union
Basel II	Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework	CRA1	Regulation on Credit Rating Agencies (EC) No 1060/2009
Basel III	Basel III: International Regulatory Framework for Banks	CRA2	Regulation amending the Credit Rating Agencies Regulation (EU) No 513/2011
BIS	Bank for International Settlements	CRA3	proposal to amend the Credit Rating Agencies Regulation and directives related to credit rating agencies COM(2011) 746 final
CCD	Consumer Credit Directive 2008/48/EC	CRAs	credit rating agencies
CCPs	central counterparties	CRD	‘Capital Requirements Directive’: collectively refers to Directive 2006/48/EC and Directive 2006/49/EC
CDS	credit default swaps	CRD II	Amending Directive 2009/111/EC
CEBS	Committee of European Banking Supervisors (predecessor of EBA)	CRD III	Amending Directive 2010/76/EU
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors (predecessor of EIOPA)	CRD IV	Proposal for a Directive COM(2011) 453 final amending CRD
CESR	Committee of European Securities Regulators (predecessor of ESMA)	CRR	Regulation COM(2011) 452 final amending and recasting CRD
Co-legislators	Ordinary procedure for adopting EU law requires agreement between the Council and the European Parliament (who are the ‘co-legislators’)	CRR	Capital Requirements Regulations

	2006 (S.I. 2006/3221)		EURIBOR	Euro Interbank Offered Rate
DG MARKT	Internal Market and Services Directorate General of the European Commission		Eurosystem	System of central banks in the euro area, including the ECB
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act (US)		FASB	Financial Accounting Standards Board (US)
D-SIBs	domestically systemically important banks		FATCA	Foreign Account Tax Compliance Act (US)
EBA	European Banking Authority		FATF	Financial Action Task Force
EC	European Commission		FCA	Financial Conduct Authority
ECB	European Central Bank		FiCOD	Financial Conglomerates Directive 2002/87/EC
ECJ	European Court of Justice		FiCOD1	Amending Directive 2011/89/EU of 16 November 2011
ECOFIN	Economic and Financial Affairs Council (configuration of the Council of the European Union dealing with financial and fiscal and competition issues)		FiCOD2	Proposal to overhaul the financial conglomerates regime (expected 2013)
ECON	Economic and Monetary Affairs Committee of the European Parliament		FMI	financial market infrastructure
EEA	European Economic Area		FSA	Financial Services Authority
EFAMA	European Fund and Investment Management Association		FSB	Financial Stability Board
EIOPA	European Insurance and Occupations Pension Authority		G30	Group of 30
EMIR	Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (EC) No 648/2012		GAAP	Generally Accepted Accounting Principles
EP	European Parliament		G-SIBs	globally systemically important banks
ESA	European Supervisory Authority (ie generic term for EBA, EIOPA and ESMA)		G-SIFIs	globally systemically important financial institutions
ESCB	European System of Central Banks		G-SIIs	globally systemically important insurers
ESMA	European Securities and Markets Authority		IAIS	International Association of Insurance Supervisors
ESRB	European Systemic Risk Board		IASB	International Accounting Standards Board
			IFRS	International Financial Reporting Standards
			IIF	Institute for International Finance
			IMD	Insurance Mediation Directive 2002/92/EC
			IMD2	Proposal for a Directive on insurance mediation (recast)

	COM(2012) 360/2		
IMF	International Monetary Fund	Omnibus I	Directive 2010/78/EU amending 11 existing Directives to reflect Lisbon Treaty and new supervisory architecture
IORP	Institutions for Occupational Retirement Provision Directive 2003/43/EC	Omnibus II	Second Directive amending existing legislation to reflect Lisbon Treaty and new supervisory infrastructure (COM(2011) 0008 final) – amends the Prospectus Directive (Directive 2003/71/EC) and Solvency II (Directive 2009/138/EC)
IOSCO	International Organisations of Securities Commissions	OTC	over-the-counter
ISDA	International Swaps and Derivatives Association	PRA	Prudential Regulation Authority
ITS	implementing technical standards	Presidency	Member State which takes the leadership for negotiations in the Council: rotates on 6 monthly basis
JURI	Legal Affairs Committee of the European Parliament	PRIPs	Packed Retail Investment Products
LEI	legal entity identifier	PRIPs Regulation	Proposal for a Regulation on key information documents for investment products COM(2012) 352/3
LIBOR	London Interbank Offered Rate	RRPs	recovery and resolution plans
MAD	Market Abuse Directive 2003/6/EC	RTS	regulatory technical standards
MAD II	Proposed Directive on Criminal Sanctions for Insider Dealing and Market Manipulation (COM(2011)654 final)	SCR	solvency capital requirement (under Solvency II)
MAR	Proposed Regulation on Market Abuse (EC) (recast) (COM(2011) 651 final)	SEC	Securities and Exchange Commission (US)
MCR	minimum capital requirement	SFD	Settlement Finality Directive 98/26/EC
Member States	countries which are members of the European Union	Solvency II	Directive 2009/138/EC
MiFID	Markets in Financial Instruments Directive 2004/39/EC	SSR	Short Selling Regulation EU 236/2012
MiFID II	Proposed Markets in Financial Instruments Directive (recast) (COM(2011) 656 final)	T2S	TARGET2-Securities
MiFIR	Proposed Markets in Financial Instruments Regulation (EC) (COM(2011) 652 final)	TR	trade repository
MMR	Mortgage Market Review	UCITS	Undertakings for Collective Investments in Transferable Securities
OCC	Office of the Comptroller of the Currency (US)	UCITS IV	UCITS Directive 2009/65/EC
OECD	Organisation for Economic Cooperation and Development		
Official Journal	Official Journal of the European Union		

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