

Being better informed

FS regulatory, accounting and audit bulletin



PwC FS Risk and Regulation Centre of Excellence

May 2015

In this month's edition:

- PRA finalises new international bank branch return
- MiFID II consultation on adviser knowledge and competence requirements
- Review of the new PSR's regulatory priorities for the coming year
- PRA publishes more proposals and final rules for creating its new "Rulebook"
- Analysis of whether asset managers should be considered systemically important

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.

The UK election has been and gone and brought a surprise result. A majority government for the next five years may be welcomed by some industry participants but does bring with the potential of Brexit. The lead up to a referendum on possibly exiting the EU is likely to be a distraction for many firms. It may also stem the tide of new entrants to the UK market as they wait and see whether the UK will leave the EU.

In Europe the EBA and EIOPA published updated work programmes reflecting their new priorities following news last month that their budgets would not be increased. ESMA also published a consultation paper on MiFID II, specifically how financial advisers should be judged as having appropriate knowledge and competence to offer advice. Unfortunately for UK advisers, who may have hoped for some respite from the level 4 qualification requirements under RDR, ESMA has proposed that much of the detailed rules should be set on a country-by-country basis, with no central EU minimum requirements.

In the UK the PRA finalised the new regulatory return that international bank branches must submit, so it can identify the amount of money the UK branch receives and books in the UK. The PRA will then use this information to understand (on an ongoing basis) which branches might be operating critical economic functions, which

is a function whose disruption or withdrawal could have an adverse material impact on UK financial stability. The PRA also issued updated rules for Part 2 of its Rulebook changes and consulted on Part 3. It is using these consultations to amend and recreate the FSA’s Handbook and guidance into the policy it wants firms to follow. Eventually PRA firms will need to follow the totality of the PRA Rulebook.

At the FCA much of the focus was on CASS. The upcoming deadline for implementing CASS rules in PS14/9 on 1 June is fast approaching, and the large fine levied for CASS failings in April reflects that the FCA is still taking a tough stance on any CASS breaches. It also issued new CASS rules that impact asset managers and consumer credit firms which you should review.

Payday lenders saw the outcome of the CMA’s market investigation into competition in the market. The solution is more and clearer disclosure – with payday lenders required to publish details of their loans on a price comparison website, and link to that comparison website from their own.

This month we have two feature articles. The first looks at the role of the new payments regulator, the PSR. The PSR will regulate six interbank payment systems and the two credit card payment systems chosen by HMT because of their potential to cause

large scale disruption to the UK financial markets in the event of failure. It will also have powers to examine how competitive the UK payments market is. We consider this issue and the PSR’s priorities in more detail in our feature article.

And the second feature considers whether asset managers and investment funds are systemically important. This follows recent updates from IOSCO/FSB and the IMF suggesting that large asset managers and investment funds should be considered as G-SIFIs, like banks and insurers already are, and debate what measures (such as increased capital requirements) they should then face.

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Summing up the new payment service regulator



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The Payment Systems Regulator (PSR) opened its doors on 1 April 2015 as the new UK regulator of the £75 trillion payment systems industry.

Payment systems form a vital part of the UK's financial system. In similar vein to other utilities regulators Ofwat, Ofcom and Ofgem, the PSR is an economic regulator charged with looking after a key infrastructural sector of the UK. This niche but vital market regulator is responsible for ensuring that day-to-day transactions made by consumers - withdrawing money from a cash machine, paying by direct debit, receiving their salary directly into their bank account or transferring money via a smartphone are all made possible.

The PSR will regulate six interbank payment systems and the two credit card payment systems designated by HM Treasury due to their disruption potential in the event of failure. Speaking in December 2014, Hannah Nixon Managing Director of the PSR shared her vision for 'the UK to have world class payment systems operating in the best interests of service users and the wider UK economy'. In March, keen to hit the ground running, the PSR published a *policy statement* outlining how it will achieve its goals. Alongside this it published its *Annual Plan and Budget*, an *Indicative Work programme* and two Market Reviews. Together these give some

insight into the PSR's plans and how it intends to meet its objectives and regulate the payment systems market.

Why create a PSR?

Regulation of UK payment systems is not new. As far back as 2000 in his report on Competition in the banking industry, Donald Cruickshank recommended the creation of PayCom, an independent payment systems commission to monitor money transmission systems, tackle issues of a lack of competition, innovation and to ensure good user outcomes. This call was reiterated in the Treasury Select Committee's (TSC's) review into the 'future of cheques' in 2011 convened as a result of the Payment Council's precipitant action in announcing the closure the cheque guarantee scheme and hence the demise of cheques by 2018. In response to the TSC's recommendations, in March 2013 the Government set out its proposal to bring payment systems under formal economic regulation and establish a new competition-focused, utility-style regulator for retail payment systems. The 'PayCom' title did not take but the Financial Services (Banking Reform) Act 2013 included provisions for the creation of the PSR which opened its doors on 1 April 2015.

The TSC review highlighted a lack of transparency and competition in retail banking, which could restrict consumer

choice. The payments industry and the Payments Council, the forerunner to the PSR, were viewed as being dominated by the banks and other payments industry members with the interests of consumers poorly, if at all, represented. But in the view of the new regulator it is not only retail consumers that suffer as a result of the seeming 'closed shop'. Business service users, particularly non-bank payment service providers, must scale high barriers to entry set by Payment Systems Operators and Banks, in order to gain access to the payment systems but have little say in how the systems are controlled and how decisions are made.

The PSR is tasked with opening up the market to new entrants thus promoting competition, promoting and encouraging innovation and ensuring that payment systems operate and develop in a way that considers the interests of all service-users.

Key priorities for the PSR

The PSR's Indicative Work plan set out its potential initiatives for the near and medium term to help tackle some of these issues, some of which are already in progress.

- A key proposal is the establishment of a Payment Strategy Forum which will see representatives from across the industry, including consumers, working together to develop long term strategic

goals for the payments sector. It will make recommendations on the key priorities for the industry, holding the industry to account for delivery. It will also be the driver behind key innovation projects such as Account Number Portability (ANP).

- Two market reviews launched by the PSR aimed at promoting competition will aim to address the problems of access to and ownership of payment systems.
- New reporting requirements will provide improved transparency and ensure that system operators are providing potential business service users with access information.

The regulator's challenges

But the new regulator undoubtedly has a challenging time ahead.

Market complexity

The payment services sector is complex involving different functions, providers and ownership links. This complexity may give rise to significant regulatory challenges. It will be for the regulator to get to grips with and endeavour to create the right incentives and mechanisms to facilitate and encourage innovation, while trying to unite parts of the industry with different and possibly competing interests.

Competition

Competition will also bring its own challenges. As the market opens to new

users, banks and operators will need to ensure that their infrastructure is sufficiently resilient against systemic issues caused by an influx of new users. The PSR will need to balance the desire for diversity and competition against the need to ensure the stability of the day-to-day operations of the payment systems.

'Regulator's creep'

The PSR must also ensure that it walks carefully the fine line between economic and conduct regulation. As a subsidiary of the FCA, the PSR will be responsible for ensuring the operation of the payment systems is maintained, while the FCA is expected to regulate standards of conduct in retail and wholesale financial markets.

But the relationship could risk being blurred – the PSR has the power to, for example, appoint skilled persons and impose requirements on firms. Ostensibly, any enforcement or investigative action taken will be in relation to its statutory objectives but where does a firm's contribution to a market failure stop or start being a conduct issue, and how should the regulators co-ordinate their activities? Perhaps the PSR may wish to draw on lessons learnt from other economic utility regulators to understand what independent economic regulation can achieve, its limits, the circumstances in which it works best, and how it can be most effectively used to meet the challenges facing the UK's economy and deliver benefits.

The Bank of England, which along with the PRA and the FCA, has the power to veto the actions of the PSR where its actions threaten those of any of these regulators. Plus all three regulators boast an impressive array of competition powers to take action in relation to competition law issues in their respective areas. Throw in the CMA and the regulatory waters may become particularly murky.

How will the PSR work?

The PSR is likely to adopt a collaborative approach to dealing with industry. This approach will be important in helping the regulator to gain an in-depth understanding of the market it regulates but also in bringing together disparate groups albeit with a common interest in return it will be keen to encourage open communication and a 'no surprises' culture.

But 'collaborative' should not be mistaken for toothless. Nixon makes it clear that the PSR will use the 'very strong' powers at its disposal if firms subject to its regulatory regime fail to take the action expected of them: 'We have a range of 'regulatory tools' and powers at our disposal if we consider that we need to take action'.

What should firms do?

The PSR's impact on the industry is likely to vary according to the nature and size of the different stakeholders but irrespective of their role in the industry all firms should seek to engage with the regulator and should seek to ensure that their business is

aligned to the PSR's approach. Some firms can expect to face increased competition and may need to adapt their business models to cope with new market entrants. While others will need to prepare for increased compliance and disclosure requirements and will therefore need to focus on putting in place suitable systems and reporting structures.

Delivering its objectives will not be easy and time will tell how effective the PSR will be. It is early days yet but all eyes (at least those in the payments industry) are keenly turned to how the PSR will measure up.

Are asset managers systemically important?



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The financial crisis led to universal agreement that some firms are “too big to fail”. Structural reforms of the banking industry, from Vickers in the UK, Volcker in US to the Liikanen proposals which are still under discussion in the EU, were one result.

These reforms seek to re-shape the largest firms considered to be the most systemically important. It is no surprise that banks were the initial focus for regulators, with around 30 banks now deemed to be globally systemically important banks (G-SIBs) and so required to hold additional capital. Insurers are also now identified as G-SIIs and will themselves face additional supervisory scrutiny and capital requirements. And now the focus turns to asset managers with global supervisors considering whether they need additional scrutiny, capital requirements or other measures to protect the market from the decisions they make for their investors, either in separate managed accounts or through their investment funds.

Attention has heightened in recent months with both FSB/IOSCO and the IMF considering the role that asset managers play and whether it is right that they have escaped the harsher treatment meted out to their financial services peers.

Identifying NBNI G-SIFIs

The FSB and IOSCO have jointly consulted twice on the measures they will use to

identify “NBNI G-SIFIs”, which are globally systemically important firms which are neither banks nor insurers. This includes finance companies, market intermediaries and asset managers – and their investment funds. In their initial consultation (from January 2014) IOSCO and FSB set out a number of factors that they believe make these types of entities systemically important:

- size
- interconnectedness with other financial entities and markets
- lack of substitutability in the case of failure
- complexity of business and structure
- cross-jurisdictional and global nature of activities.

The assessment of these factors will then be overlaid with quantitative criteria so that only the largest asset managers – or investment funds – will be designated G-SIFIs. In its most recent consultation the FSB and IOSCO differentiated between types of investment fund and propose different size thresholds for private and traditional investment funds, as well as their managers. Funds and fund managers considered NBNI G-SIFIs:

- private funds (e.g. hedge and private equity funds) with gross national

exposures over \$400 billion, with primary focus on the most highly leveraged funds

- traditional funds: two options are considered, either those with over \$30 billion NAV and balance sheet leverage of three times NAV or funds with over \$200 billion NAV unless it can be demonstrated that the fund is not a dominant player in the its market
- asset managers: two options are also considered here, either those with over \$100 billion of balance sheet total assets or those with total assets under management above a particular value (\$1 trillion is suggested).

Once the criteria are finalised the FSB and IOSCO will work together with national regulators to draw up a list of asset managers and funds that meet the thresholds, and then determine which are globally systemically important and worthy of further oversight. This could include holding additional capital (as G-SIBs are required to do). It is unlikely that the imposition of higher regulatory capital requirements would carry the same benefits as for banks: they would not address, for example, the issues raised by an investment fund where the assets are held separately by a custodian which limits contagion to the other investors’ assets in the event of failure of the fund manager or the fund.

The alternate view

The IMF's April Global Financial Stability report also considered whether asset managers are systemically important. It noted that "the investment focus appears to be relatively more important than size when gauging systemic risk", which can lead to two issues:

- investors and portfolio managers having different incentives which could lead to herding issues
- liquidity mismatches meaning investment funds could be susceptible (like banks) to runs at a market downturn.

The herding idea is most interesting. This reflects the typical asset manager role in acting as agent, where it makes investment decisions but doesn't actually hold the assets on its balance sheet. So in theory, an asset manager's failure shouldn't lead to investor detriment (the justification for banks holding additional capital). But falling markets could lead to issues for investors, such as falling petrol prices leading all equity managers to exit from petrol companies, leading to falling prices and liquidity pressure. Herding issues could also come to the fore, if a particular "star manager" decides to divest from a specific sector of the market encouraging others to follow suit. If managers simultaneously decide to leave specific markets it could affect market stability. But, as the IMF implies, this will be hard to control with

specific G-SIFI status as such risks are spread through different asset managers and investment funds.

The IMF advocates a more hands-on supervisory model as its solution, supported by global supervision standards and better data collection (which we have already started to see through Form PF reporting in the US and AIFMD regulatory reporting in the EU).

The IMF also suggests there should be more scenario testing undertaken by asset managers, providing regulators with improved information on the impact of falling markets on certain categories of funds. Scenario testing could also help asset managers better understand their investors' likely actions under stressed situations. This concept is included in the new EU MMF Regulation. Combined, it could help asset managers and regulators understand the tipping points in the market that could lead to large investor redemptions or that could lead to asset managers forced into fire sales of assets.

What's next?

Firms should consider IOSCO and the FSB's position. The current proposals envisage that only the biggest and most highly leveraged funds and managers will be designated as NBNI G-SIFIs. But more debate is still to come, notably the consequences of being classified as a NBNI G-SIFI. It does not make sense that asset managers should simply hold more

capital to guard against risks created by their size, since they act as agents for their investors, but alternative requirements, such as more detailed scenario testing may be more appropriate.

The predicted upcoming review of capital requirements for EU asset managers will also feature in the debate. The EC is expected to comment on this the CRD IV requirements, which affect asset managers despite being aimed at banks.

Overlaying all of these issues is the ongoing CMU and shadow banking debate. Both suggest asset managers often perform a similar function to banks, whether through offering investment in infrastructure projects or by offering MMFs which hold some similar characteristics to a bank deposit. Regulators in the EU are keen to promote alternative funding sources led by asset managers – but will this come at a price for firms (not just those designated as G-SIFIs) that will mean holding more capital or greater controls on redemptions or recovery planning? This is clearly an issue of some importance as it could affect more than just the very largest asset managers and investment funds.

Cross sector announcements

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Regulation

Capital and liquidity

Keeping information confidential

The EBA published *Recommendations on the equivalence of confidentiality regimes* on 2 April 2015. It specifically examined how confidentiality regimes in 12 non-EU countries compare with CRD IV expectations. The EBA looked at the confidentiality regimes of Bosnia and Herzegovina, Brazil, Canada, China, FYR Macedonia, Mexico, Montenegro, Serbia, Singapore, Switzerland, Turkey and the USA. It considered each country had an equivalent confidentiality regime.

Competent authorities should confirm their compliance with the recommendation by 2 June 2015, or explain why they are choosing not to comply. This is the first recommendation from the EBA on this matter and it expects to complete its work on assessing third country supervisory authorities within the next two years.

Calculating counterparty credit risk exposures

On 14 April 2015 the *Commission Delegated Regulation supplementing the CRR with regards to RTS for the specification of margin periods of risk* (MPOR) was published in the Official Journal. Clearing members must determine the MPOR by

reference to a derivative transaction's liquidity, before using the MPOR value to calculate their capital requirements for counterparty credit risk. Firms can use either this value as input under the Internal Model Method or as a multiplier for the exposure at default under the other counterparty credit risk methods.

The RTS will now form part of the EU's Single Rulebook. It came into force on 4 May 2015.

Client assets

FCA tweaks client asset rules

The FCA published the final Client Assets Sourcebook (Amendment No 8) Instrument 2015 on 23 April 2015. The FCA has now finalised changes to the CASS and CONC sourcebooks to clarify that the CASS rules apply to firms carrying on loan-based crowdfunding business under interim permissions from 1 October 2014. In addition, the period to be covered by the first client asset audit of client money arising from crowdfunding business also commences on 1 October 2014. The changes came into force on 1 May 2015.

Other changes concern:

- external custody reconciliations
- registration and recording of legal title of custody assets

- delivery versus payment rules applicable to fund managers in relation to collective investment schemes
- normal approach client money segregation requirements in relation to certain regulated clearing arrangements
- client money distribution rules concerning the constitution of the client money pool.

These changes come into force on 1 June 2015.

Digital currencies

Identifying use of digital currencies

ESMA published a *call for evidence* on investments using virtual currency or distributed ledger technology on 22 April 2015. It is seeking information and views from stakeholders on new developments in how virtual currency technology is used to issue, buy, sell and record ownership of securities.

In particular, ESMA is interested in how different virtual currencies and the associated blockchain can be used in investments. There are now facilities available to use the blockchain infrastructure as a means of issuing, transacting in and transferring ownership of securities in a way that bypasses the traditional infrastructure for public offer and issuance of securities, trading venues

like exchanges and central securities depositories or other typical means of recording ownership. It therefore wants input on three specific issues:

- availability of investment products which have virtual currency as an underlying component
- information on virtual currency investments and the transfer of those assets/securities
- how the distributed ledger technology applies to these securities/investments.

ESMA welcomes evidence by **21 July 2015**.

Financial stability

IMF warns of shadow banking risks

The IMF issued its *Global Financial Stability Report April 2015* on 15 April 2015. The IMF identifies a shift of financial stability risks from advanced economies to emerging markets, from banks to shadow banks, and from solvency to market liquidity risk. Weak European mid-sized life insurers face a high and rising risk of distress should interest rates remain low.

The IMF suggests that measures above and beyond the use of monetary policy are needed to fully recover from the crisis. These include unlogging credit channels by encouraging banks to develop capacity for handling the stock of non-performing assets, to actively manage their provisions, and write off their non-performing assets. It also recommends diversifying sources of

funding away from banks and towards capital markets while putting in place regulations to transform shadow banking into a stable source of market-based finance.

The IMF also suggests that different supervision of asset managers is needed to better handle the financial stability risks they pose to the market. Read more about this in our feature article this month, *Are asset managers systemically important?*

Market infrastructure

Improving cybersecurity in trading venues

IOSCO published a *consultation report - mechanisms for trading venues to effectively manage electronic trading risks and plans for business continuity* on 7 April 2015, outlining how trading venues can effectively manage electronic and cyber risks to their critical systems. While making broad regulatory recommendations on business continuity plans and risk mitigation procedures, IOSCO primarily focused on providing trading venues with best practices that can be voluntarily adopted, including:

- implementing policies and procedures that facilitate ongoing monitoring - including performing systems reviews on a periodic basis and establishing incident management procedures
- establishing defences against external threats, such as pre-trade controls and

measures to halt trading in the presence of volatility

- developing robust cyber-security protections, including penetration & vulnerability testing and data storage safeguards;
- monitoring of suspicious network activity
- develop business continuity plans that include comprehensive communication protocols and redundancy in software and hardware.

The consultation closes on **6 June 2015**.

IOSCO provides recommendations on business continuity plans

On 7 April 2015 IOSCO published a *consultation report - market intermediary business continuity and recovery planning*. Regulators should require market intermediaries to create written business continuity plans (BCPs) and expect updates if intermediaries experience any material operational changes.

IOSCO also recommended that firms voluntarily adopt a series of "sound practices" in respect to their plans, including:

- taking into account client needs, such as prompt access to funds and securities during a major disaster
- include regional specifications for globally active firms

- establishing back-up sites for critical operations
- conducting exercises to test BCPs.

The consultation closes on **6 June 2015**.

Countdown to T2S

The ECB, in its *Fifth T2S Harmonisation Progress Report* published on 13 April 2015, states that T2S is the Eurosystem's most fundamental contribution to market infrastructure integration. In June the first wave of European CSDs will migrate to the T2S central settlement of securities in the Eurosystem.

T2S, together with EU legislators pursuing legal and regulatory harmonisation should create a single market for settlement services in Europe. By 2017, CSDs located in 21 European markets are scheduled to connect to T2S.

On 22 June the first five European CSDs are scheduled to migrate to the T2S system, which will operate under a new single rule book for post-trade processes. The T2S Advisory Group (AG) has facilitated the development of 16 priority T2S common standards. The AG expects full compliance with most but notes that corrective action is still required for compliance with corporate action standards.

Only one significant T2S gap remains - defining standards for the settlement discipline regime. CSDs and their participants will continue operating within the existing national settlement discipline

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frameworks this year. The AG expects settlement discipline standards to be adopted in the CSDR level 2 legislation later in 2015.

The AG intends to focus on monitoring implementation plans of CSDs migrating in March 2016, and helping to harmonise other T2S community and Eurosystem standards. The AG believes that the CMU initiative will provide momentum for these initiatives.

ESMA launches data projects

ESMA launched two centralised data projects for MiFIR and EMIR on 1 April 2015, focusing on:

- Instrument Reference Data - to provide a central facility for instrument and trading data and calculate MiFIR transparency and liquidity thresholds
- Trade Repositories - to provide a single access point to trade repository data under EMIR.

ESMA will collect data directly from approximately 300 trading venues across the EU for the Instrument Reference project, and will then perform and publish the necessary transparency and liquidity threshold calculations. Once finalised, the database will allow national regulators and financial market participants access to all data for financial instruments admitted to trading on EU regulated markets or traded on MiFID venues (OTFs and MTFs).

The Trade Repositories Project will provide ESMA and national regulators with immediate access, through a single platform, to the 300 million weekly reports on derivatives contracts received from 5,000 different counterparties across the EU trade repositories.

ESMA expects the Instrument Reference Data Project to go live in early 2017 and the Trade Repositories Project in 2016.

More daylight on MTF requirements

On 15 April 2015 the FCA announced new compliance standards for MTF operators in FG15/6 - Dear CEO letter and FCA Good Practice Observations on MTF Rulebooks. Building on last year's thematic review, the FCA aims to strengthen its compliance expectations in its Market Conduct (MAR) sourcebook.

MTF operators must make membership requirements, fees and instruments transparent to all market participants. MTF operators must also:

- operate systems to monitor for market abuse and a disorderly market
- report significant MTF rule breaches, disorderly trading conditions and potential market abuse
- ensure that settlement is taking place and to fully comply with MTF regulatory reporting and notice obligations.

The FCA expects MTF operators' rule books to reflect changing business and regulatory

requirements, as well as to incorporate these changes to the MAR sourcebook. MTFs must ensure that participant behaviour is consistent with fair and orderly trading requirements and that participants agree to comply with MTF rules when joining. They should also monitor members' compliance.

The FCA retreated from an earlier proposal which would require MTF operators to publish their fee schedules and incentive schemes. Some MTF operators resisted this proposal, citing complexity in disaggregating MTF fees from operators' non-MTF service and fee arrangements. The FCA noted that upcoming MiFID II rules will require MTF operators to publish all MTF fee arrangements from 3 January 2017.

Responding to suggestions that MAR 5 should not apply to smaller MTFs, the FCA confirmed that MAR 5 requirements apply fully to all MTFs, with the exception of some transparency requirements.

The guidance took effect on publication. The FCA expects all MTF rule books and processes to reflect the guidance.

MiFID II

Assessing competence to provide advice

ESMA published Consultation paper - draft guidelines for the assessment of knowledge and competence on 23 April 2015. MiFID requires investment firms to ensure their

financial advisers have the necessary skills, knowledge and expertise to advise their customers. Some Member States (such as Denmark, Germany and the UK through the RDR) have implemented specific qualification regimes for some financial advisers.

ESMA is developing guidelines to help firms assess the relevant knowledge and competence of advisers as part of MiFID II. ESMA proposes that local regulators should individually implement local requirements for the "appropriate knowledge" and "appropriate experience" needed by an adviser to provide advice, either generally or regarding specific financial instruments (such as structured products). Individuals working five consecutive years or longer as an adviser should be assumed to possess the relevant knowledge and experience, although this differs from the current FCA approach, which it is likely to maintain while implementing MiFID II.

The consultation closes to comments on **10 July 2015**.

Other regulatory

Caution advised for USD borrowing

The ESRB published its Recommendation on US dollar denominated funding of credit institutions (ESRB/2011/2) on 14 April 2015. The ESRB's recommendation was originally made to firms in 2011 - this follow-up report assesses ongoing implementation of this recommendation.

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The ESRB assesses how credit institutions have implemented its recommendation on US dollar denominated funding. National regulators were advised to monitor US dollar funding and liquidity risks taken by credit institutions, to encourage risk management and to limit their exposures. Regulators were also advised to ensure that credit institutions outline and assess the feasibility of management actions in their contingency funding plans.

The ESRB Recommendation has been successful in establishing an early warning system for increasing US dollar funding risks. But while the overall result was positive, further improvements were suggested, such as introducing limits in Member States with higher US dollar funding exposures. Member States which do not consider the US dollar a material currency are advised to continue monitoring the significance of US dollar funding in their banking sectors on a regular basis.

FOS pension coverage

The FCA introduced an emergency rule change to the FOS compulsory jurisdiction (CJ) through Compulsory Jurisdiction Rules (Advising on Conversion or Transfer of Pension Benefits) Instrument 2015 on 10 April 2015. The Instrument expands FOS' CJ to include complaints about advice to convert or transfer pension benefits from a defined benefit scheme to an occupational defined contribution (DC) scheme, as advice on transfers to personal DC schemes is already covered by FOS rules.

FOS policy is to replicate changes made to its CJ by similarly changing its voluntary jurisdiction (VJ). FOS issued a consultation paper on these changes on 10 April 2015, by stipulating its VJ includes activities covered by its CJ as at 24 April 2015. The FOS and FCA Boards approved the Instrument on 20 and 23 April 2015 respectively and the final text was published on 24 April 2015.

PRA Rulebook: Part 2

The PRA published PS7/15 The PRA Rulebook: Part 2 on 2 April 2015. The PRA is recreating the FSA Handbook and guidance (with some amendments) in a new "Rulebook" to reflect its objectives and supervisory approach. This second part to the Rulebook includes:

- final rules amending notification requirements, general provisions and internal governance for CRR firms
- SS19/15 - exercising certain functions under the Building Societies Act 1986
- SS20/15 - supervising building societies' treasury and lending activities.
- SS21/15 - internal governance for banks, building societies and PRA designated investment firms
- a statement of policy — approach to insurance business transfers
- a rulebook mapping table.

The PRA has only made minor editorial changes following its November 2014

consultation. The new rules came into force on the same date as publication.

PRA proposes more Handbook changes

On 30 April 2015 the PRA published CP17/15 - The PRA Rulebook: Part 3 redrafting parts of the PRA Handbook. It is the third in a planned series of PRA consultations to reshape Handbook material inherited from the FSA to create its own Rulebook, containing only PRA rules. It proposes to:

- create a new 'Passporting' section in the Rulebook (although the actual rules will remain largely consistent with SUP)
- create a new 'Regulatory Reporting' section with guidance in a new supervisory statement (although the rules and guidance will remain largely consistent with existing SUP provisions)
- replace the existing rules in SYSC (as they apply to UK branches of banks, building societies and investment firms incorporated outside the EU) with new rules and supervisory statement on 'Internal governance of third country branches'
- create new rules on reverse stress testing (replacing existing rules in SYSC), with the PRA also confirming that reverse stress testing should be part of a firm's stress testing programme and that supervisors will look at it under a firm's SREP

- delete SYSC rules on managing conflicts of interest since these are conduct issues (and so regulated by the FCA)

- implement provisions on risk control to make them applicable to UK branches.

This consultation closes on **30 June 2015**.

UK complying with ADRD April 2015

The FCA published the Alternative Dispute Resolution Directive (ADRD) Instrument 2015 on 24 April 2015. The FCA and FOS jointly consulted in December 2014 to implement the ADRD in UK. The final instrument is consistent with the previous consultation, although changes have been made to the wording firms must use in final letters. Implementing regulations introduced by the Government have also rendered some proposed rules redundant.

The Instrument changes a number of FOS and FCA complaint handling rules (in DISP) and comes into effect from 9 July 2015. Firms must comply with the new rules for complaints received after this date.

FCA finalises Handbook changes

The FCA published Handbook Notice No.21 on 24 April 2015. It announced seven final Instruments agreed at its March and April Board meetings (effective date in brackets):

- Solvency II Instrument 2015 - implementing Solvency II into the FCA Handbook (1 January 2016)
- Prudential Sourcebook for Mortgage and Home Finance Firms, and Insurance

Intermediaries (Amendment) Instrument 2015 - simplifying text in the MIPRU sourcebook to help non-bank lenders to understand the requirements (26 April 2015)

- Mortgage Credit Directive Instrument 2015 - implementing the MCD in the FCA Handbook (21 September 2015, 21 December 2015 and 21 March 2016)
- Fees (Mortgage Credit Directive) Instrument 2015 - introducing periodic fees for second-charge mortgage lending and broking (20 April 2015 and 1 April 2016)
- Alternative Dispute Resolution Directive (ADRD) Instrument 2015 - implementing the ARDR in the FCA Handbook - also implemented by the FOS (1 July 2015)
- Voluntary Jurisdiction Rules (Advising on Conversion or Transfer of Pension Benefits) Instrument 2015 - changing the DISP sourcebook to reflect RAO changes (4 April 2015)
- Training and Competence Sourcebook (Qualifications Amendment No 12) Instrument 2015 - changing existing qualifications and introducing two new qualifications under RDR (24 April 2015)
- Client Asset Sourcebook (Amendment No 2) Instrument 2015 - making changes to the CASS and CONC sourcebooks - please see our separate

article for more details on the changes (1 May and 1 June 2015).

More adviser qualifications

The FCA published the *Training and Competence Sourcebook (Qualification Amendments No 12) Instrument 2015* on 24 April 2015. The Instrument acknowledges two financial advice qualifications:

- Diploma in Professional Financial Advice (Calibrand/Chartered Institute of Bankers in Scotland)
- Investment Operations Certificate - Platforms, Wealth Management and Service Providers (Chartered Institute for Securities and Investments)

The Instrument also amends six existing qualifications to reflect course updates to them, which are effective from 1 June 2015.

Too big to fail

New template for identifying G-SIIs

On 29 April 2015 the EBA published *Draft regulation amending the RTS on the identification methodology for global systemically important institutions (G-SIIs), Draft regulation amending the ITS on uniform format and dates for the disclosure by G-SIIs and Draft revised guidelines on the further specification of the indicators of global systemic importance and their disclosure*. The EBA methodology to identify G-SIIs closely follows the Basel Committee's approach for identifying G-SIBs (in fact the identified EU G-SIBs are identical to the identified G-

SIIs). This harmonisation with international standards is required under CRD IV.

Since the Basel Committee updated its own guidance for identifying G-SIBs in January 2015 the EBA is proposing these RTS, ITS and revised guidelines to update its G-SIIs methodology. In particular, the guidelines propose extending the disclosure requirements to large entities which have an overall exposure exceeding EUR 200 billion because they also constitute a potentially significant threat to financial stability. Firms are asked to publish their individual templates on their websites.

The consultation closes on **20 May 2015** - a shorter than usual period because firms should already be identified as G-SIIs for 2015.

Accounting

ESMA comments on cash flow statement

ESMA published its comment letter on IASB's Exposure draft Disclosure Initiative: Proposed amendments to IAS 7 Statement of Cash Flows on 7 April 2015. The proposed amendments require reconciliation of the opening and closing liabilities that form part of an entity's financing activities and also improved disclosure about restrictions on cash. ESMA agrees with the proposed amendments but would have preferred the IASB to address the presentation of statement of cash flows

and related disclosure after fully exploring the interactions with disclosure requirements located in other Standards. It also urges the IASB to perform a fundamental review of IAS 7 as part of its Principles of Disclosure project.

ESMA expressed similar views in its comment letter to the European Financial Reporting Advisory Group (EFRAG) on the same matter published on 7 April 2015. The consultation period for the IASB exposure draft closed on 17 April 2015.

Audit

Regulatory returns and moving to FRS 102

The PRA updated its Basis of preparation of regulatory returns for first time adopters of FRS102 or IFRS during the transition period for FRS 102 on 7 April 2015. FRS 102 is effective for accounting periods beginning on or after 1 January 2015. The lead time needed for implementation means that not all firms will have fully embedded FRS 102 into their accounting processes and practices from the beginning of the first period for which firms report under FRS 102.

The PRA considers that as a minimum, firms should submit at least one set of regulatory reports using FRS 102 before approving for issue their first set of financial statements that comply with FRS 102. The same principle applies to firms transitioning to IFRS. The intention is to have the impact of adoption of FRS 102 confirmed through

Executive summary	Summing up the new payment service regulator	Are asset managers systemically important?	Cross sector announcements	Banking and capital markets	Asset management	Insurance	Monthly calendar	Glossary
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regulatory reporting ahead of firms' public disclosure. So the first reference date for regulatory reporting under FRS 102 (or IFRS, if transitioning to IFRS) for a 31 December reporter should be no later than 31 December 2015.

IFRS

New revenue standard deferred

On 28 April 2015 the IASB *voted to defer the effective date of the new revenue standard*, IFRS 15 'Revenue from Contracts with Customers', from 1 January 2017 to 1 January 2018. This is a joint standard issued by both the IASB and FASB in May 2014. The FASB also delayed the effective date on 1 April 2015, following consideration of implementation issues by the joint FASB and IASB Transition Resource Group (TRG). The IASB now plans to formally consult on the proposed deferral and address the concerns of the TRG.

See our publications *In brief 'FASB proposes one year deferral of new revenue standard'*, *In transition 'TRG debates revenue recognition implementation issues'* and *In transition 'FASB and IASB decide on additional changes to revenue standard'* for further details of the implementation issues.

New UK GAAP

Draft amendments for share based payments

The FRC issued *FRED 61 'Draft amendments to FRS 102 - Share-based*

payment transactions with cash alternatives' on 20 April 2015. The FRC is clarifying and simplifying accounting for share and share option awards where a cash-settlement alternative exists, for accounting periods beginning on or after 1 January 2015.

The consultation closes on **1 June 2015**.

PwC Publications

IFRS News - March 2015

The *April 2015 edition of IFRS News* covers:

- revenue recognition: proposed clarifications and expedients; FASB deferral
- leasing: new standard approved for ballot
- IFRS 15 implementation issues: March revenue TRG meeting
- Cannon Street Press:
- IC discussion of IFRS 11
- leasing project
- disclosure initiative
- conceptual framework
- questions and answers: 'Y' for Yields.

Impairment of Financial Instruments - Implementation issues

The Transition Resource Group (TRG) for Impairment of Financial Instruments met on 22 April 2015 to discuss IFRS 9

'Financial Instruments' impairment implementation.

For details of the issues discussed see our publication *'In transition 'TRG debates IFRS 9 impairment implementation issues'*.

Banking and capital markets

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Regulation

Capital and liquidity Standardising Basel approaches

On 21 April 2015 the Basel Committee reported that it has removed six national discretions from the Basel II capital framework. These include:

- treatment of past-due loans
- definition of retail exposures
- transitional arrangements for corporate, sovereign, bank and retail exposures
- rating structure standards for wholesale exposures
- internal and external audit
- re-ageing.

The move was taken to enhance comparability across jurisdictions and reduce variability in RWAs. The Basel Committee also responded to a question on the funding valuation adjustment in Basel III. It clarified that for derivative liabilities, banks are not permitted to offset valuation adjustments due to their own credit risk against those due to counterparties' credit risk.

QE until 2016

On 17 April 2015 Mario Draghi, ECB President spoke about Euro area economic

outlook, the ECB's monetary policy and current policy challenges. Draghi welcomed a recovery that was 'now more firmly taking hold' as evidenced by 0.3% GDP growth in Q4 2014. But he cautioned that euro area recovery is likely to continue to be dampened by necessary balance-sheet adjustments in a number of sectors and by the sluggish pace at which structural reforms are being implemented. He saw a balancing of risks to the growth outlook due to recent monetary policy decisions, the fall in oil prices and the lower euro exchange rate.

Draghi confirmed the ECB intends to continue with quantitative easing until September 2016. He then elaborated that the purchases would continue until a sustained adjustment in the path of inflation which is consistent with inflation rates of just below 2% is achieved.

The ECB is looking closely at the scope for rolling back national options and discretions in order to foster regulatory harmonisation. He stated that supervisory priorities for 2015 are to scrutinise the sustainability of banks' business models in a low-profitability environment, the adequacy of their risk cultures and governance structures and their resilience to unexpected shocks.

Card payments

Kicking off card protection payouts

The FCA *updated its website* on 24 April 2015 with information for customers who had bought a card security product from one of 12 named banks and credit card issuers. Up to two million customers have been asked to vote on a compensation scheme agreed by the banks and card issuers. If 75% of those that vote do so in favour of the scheme, a high court hearing is due to take place on 9 July 2015 to approve the scheme. Scheme claim forms are expected to follow in August and September 2015.

Card security products offered to protect a cardholder against fraudulent use if a card was lost or stolen, but existing rules already limit cardholders' liability in most of these scenarios.

Financial crime

Entire market de-risking

The FCA issued a *press release* on 27 April 2015 highlighting that some banks have withdrawn services to entire classes of customers who pose a higher money laundering risk. It also noted that cross border correspondent banking services were similarly affected.

The FCA believes that wholesale de-risking solely due to money laundering concerns isn't necessary. It expressed dissatisfaction that banks were occasionally taking a broad brush approach - noting that charities,

FinTech companies and Money Transmitters had felt the impact and are struggling to get access to mainstream banking services.

While the FCA acknowledged that it is for banks to dictate their own customers, it will now consider the consumer protection and/or competition law consequences of de-risking strategies against its objectives.

Mortgages

Regulating second charge mortgages

On 20 April 2015 the FCA published a *direction* under article 32 of the MCD specifying when firms can make applications to the FCA to undertake second charge regulated mortgage activities. Applications for permissions to advise, arrange, enter into and administer regulated mortgage contracts (which now includes second charges) could not be made before 20 April 2015. Firms seeking entry on the register of consumer buy-to-let mortgage firms can not apply before 21 September 2015. Applications made before these dates will be void.

The implementation of the MCD means that regulated mortgage activities falling currently within the broad scope of consumer credit regulation will from 21 March 2016 fall within the established first charge regulated mortgage regime.

To assist firms whose authorisation is affected by the implementation of the MCD the FCA published a *FAQ* document and a

series of decision trees with guidance on when to apply for mortgage permissions depending on firms activities and existing permissions.

Other regulatory

Revised EBA work programme

On 8 April 2015 the EBA published a *revised version of its Work Programme for 2015*. The updated work plan reflects the EBA's smaller than expected budget. Some identified tasks and mandates will now be delivered later than planned, including technical standards and advice under CRD IV and the BRRD.

The EBA may be unable to review some expected work, including:

- work on consolidated banking data
- this year's annual report on the impact of LCR
- RTS on permanent partial use.

The EBA's updated work plan considers deliverables where its level of engagement will be reviewed. This is likely to occur mainly in the Supervisory Convergence and Risk Analysis areas where the EBA intends to shift its focus on identifying, analysing and addressing the key risks in the EU banking sector and monitoring fewer supervisory colleges.

Protecting retail deposits

On 1 April 2015 the PRA published *PS6/15: Depositor and dormant account protection including the final depositor protection*

rules, transitional rules, final depositor protection supervisory statement SS18/15 and Deposit Guarantee Scheme (DGS) and Dormant Account Scheme (DAS) statements of policy, providing feedback and final rules on implementing DGS in the UK.

The PRA has made some changes to its initial proposals:

- It may extend DGS eligibility to local authorities with an annual budget of less than €500,000 (separately consulted on under *CP15/15*).
- Where a host DGS is paying compensation on the FSCS' behalf a refund will be in the host state currency rather than sterling.
- The provision of additional guidance to show how firms should meet the new disclosure requirements.
- Minor amendments to the Single Customer View (SCV) and Continuity of Access (CoA) rules, as well as to the corresponding guidance in SS18/15.
- The extension of the CoA requirements in relation to overdrawn accounts.

The recast DGSD comes into force on 3 July 2015 with SCV and CoA requirements to be met by 1 December 2016.

More work on identifying cause of complaints

On 23 April 2015 the Lending Standards Board (LSB) published the results of its

thematic review into complaints handling. The review considered whether subscribers to the Lending Code carried out root cause analysis on their complaints to identify systemic issues.

All subscribers that took part in the review were found to have appropriate policies and processes in place and carried out root cause analysis. But the LSB advised that firms sometimes failed to review the issues identified against the Code provisions to verify compliance.

Minor DGS clarification

The PRA published *CP15/15: Depositor and dormant account protection - further amendments* on 1 April 2015, proposing minor changes to its DGS implementation. These changes support the final rules set out in *PS6/15 Depositor and dormant account protection*.

The PRA proposes:

- extending deposit protection to deposits held by local authorities with an annual budget up to £500,000
- that firms inform depositors (from 3 July 2015) when their assets are no longer covered by a DGS
- that deposit-takers provide the FSCS (on request) with all information held on dormant accounts that have been transferred to a dormant account fund operators

- extending continuity of access (CoA) rules in relation to overdrawn accounts.

The proposed changes will be added to SS18/15 if adopted. The consultation closes on **1 May 2015**.

Recovery and resolution

Comparing resolution regimes

The FSB launched its *Second Thematic Peer Review on Resolution Regimes* on 13 April 2015. The FSB is aiming to:

- take stock of bank resolution powers, recovery and resolution planning requirements and related requirements for resolvability assessments
- evaluate progress since the first resolution peer review in implementing reforms
- review the range of approaches taken to implement resolution powers and evaluate how far existing powers are likely to achieve the intended outcomes
- highlight good practices and lessons of experience in reforming national resolution regimes, including any challenges arising from implementation of these reforms
- identify material inconsistencies or gaps (compared to the *Key Attributes for Effective Resolution Regimes for Financial Institutions*) in areas that are common across jurisdictions and would need to be addressed

- identify ways to further improve the explanatory notes and guidance in the draft assessment methodology on the necessary characteristics of resolution powers.

The primary audience for the peer review was local regulators, although it was also open to industry feedback on local recovery and resolution regimes and any challenges presented by local differences in approaches. The FSB plans to publish the final peer review report in early 2016. The consultation closed on 8 May 2015.

Reporting

Reporting for international banks

The PRA published the final Branch Return rule and Branch Return form on 30 April 2015 in *PS 8/15*. This follows its February 2014 consultation on how it should supervise UK branches of non-UK banks, where it proposed to undertake more detailed risk assessments of branches of international banks, and require all UK branches (both EEA and non-EEA) to submit six-monthly reporting on their activities.

The PRA will use a branch's reporting to assess the presence of Critical Economic Functions (CEFs) and the potential impact on UK financial stability. A CEF is a function whose disruption or withdrawal could have an adverse material impact on UK financial stability. CEFs include:

- retail banking

- corporate banking
- payments, clearing and settlement services
- custody, intra-financial system borrowing and lending
- investment banking.

The reporting form covers deposit taking, lending, trade finance, capital markets and investments, payments and settlement, and third party services, and seeks detailed information on volumes and number of customers. Since the initial consultation the PRA has added more guidance to the reporting template and also removed information on credit card services.

If a non-EEA branch has CEFs and the PRA assesses that the activity level is above its risk appetite, it may require the non-EEA bank to subsidise its UK operations or withdraw from the UK market. If a UK branch of an EEA institution has CEFs, the PRA could designate it as 'significant', increasing its monitoring and ensuring that the resolution plan for the bank as a whole and for the UK branch in particular minimises the potential impact on UK financial stability.

Branches must submit this information on 30 June and 31 December each year.

Asset management

In this section:

Regulation 16

Alternative investments 16



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Regulation

Alternative investments

Updating NPPR information

The FCA updated its [*webpage*](#) and published associated [*guidance*](#) to include new national private placement regime (NPPR) material change notification forms on 21 April 2015. A material change is considered to be one that might make an investor reconsider their investment in a fund.

UK AIFMs were already required to submit a material change notification to the FCA if they made a change that would impact their EU AIFs. AIFMs marketing non-EU AIFs are expected to update the FCA about material changes to their funds. The associated guidance should help firms to complete the forms.

Insurance

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Regulation

Solvency II

Internal Model applications

EIOPA published its *Opinion on the preparation for Internal Model applications* on 14 April 2015. It wants to ensure that a consistent approach is taken by EU supervisors to internal model applications used to calculate the EU's solvency capital requirement.

EIOPA's opinion covers modelling of sovereign exposures, issues with the practical preparation of the application and the use of comparative studies to analyse internal models.

Final Solvency II guidance – set 1

The PRA published *SS22/15 Solvency II: applying EIOPA's Set 1 Guidelines to PRA-authorised firms* on 22 April 2015, confirming that firms must comply with EIOPA's set 1 guidelines. The PRA also supplements EIOPA's guidelines on:

- ancillary own-funds
- classification of own-funds
- ring-fenced funds

- treatment of related undertakings, including participations
- loss-absorbing capacity of technical provisions and deferred taxes
- the group solvency calculations.

Firms should refer to this supervisory statement alongside EIOPA's guidelines as they prepare for Solvency II.

Consistency of UK GAAP with Solvency II

The PRA published *CP16/15 Solvency II: consistency of UK generally accepted accounting principles with the Solvency II Directive* on 10 April 2015. It is seeking feedback on the use of UK GAAP, under certain criteria, to value some assets and liabilities for Solvency II.

Insurers planning to apply new UK GAAP should consider the table outlining the valuation approach for Solvency II. The consultation closes for comments on **10 July 2015**.

PRA briefs NEDs

The PRA published a *recording and briefing slides* from a NEDs Solvency II event on 10 April 2015. The PRA's approach to internal models, lessons from the pre-application phase including modelling

issues and supporting governance, the formal application phase and key questions NEDs should ask are addressed.

EIOPA updates Q&A

EIOPA published a number of answers through April 2015 on:

- *Answers to questions on guidelines on classification of own funds* relating to the use of subordinated debt and dividend stoppers
- *Answers to questions on guidelines on group solvency*
- *Answers to questions on guidelines on undertaking-specific parameters*
- *Answers to questions on risk-free interest rate – general*
- *Answers to questions on risk-free interest rate – extrapolation*

Where to go for more information

Read more about Solvency II UK on our webpages at www.pwc.co.uk/solvencyII

EU update

EIOPA revises work programme

EIOPA published a *Revised work programme 2015* on 7 April 2015. EIOPA has reviewed its priorities and made a number cuts and postponed work on some projects following a 7.6% reduction in its

budget. Solvency II is still EIOPA's highest priority but even this has been affected. Other affected areas include financial stability and consumer protection.

UK update

Insurance business transfers

The PRA set out its expectations for insurance business transfers in *Statement of policy - The PRA's approach to insurance business transfers* on 2 April 2015. It includes FSMA requirements for transfers of business, as well as procedures for some transfers outside the UK and friendly society transfer of engagements and amalgamations. It includes:

- initial steps
- the appointment of independent experts
- preparing scheme reports
- consultation with other regulators
- notice provisions
- PRA assessment
- reporting to Court (as applicable).

Insurers also need to be aware of the FCA's requirements. The PRA plans to consult with the FCA before making any decision in respect of an insurance transfer, to ensure that its requirements are compatible with the FCA's approach.

Final policyholder protection rules

The PRA published *PS5/15: Policyholder protection* on 1 April 2015. It sets out the feedback from CP21/14 'Policyholder Protection', CP20/14 'Depositor Protection' and CP4/15 'Depositor, Dormant Account and Policyholder Protection – amendments'.

The PRA has extended compensation limits for all long-term insurance products to 100% and has not introduced a cap on large claims. Policyholders whose policies are transferred to a successor firm will continue to have their outstanding claims covered by the FSCS after the transfer, and the FSCS will be given new powers of automatic and electronic assignment and automatic subrogation of policyholders' rights.

The new rules come into force on 3 July 2015.

Monthly calendar

Open consultations

Closing date for responses	Paper	Institution
22/05/15	<u>Consultation paper on the draft ITS on the procedures and templates for the submission of information to the group supervisor as well as the exchange of information between supervisory authorities</u>	EIOPA
25/05/15	<u>CP15/10 and CP9/15 – strengthening accountability in banking: UK branches of foreign banks</u>	FCA and PRA
26/05/15	<u>DP15/3: developing our approach to implementing MiFID II conduct of business and organisational requirements</u>	FCA
27/05/15	<u>CP8/15: engagement between external auditors and supervisors and commencing the PRA's disciplinary powers over external auditors and actuaries</u>	PRA
29/05/15	<u>Assessment methodologies for identifying non-bank non-insurer global systemically important financial institutions</u>	FSB and IOSCO
01/06/15	<u>FRED 61: draft amendments to FRS 102 – share-based payment transactions with cash alternatives</u>	FRC
04/06/15	<u>Consultation paper – draft guidelines on sound remuneration policies under CRD IV and the CRR</u>	EBA
06/06/15	<u>Consultation report – market intermediary business continuity and recovery planning</u>	IOSCO
06/06/15	<u>Consultation report – mechanisms for trading venues to effectively manage electronic trading risks and plans for business continuity</u>	IOSCO
06/06/15	<u>Consultation paper – draft RTS on a minimum set of the information on financial contracts that should be contained in the detailed records and the circumstances in which the requirement should be imposed under the BRRD</u>	EBA

Closing date for responses	Paper	Institution
09/06/15	<i><u>Consultation paper – draft RTS and guidelines on business reorganisation plans under BRRD</u></i>	EBA
15/06/15	<i><u>Consultation paper – draft guidelines on complex debt instruments and structured deposits</u></i>	ESMA
16/06/15	<i><u>CP15/9 – strengthening accountability in banking: a new regulatory framework for individuals – feedback on CP14/13 (FCA) and CP 14/14 (PRA) and consultation on additional guidance</u></i>	FCA
18/06/15	<i><u>Consultation paper – transposition of the MiFID II</u></i>	HMT
18/06/15	<i><u>Creating a secondary annuity market: call for evidence</u></i>	HMT and DWP
19/06/15	<i><u>Consultation paper – draft guidelines on limits on exposures to shadow banking entities which may carry out banking activities outside a regulated framework under the CRR</u></i>	EBA
25/06/15	<i><u>CP15/13: general insurance add-ons market study – proposed remedies: banning opt-out selling across financial services and supporting informed decision-making for add-on buyers</u></i>	FCA
30/06/15	<i><u>CP17/15 – the PRA rulebook: part 3</u></i>	PRA
06/07/15	<i><u>Consultation paper – draft RTS on assigning risk weights to specialised lending exposures under the CRR</u></i>	EBA
08/07/15	<i><u>Consultation report – sound practices at large intermediaries: alternatives to the use of credit ratings to assess creditworthiness</u></i>	IOSCO
10/07/15	<i><u>Consultation paper – draft guidelines for the assessment of knowledge and competence</u></i>	ESMA
10/07/15	<i><u>CP16/15 – Solvency II: consistency of UK generally accepted accounting principles with the Solvency II Directive</u></i>	PRA
15/07/15	<i><u>Consultation paper – clearing obligation under EMIR (no.4)</u></i>	ESMA

Closing date for responses	Paper	Institution
21/07/15	<i>Call for evidence – investment using virtual currency or distributed ledger technology</i>	ESMA
07/08/15	<i>Consultation paper – draft ITS on the mapping of ECAI's credit assessments for securitisation positions under the CRR</i>	EBA

Forthcoming publications in 2015

Date	Topic	Type	Institution
<i>Client Money</i>			
Q2 2015	Review of the client money rules for insurance intermediaries	Policy statement	FCA
<i>Consumer protection</i>			
Q2 2015	National Depositor Preference and UK depositors	Policy statement	PRA
Q3 2015	Calculation of contributions to DGSs	Guidelines	EBA
<i>Financial crime, security and market abuse</i>			
Q2 2015	Draft MAR technical standards	Technical standards	ESMA
TBD 2015	Advice to Commission on Benchmark legislation	Advice	ESMA
<i>Prudential</i>			
Q2 2015	Update on ITS on reporting of the leverage ratio	Technical standards	EBA
Q2 2015	LGD floors for mortgage lending	Consultation	EBA
Q2 2015	RTS on PD estimation	Technical standards	EBA
Q4 2015	Report on NSFR methodologies	Report	EBA

Date	Topic	Type	Institution
Securities and markets			
Q2 2015	Implementing acts on third country equivalence decisions on exposures to third country investment firms, clearing houses and exchanges treated as exposures to an institution	Advice	EBA
Q2 2015	Consultation Paper on MAR guidelines	Consultation paper	ESMA
Q2 2015	Feedback and Policy Statement on CP14/02, consultation on joint sponsors and call for views on sponsor conflicts – PS to CP14/21	Policy statement	FCA
Q2 2015	Technical advice to the Commission on the review of EMIR	Technical advice	ESMA
Q2 2015	MiFID/MiFIR Draft Regulatory Technical Standards	Technical standards	ESMA
Q2 2015	Draft technical standards on CSDR	Technical standards	ESMA
Q4 2015	MiFID/MiFIR Draft Implementing Technical Standards	Technical standards	ESMA
Q4 2015	Securities Financing Transactions Regulation Discussion or Consultation Paper on technical standards	Consultation or technical standards	ESMA
Products and investments			
Q2 2015	Restrictions on the retail distribution of regulatory capital instruments – PS to CP14/23	Policy statement	FCA
Q3 2015	Advice on the application of the passport to third-country AIFMs and AIFs	Advice	ESMA
TBD 2015	Undertakings For The Collective Investment of Transferable Securities V	Technical advice	ESMA
TBD 2015	RTS on format and content of disclosures in KID for PRIIPs	Technical standards	ESMA

Date	Topic	Type	Institution
<i>Recovery and resolution</i>			
Q2 2015	Advice on the criteria for determining the number of years by which the initial period for the build up of the SRF may be extended	Advice	EBA
Q2 2015	Partial transfer safeguards	Advice	EBA
Q3 2015	Notification requirements	Technical standards	EBA
Q3 2015	RTS on Contractual Bail in	Technical standards	EBA
TBD 2015	Recovery and Resolution Directive – PS to CP14/15	Policy statement	FCA
TBD 2015	Strengthening the Alignment of Risk and Reward: New Remuneration Rules – PS to CP14/14	Policy statement	FCA
TBD 2015	Strengthening accountability in banking: a new regulatory framework for individuals – PS to CP14/13	Policy statement	FCA
<i>Solvency II</i>			
TBD 2015	Solvency II Level 3 measures	Level 3 text	EIOPA
<i>Supervision, governance and reporting</i>			
Q4 2015	Assessment of national SREP approaches	Report	EBA

Main sources: ESMA 2015 work programme; EIOPA 2015 work programme; EBA 2015 work programme; EC 2015 work programme; FCA policy development updates

Glossary

2EMD	The Second E-money Directive 2009/110/EC	BCR	Basic capital requirement (for insurers)
ABC	Anti-Bribery and Corruption	BIBA	British Insurance Brokers Association
ABI	Association of British Insurers	BIS	Bank for International Settlements
ABS	Asset Backed Security	BoE	Bank of England
AIF	Alternative Investment Fund	BRRD	Bank Recovery and Resolution Directive
AIFM	Alternative Investment Fund Manager	CASS	Client Assets sourcebook
AIFMD	Alternative Investment Fund Managers Directive 2011/61/EU	CCD	Consumer Credit Directive 2008/48/EC
AIMA	Alternative Investment Management Association	CCPs	Central Counterparties
AML	Anti-Money Laundering	CDS	Credit Default Swaps
AML3	3rd Anti-Money Laundering Directive 2005/60/EC	CEBS	Committee of European Banking Supervisors (predecessor of EBA)
AQR	Asset Quality Review	CET1	Core Equity Tier 1
ASB	UK Accounting Standards Board	CESR	Committee of European Securities Regulators (predecessor of ESMA)
Banking Reform Act (2013)	Financial Services (Banking Reform) Act 2013	Co-legislators	Ordinary procedure for adopting EU law requires agreement between the Council and the European Parliament (who are the ‘co-legislators’)
Basel Committee	Basel Committee of Banking Supervision (of the BIS)	CFT	Counter Financing of Terrorism
Basel II	Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework	CFTC	Commodities Futures Trading Commission (US)
Basel III	Basel III: International Regulatory Framework for Banks	CGFS	Committee on the Global Financial System (of the BIS)
BBA	British Bankers’ Association	CIS	Collective Investment Schemes

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CMA	Competition and Markets Authority	Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act (US)
CMU	Capital markets union	D-SIBs	Domestic Systemically Important Banks
CoCos	Contingent convertible securities	EBA	European Banking Authority
Council	Generic term representing all ten configurations of the Council of the European Union	EC	European Commission
CRA1	Regulation on Credit Rating Agencies (EC) No 1060/2009	ECB	European Central Bank
CRA2	Regulation amending the Credit Rating Agencies Regulation (EU) No 513/2011	ECJ	European Court of Justice
CRA3	proposal to amend the Credit Rating Agencies Regulation and directives related to credit rating agencies COM(2011) 746 final	ECOFIN	Economic and Financial Affairs Council (configuration of the Council of the European Union dealing with financial and fiscal and competition issues)
CRAs	Credit Rating Agencies	ECON	Economic and Monetary Affairs Committee of the European Parliament
CRD	'Capital Requirements Directive': collectively refers to Directive 2006/48/EC and Directive 2006/49/EC	EEA	European Economic Area
CRD II	Amending Directive 2009/111/EC	EEC	European Economic Community
CRD III	Amending Directive 2010/76/EU	EIOPA	European Insurance and Occupations Pension Authority
CRD IV	Capital Requirements Directive 2013/36/EU	EMIR	Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (EC) No 648/2012
CRR	Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms	EP	European Parliament
CTF	Counter Terrorist Financing	ESA	European Supervisory Authority (i.e. generic term for EBA, EIOPA and ESMA)
DFBIS	Department for Business, Innovation and Skills	ESCB	European System of Central Banks
DG MARKT	Internal Market and Services Directorate General of the European Commission	ESMA	European Securities and Markets Authority
		ESRB	European Systemic Risk Board

EU	European Union	FSCS	Financial Services Compensation Scheme
EURIBOR	Euro Interbank Offered Rate	FSI	Financial Stability Institute (of the BIS)
Eurosystem	System of central banks in the euro area, including the ECB	FSMA	Financial Services and Markets Act 2000
FASB	Financial Accounting Standards Board (US)	FSOC	Financial Stability Oversight Council
FATCA	Foreign Account Tax Compliance Act (US)	FTT	Financial Transaction Tax
FATF	Financial Action Task Force	G30	Group of 30
FC	Financial counterparty under EMIR	GAAP	Generally Accepted Accounting Principles
FCA	Financial Conduct Authority	G-SIBs	Global Systemically Important Banks
FDIC	Federal Deposit Insurance Corporation (US)	G-SIFIs	Global Systemically Important Financial Institutions
FiCOD	Financial Conglomerates Directive 2002/87/EC	G-SIIs	Global Systemically Important Institutions
FiCOD1	Amending Directive 2011/89/EU of 16 November 2011	HMRC	Her Majesty's Revenue & Customs
FiCOD2	Proposal to overhaul the financial conglomerates regime (expected 2013)	HMT	Her Majesty's Treasury
FMI	Financial Market Infrastructure	IAIS	International Association of Insurance Supervisors
FOS	Financial Ombudsman Service	IASB	International Accounting Standards Board
FPC	Financial Policy Committee	ICAS	Individual Capital Adequacy Standards
FRC	Financial Reporting Council	ICB	Independent Commission on Banking
FSA	Financial Services Authority	ICOBS	Insurance: Conduct of Business Sourcebook
FSB	Financial Stability Board	IFRS	International Financial Reporting Standards
FS Act 2012	Financial Services Act 2012	IMA	Investment Management Association
		IMAP	Internal Model Approval Process

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IMD	Insurance Mediation Directive 2002/92/EC	Member States	countries which are members of the European Union
IMD2	Proposal for a Directive on insurance mediation (recast) COM(2012) 360/2	MiFID	Markets in Financial Instruments Directive 2004/39/EC
IMF	International Monetary Fund	MiFID II	Proposed Markets in Financial Instruments Directive (recast) (COM(2011) 656 final)
IORP	Institutions for Occupational Retirement Provision Directive 2003/43/EC	MiFIR	Proposed Markets in Financial Instruments Regulation (EC) (COM(2011) 652 final)
IOSCO	International Organisations of Securities Commissions	MMF	Money Market Fund
ISDA	International Swaps and Derivatives Association	MMR	Mortgage Market Review
ITS	Implementing Technical Standards	MREL	Minimum requirements for own funds and eligible liabilities
JCESA	Joint Committee of the European Supervisory Authorities	MTF	Multilateral Trading Facility
JMLSG	Joint Money Laundering Steering Committee	MoJ	Ministry of Justice
JURI	Legal Affairs Committee of the European Parliament	MoU	Memorandum of Understanding
LCR	Liquidity coverage ratio	NAV	Net Asset Value
LEI	Legal Entity Identifier	NBNI G-SIFI	Non-bank non-insurer global systemically important financial institution
LIBOR	London Interbank Offered Rate	NFC	Non-financial counterparty under EMIR
MA	Matching Adjustment	NFC+	Non-financial counterparty over the EMIR clearing threshold
MAD	Market Abuse Directive 2003/6/EC	NFC-	Non-financial counterparty below the EMIR clearing threshold
MAD II	Proposed Directive on Criminal Sanctions for Insider Dealing and Market Manipulation (COM(2011)654 final)	NSFR	Net stable funding ratio
MAR	Proposed Regulation on Market Abuse (EC) (recast) (COM(2011) 651 final)	OECD	Organisation for Economic Cooperation and Development
MCD	Mortgage Credit Directive	Official Journal	Official Journal of the European Union

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OFT	Office of Fair Trading	SEC	Securities and Exchange Commission (US)
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)	SFT	Securities financing transactions
ORSA	Own Risk Solvency Assessment	SFD	Settlement Finality Directive 98/26/EC
OTC	Over-The-Counter	SFO	Serious Fraud Office
p2p	Peer to Peer	SIPP	Self-invested personal pension scheme
PERG	Perimeter Guidance Manual	SM&CR	Senior managers and certification regime
PRA	Prudential Regulation Authority	SOCA	Serious Organised Crime Agency
Presidency	Member State which takes the leadership for negotiations in the Council: rotates on 6 monthly basis	Solvency II	Directive 2009/138/EC
PRIIPs Regulation	Proposal for a Regulation on key information documents for investment and insurance-based products COM(2012) 352/3	SSM	Single Supervisory Mechanism
PSR	Payment Systems Regulator	SSR	Short Selling Regulation EU 236/2012
QIS	Quantitative Impact Study	T2S	TARGET2-Securities
RDR	Retail Distribution Review	TLAC	Total Loss Absorbing Capacity
RFB	Ring Fenced Bank	TR	Trade Repository
RRPs	Recovery and Resolution Plans	TSC	Treasury Select Committee
RTS	Regulatory Technical Standards	UCITS	Undertakings for Collective Investments in Transferable Securities
RWA	Risk-weighted assets	XBRL	eXtensible Business Reporting Language
SCR	Solvency Capital Requirement (under Solvency II)		

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