

# Regulatory Radar

## Summary of the News

Scanning the regulatory horizon can be a time consuming exercise. Each month, we will set out an extract of regulatory updates from our European Regulatory Oversight & Screening (“EROS”) tool. There are a significant number of publications, as you would expect. This extract covers the month of October and has been arranged by taxonomy. The extracts in this section are limited to: FCA, PRA, ECB, EBA, ESMA, IOSCO, and FSB publications. This extract is not intended to be an exhaustive list or relied upon.



### Key October highlights:

#### Brexit

The FCA will be extending the date by which firms and funds should notify their entry into the temporary permissions regime to the 30<sup>th</sup> of January 2020. Fund managers will have until the 15<sup>th</sup> of January 2020 to inform the FCA if they want to make changes to their existing notification. Firms should continue to comply with existing regulatory requirements (e.g. MiFID II, EMIR).

#### PRIIPs

The European Supervisory Authorities (“ESA”) are promoting a consistent application by National Competent Authorities of the PRIIPs regulation to bond markets.

#### ESG

October was a turning point for ESG in the UK. First, the Financial Reporting Council (“FRC”) released a strengthened and revised UK Stewardship Code for 2020, based on a collaborative work with the FCA around governance and stewardship. Secondly, the FCA published their objectives and potential future actions on climate change and green finance, in line with their strategic goal of ensuring markets function well.

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### Basel III



#### [Basel III capital monitoring report](#)

This latest Basel III monitoring exercise report from the EBA is based on December 2018 data, and provides an impact assessment of implementing final Basel III reforms on EU banks.

### Brexit



#### [UK's exit from the EU delayed](#)

The EU and the UK have agreed to extend the date for the UK's departure from the EU. The FCA will be extending the date by which firms and funds should notify it for entry into the temporary permissions regime (TPR) to 30 January 2020.

### CSDR



#### [Final report on CSDR guidelines](#)

ESMA published final report on CSDR guidelines on standardised procedures and messaging protocols.

### EMIR



#### [EMIR peer review](#)

ESMA published the results of a peer review it conducted into supervisory actions of six National Competent Authorities on their approach at enhancing the quality of derivative data reported under EMIR.

### Financial Crime



#### [Market abuse standards on supervisory cooperation](#)

ESMA published draft RTS on cooperation arrangements under the EU Market Abuse Regulation.



#### [Risks of money laundering and terrorist financing](#)

The three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) published their second joint Opinion on the risks of money laundering and terrorist financing affecting the EU's financial sector.

### Governance



#### [UK Stewardship Code 2020](#)

The Financial Reporting Council (FRC) published a strengthened and revised UK Stewardship Code, which sets enhanced standards for asset owners and asset managers, and for service providers that support them.



#### [Building a regulatory framework for effective stewardship – FS from the FCA](#)

Following the release of a discussion paper on stewardship and governance in January 2019, the FCA published a feedback statement, which was also used by the FRC to update its Stewardship Code (cf. above).

The FCA and the FRC have been working closely in framing their future work, and will continue to do so.

### Liquidity



#### [Interactions between bank liquidity requirements](#)

The ECB published an article on the interaction of different regulatory metrics by empirically examining the interaction between the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) for banks in the euro area.



#### [Report on compliance of EU banks with liquidity measures](#)

The EBA published a report, providing an update of the EU banks' compliance with the liquidity coverage ratio (LCR).

### Open Banking



#### [Report on cross-border access of EU payment services](#)

The EBA published a report identifying potential obstacles to the cross-border provision of banking and payment services in the EU. Developed under the EBA's FinTech Roadmap, this report calls on the EC to facilitate cross-border access.



#### [Strong customer authentication](#)

The FCA published a policy statement on strong customer authentication and common and secure open standards of communication, to make electronic payments more safe and secure. In the context of Brexit, it forms part of the EU law and will supplement PSD2.

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### Reporting



#### [Reliability of Regulatory Returns](#)

The PRA released a 'Dear CEO' letter, encouraging firms to submit complete, timely and accurate regulatory returns, as the integrity of regulatory reporting is the foundation of effective supervision.



#### [Validation rules and XML schemas for SFTR Reporting](#)

ESMA published further technical details for the reporting of Securities Financing Transactions (SFTs) as required under the SFT Regulation (SFTR). The publication includes the validation rules applicable to SFTR reports, as well as the XML schemas reporting entities should use.



#### [EU enforcers must monitor closely new reporting standards](#)

ESMA published the priorities that European enforcers will consider when examining the 2019 annual financial reports of listed companies, including IFRS financial statements, and ESG disclosures.



#### [Governance of key OTC derivatives data elements](#)

IOSCO has developed global guidance on the harmonisation of critical OTC derivatives data reported to trade repositories.

### Retail Conduct



#### [Promoting consistent application of PRIIPs to bonds](#)

The European Supervisory Authorities (ESAs) have issued a supervisory statement in order to promote a consistent application by National Competent Authorities of the PRIIPs Regulation to bond markets. The objective is to achieve a consistent level of regulation promoting the protection of retail investors.



#### [Disclosure to consumers buying financial services through digital channels](#)

The EBA published an Opinion addressed to the EC with recommendations to ensure that disclosure requirements in EU law take account of the increasing use of digital marketing channels for financial services and the issues affecting consumers.



#### [Changes to mortgage responsible lending rules and guidance](#)

The FCA released a policy statement setting out the changes to their responsible mortgage lending rules based on their proposals and the feedback they have received on them.



#### [Overdraft pricing and competition remedies](#)

The FCA published a policy statement on overdrafts pricing, with new rules designed to reform the overdraft market and address the harm to consumers.

### Sustainable Finance



#### [The FCA's future work on climate change and green finance](#)

The FCA published a feedback statement following a discussion paper released in October 2018. This sought views on potential FCA action on climate change and green finance, in line with their strategic objective of ensuring relevant financial markets function well.



#### [Climate-related corporate reporting: Where to next?](#)

The FRC published a report on climate-related corporate reporting, to assist companies and provide practical guidance on how to meet investor expectations using the TCFD framework. It is structured around the four TCFD (Task Force on Climate-related Financial Disclosures) core elements: governance, strategy, risk management and metrics and targets.



#### [Strengthening the foundations of sustainable finance](#)

Speech given by Mark Carney, Governor of the Bank of England, on TCFD and strengthening the foundations of sustainable finance. The Governor made various recommendations, including: working to increase the quantity and quality of disclosures by sharing best practice; refining TCFD disclosure recommendations to those that investors consider most decision-useful; or using TCFD to manage risks and realise opportunities.