

ALLEN & OVERY

Key Regulatory Topics: Weekly Update

11 – 17 October 2019



BREXIT

Brexit negotiations

On 17 October, the UK government and the EC reached an agreement on a revised Protocol on Ireland/Northern Ireland to the Withdrawal Agreement, and a revised political declaration on the framework for the future relationship. The revisions to the Protocol include: (i) removal of the UK-EU single customs territory agreed in November 2018 – instead Northern Ireland will remain part of the UK's customs territory, but the Union Customs Code will apply to all goods entering Northern Ireland, to avoid any customs checks and controls on the island of Ireland. EU customs duties will apply to goods entering Northern Ireland if those goods risk entering the single market, and the joint UK-EU committee will set criteria to determine the risk of onward movement; and (ii) an amendment such that the Protocol is no longer an insurance policy which would apply unless and until it is superseded by a future UK-EU relationship but rather it is a legally operative solution that will continue therefore to apply unless it fails to receive the democratic support of the Northern Ireland Assembly.

FCA sets out latest expectations for firms on Brexit

On 11 October, the FCA published a press release setting out its latest expectations for firms on Brexit. The press release articulated: (i) if the UK leaves the EU without a deal, passporting will end. Any EEA passporting firm wishing to continue operating in the UK will need to notify the FCA by 30 October that they wish to enter the Temporary Permissions Regime. Fund managers have until 16 October to inform the FCA if they want to make changes to their existing notification; (ii) on MiFID transaction reporting, which is a crucial part of the FCA's approach to market oversight, firms that are not able to comply fully with the regime at the time of the UK's withdrawal from the EU will need to be able to back-report missing, incomplete or inaccurate transactions; and (iii) on EMIR reporting, FCA-registered trade repositories should be ready to receive reports from UK reporting counterparties and be in a position to share these with UK authorities. FCA-registered trade repositories must ensure the migration of outstanding trades and historic EMIR data, and that the details of any trades newly concluded, terminated or modified by UK reporting counterparties on 1, 2, and 3 November, are embedded in their systems. These need to be available for UK authorities by 4 November.

[Read more](#)

CONDUCT

Dear CEO letter regarding claims management companies

On 16 October, the FCA published a Dear CEO letter sent to claims management companies (CMCs) relating to payment protection insurance (PPI). The letter highlights that CMCs are expected to: (i) allow a reasonable length of time before expecting acknowledgements from lenders; (ii) allow lenders a reasonable amount of time to give a final response; (iii) take all reasonable steps to investigate the existence and merits of a complaint before referring it to the Financial Ombudsman Service (FOS); and (iv) ensure financial promotions about PPI are fair, clear and not misleading.

[Read more](#)

SM&CR: Form K explained

On 11 October, the FCA published a new webpage providing more information on the submission of Form K. Form K is the conversion notification form, which enables firms to tell the FCA which approved individuals they wish to convert from the Approved Persons Regime to corresponding Senior Management Functions under the SM&CR.

[Read more](#)

CONSUMER/RETAIL

Motor finance discretionary commission models and consumer credit commission disclosure

On 15 October, the FCA published a consultation paper (CP) on motor finance discretionary commission models and consumer credit commission disclosure. The CP consults on proposals to: (i) ban commission models that can give brokers and motor dealers an incentive to increase a customer's interest rate; and (ii) amend parts of our rules and guidance relating to the disclosure of commission arrangements with lenders. The deadline for responding is 15 January 2020.

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FINANCIAL CRIME

The Global Framework for Fighting Financial Crime: Enhancing Effectiveness & Improving Outcomes

On 16 October, the Institute of International Finance (IIF) and Deloitte published a white paper on the global framework for fighting financial crime. The recommendations made in the report include: (i) systemic architectural improvements for financial crime risk management; (ii) advancing public/private sector cooperation; (iii) improving cross-border and domestic information sharing; (iv) improving the use and quality of data; (v) reforming Suspicious Activity Reporting regimes; (vi) mitigating the inconsistent or incoherent implementation of financial crime compliance standards/guidance and providing regulatory clarity; and (vii) increasing and improving the use of technology to combat illicit finance.

[Read more](#)

JMLSG syndicated lending guidance

On 14 October, JMLSG published the HMT approved-version of its syndicated lending guidance. Although not legally binding, compliance with the guidance can provide a safe harbour in the event of prosecution under certain pieces of financial crime legislation or enforcement action for breach of AML rules in the FCA Handbook.

[Read more](#)

FINTECH

Please refer to the Prudential Regulation section for an update concerning the Joint Statement on the Inaugural Meeting of the Joint EU-Japan financial regulatory forum.

Machine learning in UK financial services

On 16 October, the BoE and the FCA published a joint report on machine learning (ML) in UK financial services. The key findings are: (i) ML is increasingly being used in UK financial services; (ii) in many cases, ML development has passed the initial development phase, and is entering more advanced stages of deployment; (iii) ML is now used across a range of business areas - most commonly used in AML and fraud detection as well as in customer-facing applications; (iv) firms do not think regulation is a barrier to ML deployment. The biggest reported constraints are internal to firms, such as legacy IT systems and data limitations; (v) firms thought that ML does not necessarily create new risks, but could be an amplifier of existing ones; (vi) firms use a variety of safeguards to manage the risks associated with ML - including alert systems and so-called 'human-in-the-loop' mechanisms; (vii) firms validate ML applications before and after deployment. However, many firms note that ML validation frameworks still need to evolve in line with the nature, scale and complexity of ML applications; (viii) firms mostly design and develop ML applications in-house; and (ix) the majority of users apply their existing model risk management framework to ML applications. But many highlight that these frameworks might have to evolve in line with increasing maturity and sophistication of ML techniques. This was also highlighted in the BoE's response to the Future of Finance report. In order to foster further conversation around ML innovation, the BoE and the FCA have announced plans to establish a public-private group to explore some of the questions and technical areas covered in this report.

[Read more](#)

FSB letter to G20 Finance Ministers and Central Bank Governors

On 14 October, the FSB published a letter from the FSB Chair, Randal Quarles, to the G20 finance ministers and central bank governors. The letter looked at three areas of the FSB's work: (i) ensuring resilience in the face of new risks – the FSB is developing a new surveillance framework that is to be put in place by next year; (ii) potential financial stability issues from global stablecoins – the FSB has formed a working group, which is tasked with examining the regulatory issues raised by stablecoins that have the potential to reach global scale, taking into account the perspective of emerging markets and developing economies. The FSB is submitting an issues note on global stablecoins to the October G20 Finance Ministers and Central Bank Governors meeting. The FSB will submit a consultative report to the G20 Finance Ministers and Central Bank Governors in April 2020, and a final report in July 2020; and (iii) promoting a financial system that supports strong and sustainable global growth – the FSB is submitting a progress report to the G20 on its further work on market fragmentation, in collaboration with international standard-setters, including IOSCO follow-up on how cross-border deference in regulation and supervision is applied, and practical steps the FSB can take to enhance supervisory and regulatory coordination more generally.

[Read more](#)

INSURANCE

EIOPA consults on technical advice for the 2020 review of Solvency II

On 15 October, EIOPA launched a public consultation on an Opinion that sets out technical advice for the 2020 review of Solvency II, which responds to the call for advice of the EC of 11 February. The call for advice comprises 19 separate topics. Broadly speaking, these can be divided into three parts: (i) the review of the long term guarantee measures. These measures were always foreseen as being reviewed in 2020, as specified in the Omnibus II Directive. A number of different options are being consulted on, notably on extrapolation and on the volatility adjustment; (ii) the potential introduction of new regulatory tools in the Solvency II Directive, notably on macro-prudential issues, recovery and resolution, and insurance guarantee schemes. These new regulatory tools are considered thoroughly in the consultation; and (iii) revisions to the existing Solvency II framework including in relation to freedom of services and establishment; reporting and disclosure; and the solvency capital requirement. The deadline for responding is 15 January 2020.

[Read more](#)

Single Programming Document 2010-2022 including Annual Work Programme 2020

On 14 October, EIOPA published its single programming document 2020-22 (SPD), which includes its annual work programme for 2020. The SPD highlights that EIOPA: (i) will focus on the impact of new technology enabled business models and the use of new technologies for supervisory purposes; (ii) has a sustainable finance action plan and has already developed significant interventions in this area; (iii) will seek to enhance the common supervisory culture, including the development of Union-wide strategic supervisory priorities and, at the request of NCAs, technical advice on the application of Internal Models; (iv) will enhance the information available to supervisors on consumer trends and retail risk indicators; (v) deliver regulatory tasks in relation to the Pan European Pension Product (PEPP) and prepare to assume its role in registering PEPPs and overseeing their supervision; and (vi) will develop common methodologies for identifying financial institutions to be included in Union-wide assessments and for assessing the effect of environmental risks on the financial stability of those financial institutions.

[Read more](#)

Solvency II: Adjusting for the reduction of loss absorbency where own fund instruments are taxed on conversion

On 11 October, the PRA published a consultation paper in which the PRA proposes to amend its expectation on the treatment of restricted Tier 1 own funds (rT1) instruments in the light of recent information from HMRC. The proposals would make amendments to Supervisory Statement (SS) 3/15 'Solvency II: the quality of capital instruments'. The SS currently sets out the PRA's expectation that insurers will deduct the maximum tax charge generated on write down, when including externally issued rT1 instruments in their own funds. This consultation proposes expanding this expectation to reflect the maximum tax charge that could be generated on conversion of such items into ordinary shares. The deadline for responding is 13 January 2020.

[Read more](#)

MARKETS AND MARKETS INFRASTRUCTURE

Please refer to the Prudential Regulation section for an update regarding the Implementation and Effects of the G20 Financial Regulatory Reforms: Fifth Annual Report and FSB updates on the Work on Market Fragmentation.

Please refer to the FinTech section for an update regarding the FSB letter to G20 Finance Ministers and Central Bank Governors.

ECB working group's report on the risk management implications of the transition from EONIA to €STR and the introduction of risk-free rates

On 17 October, the ECB's working group on euro risk-free rates published a report which focuses on the risk management implications of the transition from the current euro overnight index average (EONIA) to the ECB's euro short-term rate (€STR) and the inclusion of fallback rates for EURIBOR based on a €STR-based term structure methodology, i.e. the introduction of risk-free rates. The report focuses mainly on the risk management implications for banks, but also touches on additional challenges facing the asset management and insurance sectors. It should be read in conjunction with 'Recommendations of the working group on euro risk-free rates on the EONIA to €STR legal action plan' and 'Report by the working group on euro risk-free rates on the impact of the transition from EONIA to the €STR on cash and derivatives products'. In order to effectively manage the EONIA to €STR transition and the introduction of €STR-based fallback rates for EURIBOR, the working group recommends that market participants: (i) set up a well-governed risk-free rates programme to identify exposures at risk and develop a transition strategy; (ii) identify all of the products that are likely to be affected and determine the most appropriate way to amend legacy EONIA contracts, design new business contracts and make adjustments throughout the transition; and (iii) develop internal governance processes to ensure the proper oversight of changes to policies, systems, processes and controls and provide staff with training on the implications of the transition to enable adequate interaction with clients.

[Read more](#)

Final Report: Peer review into supervisory actions aimed at enhancing the quality of data reported under EMIR

On 17 October, ESMA published the results of a peer review it conducted into supervisory actions of six NCAs (the Netherlands Authority for the Financial Markets (AFM); the French Authority of the Financial Market (AMF); the German Federal Financial Supervisory Authority (BaFin); the Central Bank of Ireland (CBoI); the Cypriot Securities and Exchange Commission (CySEC); and the UK Financial Conduct Authority (FCA)) regarding their approaches at enhancing the quality of derivative data reported under EMIR. The majority of NCAs had a supervisory approach to EMIR data quality in place. However, two NCAs lagged behind when it comes to integrating EMIR data quality controls into their overall supervisory approach, which negatively impacted the NCAs' ability to access, assess and analyse EMIR data. ESMA has also put forward several initiatives to improve the supervision of EMIR's data quality in the short and long-term. The short-term initiatives include: (i) revising NCAs' annual Data Quality Review exercises; and (ii) identifying how NCAs can regularly use the data as part of their overall supervisory approach.

[Read more](#)

Memorandum of understanding: equivalence and exemptions

On 17 October, the FCA, HMT, BoE and PRA published an MoU which sets out how they expect to coordinate their respective functions in relation to equivalence and exemption determinations. The MoU highlights that HMT will determine the application of exemptions to and the equivalence of, any country or territory outside the UK where this function is provided for in legislation.

[Read more](#)

EBA launches consultation on comprehensive Pillar 3 disclosures

On 16 October, the EBA launched a public consultation on the new comprehensive ITS for financial institutions' public disclosure, designed to promote market discipline. This proposal seeks to optimise the EBA Pillar 3 policy framework by moving from a silo based approach, with different disclosure policy products, to an all-inclusive ITS. It also implements regulatory changes introduced by the CRR2 and aligns the disclosure framework with international standards. CRR2 introduced new disclosure requirements for institutions, and a mandate for the EBA to implement them in a way that conveys sufficiently comprehensive and comparable information for market participants to assess the risk profiles of institutions (Article 434a of the CRR2). The new ITS aim to reinforce market discipline, by increasing consistency and comparability of

institutions' public disclosures, and to implement the CRR2 regulatory changes in line with the revised Basel Pillar 3 standards. The deadline for responding is 16 January 2020.

[Read more](#)

Securitisation Regulation: Final RTS

On 16 October, the EC published a Delegated Regulation supplementing the Securitisation Regulation with regard to the RTS specifying the information and details of a securitisation to be made available by the originator, sponsor and securitisation special purpose entity. The Delegated Regulation makes clear what information must be made available regarding the underlying exposures in the securitisation, investor reports, inside information and significant events affecting the transaction. On the twentieth day following its publication in the OJ, the Delegated Regulation will enter into force.

[Delegated Regulation](#)

[Annexes](#)

Tables comparing EC, EP and the Council's position on the proposed Regulation regarding ECSPs and the proposed Directive amending MiFID II regarding crowdfunding

On 16 October, the Council of the EU published a note from the General Secretariat to the Delegations with the following tables as addenda comparing the positions of the EC, the Council and the EP regarding: (i) Table 1 – the proposal for a regulation of the EP and of the Council on European Crowdfunding Service Providers (ECSP) for Business; and (ii) Table 2 – the proposal for a directive of the EP and of the Council amending Directive 2014/65/EU on markets in financial instruments.

[Note](#)

[Table 1](#)

[Table 2](#)

ESAs consult on changes to the KID for PRIIPs

On 16 October, ESAs issued a consultation paper (CP) on amendments to existing rules underpinning the KID for PRIIPs. The CP proposes changes relating to the following topic areas: (i) illustrations of what the retail investor might receive in return from their investment (performance scenarios); (ii) information on what the costs of the investment are; (iii) specific issues for different types of investment funds; and (iv) specific issues for PRIIPs offering a range of options for investment (so-called "Multi-Option Products"). The deadline for responding is 13 January 2020.

[Read more](#)

Capital markets union: Council adopts new clearing house rules

On 15 October, (following an announcement on 11 October that COREPER had approved the EP position – please see below) the Council of the EU announced that it has adopted, at first reading, the proposed Regulation amending the EMIR supervisory regime for EU and third-country CCPs (EMIR 2.2). Following the signature of the text in Strasbourg in the week of 21 October, the regulation is scheduled to be published in the OJ on 24 October and will enter into force 20 days later.

[Read more](#)

OTC Derivatives Market Reforms: 2019 Progress Report on Implementation

On 15 October, the FSB published its 14th report reviewing progress made by standard-setting bodies, national and regional authorities and market participants towards meeting the G20 commitments for reforms to global OTC derivatives markets. The report notes the following progress: (i) trade reporting: 23 out of 24 member jurisdictions have comprehensive requirements in force, an increase of one during the reporting period; (ii) central clearing: 18 jurisdictions have in force comprehensive standards/criteria for determining when standardised OTC derivatives should be centrally cleared. In a few of these 18 jurisdictions, a wider range of products is now subject to mandatory clearing; (iii) margin requirements: 16 jurisdictions have in force comprehensive margin requirements for non-centrally cleared derivatives, which represents an increase of one during the reporting period; (iv) higher capital requirements for non-centrally cleared derivatives: interim higher capital requirements for non-centrally cleared derivatives are in force in 23 of the 24 FSB member jurisdictions. Only seven jurisdictions (albeit four more than at end-November 2018) have implemented the final capital requirements, both due to have been implemented by January 2017; (v) platform trading: comprehensive platform trading requirements are in force in 13 jurisdictions, a number which has remained unchanged during the reporting period; and (vi) cross-border coordination and issues: 1 jurisdiction started exercising deference during the reporting period with regard to foreign jurisdictions' regimes.

[Read more](#)

FMSB finalises Conflicts of Interest Statement of Good Practice

On 14 October, the FMSB published the final version of a Statement of Good Practice on the issue of Conflicts of Interest. The means of preventing, managing or mitigating conflicts of interest that are suggested in the Statement of Good Practice include periodic reviews within each business area to identify scenarios or situations that could potentially create a conflict, as well as ensuring the appropriate identification and escalation procedures for actual conflicts. There are eight specific Good Practice Statements that firms should look to when considering their own working practice, including: (i) having the necessary policies, procedures and training in place across a firm; (ii) having senior management provide oversight and governance around how conflicts of interest are identified and managed; and (iii) having controls in place to either prevent conflicts of interest from arising, as well as managing or mitigating those that do arise.

[Read more](#)

Submit a change in control notification

On 14 October, the FCA published a new webpage which explains how to submit a change in control notification.

[Read more](#)

Review of BMR

On 11 October, the EC published a consultation on a review of the BMR. The consultation focuses primarily on a number of topics the BMR itself puts forward for review, such as the regime for critical benchmarks and the effectiveness of the mechanism for authorisation and registration of EU benchmark administrators. At the same time, a couple of broader topics are explored, such as the categorisation of benchmarks and the rules for third country benchmarks. The deadline for responding is 6 December.

[Read more](#)

COREPER approves EP position on EMIR 2.2

On 11 October, the Council of the EU published an 'A' item note to show that COREPER confirmed its agreement on the EP's position on the proposed Regulation amending the EMIR supervisory regime for EU and third-country CCPs and that it invites the Council to: (i) approve the EP's position as set out in PE-CONS 88/19 as an 'A' item at a forthcoming meeting, with Luxembourg abstaining and the UK voting against; and (ii) decide that the statements in the addendum to this note be entered in the minutes of that meeting. If the Council approves the EP's position, the legislative act will be adopted. After being signed by the President of the EP and the President of the Council, the legislative act will be published in the OJ.

[Read more](#)

PAYMENT SERVICES AND PAYMENT SYSTEMS

EBA publishes Opinion on the deadline and process for completing the migration to SCA

On 16 October, the EBA published an opinion on the deadline and process for the migration to SCA under PSD2 for e-commerce card-based payment transactions. The Opinion sets the deadline to 31 December 2020 and prescribes the expected actions to be taken during the migration period. In addition, the Opinion recommends that, where required, NCAs communicate to PSPs in their jurisdiction that the supervisory flexibility they have exercised does not represent a delay in the application date of the SCA requirements in PSD2 and the EBA's Technical Standards. Rather, it means that NCAs will focus on monitoring migration plans instead of pursuing immediate enforcement actions against PSPs that are not compliant with the SCA requirements. Furthermore, the EBA notes that consumers will be protected against fraud as required by the law and NCAs should, therefore, communicate to their PSPs that the liability regime under Article 74 of the PSD2 applies and that issuing and acquiring PSPs are still liable for unauthorised payment transactions.

[Read more](#)

PENSIONS

Pension Schemes Bill 2019-20

On 15 October, the Pension Schemes Bill 2019-20 received its first reading in the House of Lords and was published on the UK Parliament website with an explanatory note. The Bill reflects the commitment of the government to put in place a framework for the delivery of pensions dashboard services (PDS). In addition, the Bill also includes amendments to FSMA which require the FCA to exercise its rule-making powers to establish directions relating to personal pension schemes and certain stakeholder pension schemes with

respect to the provision of PDS. The second reading in the House of Lords has been scheduled for 30 October.

[Pensions Schemes Bill](#)

[Explanatory note](#)

PRUDENTIAL REGULATION

Liquidity: The PRA's approach to supervising liquidity and funding risks

On 17 October, the PRA published a consultation paper (CP) which sets out proposals to update Supervisory Statement (SS) 24/15 'The PRA's approach to supervising liquidity and funding risk' to reflect relevant updates to the BoE's Market Operations Guide (Market Operations Guide) and to reiterate relevant expectations set out in SS9/17 'Recovery Planning'. The deadline for responding is 17 November.

[Read more](#)

Consultation paper on the draft Guidelines on the treatment of structural FX under 352(2) of the CRR

On 16 October, the EBA launched a consultation on draft Guidelines on the application of the Structural FX provision. These Guidelines aim at setting a regulatory framework on Structural FX to address the observed diversity in its application across the EU. In particular, the guidelines identify criteria to assist Competent Authorities in their assessment of the structural nature of a foreign-exchange position and whether such position has been deliberately taken for hedging the capital ratio. This consultation paper is setting objective criteria that Competent Authorities should consider for the purpose of assessing whether the conditions set out in article 352(2) of the CRR for receiving the permission to exclude a foreign-exchange position from the net open position in the foreign currency are met. These guidelines introduce for the first time a detailed regulatory framework around the Structural FX provision and several questions have been included as part of the consultation process to gather feedback around the proposed provisions. The deadline for responding is 17 January 2020.

[Read more](#)

ITS on supervisory reporting changes related to CRR II and Backstop Regulation

On 16 October, the EBA published a consultation paper (CP) on draft ITS on supervisory reporting requirements for institutions under the CRR. The new ITS focus on: (i) reflecting amendments to the CRR made by CRR II, introducing a prudential backstop for NPLs; (ii) improving consistency between the CRR reporting and disclosure framework; and (iii) improving proportionality regarding the CRR reporting framework, e.g. reducing the requirements for small and non-complex institutions. The deadline for responding is 16 January 2020.

[Read more](#)

Seventeenth progress report on adoption of the Basel regulatory framework

On 16 October, the BCBS published its 17th progress report on BCBS members' implementation of Basel III, as of end-September. The report focuses on the status of adoption of all the Basel III standards, including the finalised Basel III post-crisis reforms published in December 2017, to ensure that they are transformed into national law or regulation according to the internationally agreed time frames. The report is based on information provided by individual members as part of the Committee's Regulatory Consistency Assessment Programme (RCAP). The report includes the status of adoption of the Basel III risk-based capital standards, the leverage ratio, the standards for global and domestic systemically important banks (SIBs) and interest rate risk in the banking book (IRRBB), the Net Stable Funding Ratio (NSFR), the large exposures framework and the disclosure requirements. In addition to periodically reporting on the status of adoption, all Committee members undergo an assessment of the consistency of their domestic rules with the Basel standards.

[Read more](#)

Implementation and Effects of the G20 Financial Regulatory Reforms: Fifth Annual Report

On 16 October, the FSB published the 5th annual report on the implementation and effects of the G20 financial regulatory reforms. The report, which was delivered to the G20 meeting in October, sets out that implementation of the reforms called for by the G20 after the global financial crisis is progressing. The report in particular recommends that: (i) regulatory and supervisory bodies should lead by example in promoting the timely, full and consistent implementation of remaining reforms. This will support a level playing field and avoid regulatory arbitrage; (ii) frameworks for cross-border cooperation between authorities should also be enhanced in order to build trust, allow the sharing of information, and preserve an open and integrated global financial system; and (iii) authorities should evaluate whether the reforms are achieving their intended

outcomes, identify any material unintended consequences, and address these without compromising on the objectives of those reforms.

[Read more](#)

Joint Statement on the Inaugural Meeting of the Joint EU-Japan financial regulatory forum

On 15 October, the EC and the Financial Services Agency of Japan (JFSA) published a joint statement on the inaugural meeting of the joint EU-Japan regulatory forum. Issues discussed include: (i) the EU's equivalence and the Japanese deference frameworks; (ii) the implementation of the Basel III reforms; (iii) the development of FinTech and the benefits and challenges it presents; and (iv) initiatives regarding sustainable finance.

[Read more](#)

Large exposures: Reciprocation of French measure

On 15 October, the PRA published a policy statement which sets out its proposal to apply a tighter limit for large exposures to certain French non-financial corporations, to reciprocate the same measure imposed by France. The proposal would be effected through amendments to the Large Exposures Part of the PRA Rulebook. The planned implementation date for the proposal in this CP is 1 January 2020.

[Read more](#)

FSB updates on the Work on Market Fragmentation

On 14 October, the FSB published an update on its work on market fragmentation. In its June report on market fragmentation, the FSB identified four areas for further work to address market fragmentation: (i) deference; (ii) pre-positioning of capital and liquidity; (iii) regulatory and supervisory coordination and information-sharing; and (iv) market fragmentation as part of the evaluation of reforms, starting with the FSB's ongoing "too-big-to-fail" evaluation. Since the June Osaka G20 Summit, the FSB, in collaboration with the standard-setting bodies, have identified steps to be taken in each of these four areas. The update provides information on current plans, and steps already taken, to implement the work in the four areas.

[Read more](#)

Alignment EU rules on capital requirements to international standards (prudential requirements and market discipline)

On 11 October, the EC published a consultation on implementing the final Basel III reforms in the EU. As part of the implementation process of the final set of Basel III reforms in the EU, the EC aims to gather stakeholders' views on specific topics in the areas of credit risk, operational risk, market risk, credit valuation adjustment risk, securities financing transactions as well as in relation to the output floor. Specifically, the EC seeks views regarding: (i) potential centralisation of Pillar 3 disclosures at the level of the EBA; (ii) whether further measures could be taken to incorporate ESG risks into prudential regulation; and (iii) possible changes to the existing regime for the assessment of the suitability of members of the management body of financial institutions. The deadline for responding is 3 January 2020.

[Read more](#)

RECOVERY AND RESOLUTION

Please refer to the Prudential Regulation section for an update regarding the Implementation and Effects of the G20 Financial Regulatory Reforms: Fifth Annual Report and FSB updates on the Work on Market Fragmentation.

SUSTAINABLE FINANCE

Please refer to the Prudential Regulation section for an update concerning the Joint Statement on the Inaugural Meeting of the Joint EU-Japan financial regulatory forum.

Climate change and green finance

On 16 October, the FCA published a feedback statement that summarises the responses the FCA received from stakeholders to its Discussion Paper (18/8) on Climate Change and Green Finance, published in October 2018, and sets out the FCA's actions and next steps, which include: (i) consulting on new rules to improve climate-related disclosures by issuers and clarifying existing obligations; (ii) finalising rule changes requiring Independent Governance Committees to oversee and report on firms' ESG and stewardship policies, as well as separate rule changes to facilitate investment in patient capital opportunities; (iii) publishing a feedback statement in response to a joint discussion paper with the FRC on Stewardship setting

out actions to address the most significant barriers to effective stewardship; (iv) challenging firms where there is potential greenwashing, clarifying regulator expectations and taking appropriate action to prevent consumers being misled; and (v) contributing to several important collaborative initiatives, including the Climate Financial Risk Forum, the Fair and Effective Markets Review working group, the Government-led cross-regulator taskforce on disclosures and the EC's Sustainable Finance Action Plan.

[Read more](#)

TAXES/LEVIES

Recovery of costs of supervising cryptoasset businesses under the anti-money laundering regulations

On 15 October, the FCA published a consultation paper (CP) on recovering the costs of supervising cryptoasset businesses under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs). As the FCA will be the AML/CTF supervisor for cryptoasset businesses from 10 January 2020, this CP sets out our proposals for recovering the costs of this new role. The deadline for responding is 11 November regarding question 1 on registration fee, and 10 December regarding question 2 on periodic fees.

[Read more](#)

OTHER DEVELOPMENTS

Gabriel users share suggestions for FCA's new data collection platform

On 14 October, the FCA published a press release which highlighted the feedback it received through an online survey regarding users' experience of Gabriel. The feedback highlighted these key areas for improvements: (i) accessing Gabriel – the feedback focused on the need for improvements to the speed of the system and support when accessing the system; (ii) viewing your Gabriel reporting schedule – largely related to the need for changes in the layout of the schedules and in viewing previous data submissions; and (iii) submitting data – included the need for better guidance when making a data submission and advancements to the system's data validation processes.

[Read more](#)

Queen's Speech 2019

On 14 October, the Queen's Speech was made to both Houses of Parliament and it set out the government's legislative priorities for the next parliamentary session. The government also published a background briefing, which addresses the Financial Services Bill. This Bill will: (i) simplify the process that allows overseas investment funds to be sold in the UK; (ii) implement the Basel standards to strengthen the regulation of global banks (in line with previous G20 commitments); and (iii) deliver on the government's commitment for long-term market access to the UK for financial services firms in Gibraltar as part of the "UK family". In addition, the speech also addressed the Pension Schemes Bill, which will: (i) introduce a framework for collective defined contribution schemes; (ii) enhance the Pensions Regulator's powers e.g. introducing criminal offences for mismanagement of defined benefit schemes; and (iii) introduce revised rules governing the circumstances in which transfers may be made between pension schemes.

[Read more](#)

Budget 2019 date announced

On 14 October, HMT published a statement revealing that the Chancellor of the Exchequer, Sajid Javid, is planning to hold a Budget on 6 November. In the event of no deal, the government would act quickly to outline its approach and take early action to support the economy, businesses and households. This would be followed by a Budget in the weeks thereafter.

[Read more](#)

FSB and IMF publish 2019 Progress Report on G20 Data Gaps Initiative

On 11 October, the FSB and IMF published the Fourth Progress Report – Countdown to 2021 on the implementation of the Second Phase of the G20 Data Gaps Initiative (DGI-2). The report highlights that: (i) participating economies made additional progress in closing the identified data gaps and promoting the regular flow of timely and reliable statistics for policy use. Overall improvements were noted in coverage, timeliness, or periodicity of: securities statistics, derivatives data, sectoral accounts, international investment position, international banking statistics, and government finance statistics; (ii) challenges remain in fully implementing the DGI-2 recommendations by 2021. While substantial achievements have been made in promoting data sharing, continued efforts are still needed. Retaining high-level political support is essential to

overcome remaining challenges; (iii) to facilitate full implementation of the agreed DGI-2 recommendations, the IMF staff and the FSB Secretariat, in close cooperation with the Inter-Agency Group on Economic and Financial Statistics, will continue to monitor progress on the DGI-2. Bilateral technical assistance and technical workshops will be conducted. The annual DGI Global Conference scheduled in mid-2020 will monitor the results achieved; and (iv) the IMF Staff and FSB Secretariat will report back to G20 Finance Ministers and Central Bank Governors in the second half of 2020.

[Read more](#)