

Being better informed FS regulatory, accounting and audit bulletin

*PwC FS Regulatory
Centre of Excellence*

September 2013

In this month's edition:

PRA and FCA implement
CRD IV

The Joint Forum
consults on point of sale
disclosure

FSB strengthen the
oversight of shadow
banking

ESMA prepare for late
AIFMD transposition

EBA publish guidance on
valuing unrealised gains



Executive summary

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



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Five years ago the global financial system was on the brink of a meltdown as liquidity froze and several large financial institutions failed. Panic, fear, and uncertainty permeated markets. Bank runs, not seen on a mass scale since the Great Depression, dominated the news. Trust broke down between counterparties in the interbank liquidity market cutting off a valuable, in some cases core, line of funding for banks. Stock markets tanked as investors rushed towards the safety of government bonds and gold. The crisis on Wall Street infected economic activity on Main Street, crimping lending and sapping confidence. The financial crisis bled into a sovereign debt crisis, forcing governments in Athens, Dublin, Madrid and Nicosia (amongst others) to seek outside help to bail-out their banks. It has been a tough five years, both for the financial sector and the real economy that depends on it.

Governments reacted swiftly on a local basis to the unprecedented wave of institutional failures, rescuing some institutions and letting others go down. Central banks pumped billions of cheap money into the financial system with generous conditions. The public purse was ravaged to save financial institutions and provide credible backstops to restore confidence. Politicians declared that the

financial system could never again hold the balance sheets of sovereigns and the fortunes of the real economy to hostage – “no institution can be too big to fail” became their mantra.

Global leaders pledged to work together to take the steps necessary to achieve that end. The G20 leaders stepped up to the plate, and got the FSB, IOSCO, the IASB and other international bodies working with local regulators to develop the policies and regulation to improve financial stability.

The G20 agenda is wide-reaching but two key commitments address directly the threat banks pose to the financial system and the real economy. The Basel III accord, requiring financial institutions to hold more and better quality capital, is central to significantly improving banks’ resilience against future crises. But this is no ‘fail-safe’, so the FSB is also developing a regime that aims to recover or resolve failing banks, with as little recourse to taxpayer funds as possible.

Of the 27 Basel Committee jurisdictions, 24 have implemented Basel III fully. Our feature article this month examines the UK’s approach to implementing the new prudential regime. We have seen two consultations from the new UK regulators on CRD IV-. Both regulators

have adopted their own approach while being ultimately bound by the provisions set out in CRD IV and CRR that implements Basel III in the EU.

Understanding which parts of CRD IV/CRR apply will be challenging for some firms as we gear-up to implementation of the new regime in less than six months. We will need to keep a keen eye fixed on the EBA which continues to draft important technical provisions implementing the new regime. After issuing a flood of consultation papers in July, August saw draft guidelines on retail deposits subject to different outflows for the purpose of liquidity reporting and a discussion paper on possible treatment of unrealised gains measured at fair value.

Policymakers continue to tweak their strategies to resolve too-big-to-fail financial institutions. The FSB has set-out a proposed methodology for assessing the implementation of its key attributes for effective resolution regimes of financial institutions. The key attributes set out minimum requirements for financial institutions that could be systemically significant or critical in the event of failure.

The crisis showed that risks to the global financial system do not rest solely with banks. Some unregulated or lightly

regulated segments of the financial markets contributed to or exacerbated the crisis overall. EU regulators have been successful in bringing hedge fund managers and private equity funds under more scrutiny via AIFMD. Hedge funds in particular were blamed for exaggerating security prices and withdrawing liquidity at crucial points during the crisis. While AIFMD officially kicked-off 22 July, regulators continue to prepare for the new regime. In August ESMA finalised its guidelines on key concepts of the AIFMD and outlined practical arrangements for the late transposition of the AIFMD. The FCA also introduced new forms and remuneration guidelines.

Regulators are now moving on to other players in the financial system. On 30 August 2013 the FSB published policy recommendations designed to strengthen the oversight and regulation of the \$60 trillion shadow banking system. Of note, the FSB has taken aim at securities lending. The proposals introduce tough restrictions on the ability to temporarily trade securities for cash. We are likely to see a lot new policy coming through on the shadow banking agenda over the coming year.

The economic situation has improved in the UK over the summer, and there are tender signs of improvements in the rest of the EU. But we shouldn't be too complacent. We have come a long way

since 2008 but systemic risks persist in the financial system. The EU Parliament has a fully packed agenda of financial market reform for the autumn, which will be challenging to complete before it recesses for elections next spring. The UK government faces a number of difficult decisions on bank reform in the coming months. Regulators need to continue along the path of reform while ensuring they don't impose policies that might damage the recovery or overburden our financial institutions. Hopefully the government and regulators ultimately will find a path that supports the development of a vibrant financial services industry in the UK and across the EU – enabling the real economy to create sustainable growth with more employment opportunities.



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How to read this bulletin?

Review the Table of Contents the relevant Sector sections to identify the news of interest. We recommend you go directly to the topic/article of interest by clicking in the *active links* within the table of contents.

Contents

<i>Executive summary</i>	<i>1</i>
<i>Implementing CRD IV</i>	<i>4</i>
<i>Cross sector announcements</i>	<i>6</i>
<i>Banking and capital markets</i>	<i>11</i>
<i>Asset management</i>	<i>14</i>
<i>Insurance</i>	<i>17</i>
<i>Monthly calendar</i>	<i>19</i>
<i>Glossary</i>	<i>28</i>
<i>Contacts</i>	<i>33</i>

Implementing CRD IV



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Banks and investment firms across the UK have less than six months to brace themselves for the introduction of sweeping prudential reforms. Following the publication of CRD IV in the Official Journal of the European Union in June, national regulators have been busy making the necessary legislative preparations to implement new capital, governance and liquidity regulations. But it is unlikely that all Member States will have the necessary measures in place by 1 January 2014, so we expect some uneven prudential standards in the first few months of 2014 at least.

In the UK, the PRA and the FCA appear to be barrelling ahead with the planned 1 January 2014 implementation date. Both regulators have issued consultations on implementing the CRD IV regime in the last few weeks which exceed 850 pages in aggregate. Understanding which parts of the CRD IV are in scope will be difficult for some firms as they begin to digest the UK regulators plans for implementing the new prudential regime.

To stay on top of CRD IV and CRR, firms will need to deliver a complex technical programme adhering to national interpretations and rules whilst keeping an eye on the bigger picture. So now is the time to review and refresh your CRD IV programme to ensure it has the rigour and flexibility to respond to these challenges. The PRA and FCA consultations shed light

on how our regulators plan to deal with a number of key issues.

The PRA

The PRA published *Strengthening capital standards: implementing CRD IV (CP5/13)* on 2 August 2013. The proposals apply to banks, building societies and PRA-designated investment firms. The PRA is not consulting on the CRR because it doesn't require national transposition, or on the technical standards and guidelines issued by the EBA. It has also deferred any decision on the issue of remuneration, discussed by the Parliamentary Commission on Banking Standards in June.

The PRA's policy proposals for the Directive include:

- **Capital conservation buffer:** The PRA proposes to introduce this buffer in line with the transition timetable set out in the CRD IV. That is an additional capital requirement of 0.625% by 1 January 2016, rising to 1.25% in 2017, then 1.875% in 2018, and finally 2.5% by 1 January 2019.
- **Countercyclical capital buffer (CCyB):** The PRA proposes draft rules for the operation of the CCyB but these are subject to change. HMT will finalise the timetable for implementation and transitional arrangements associated with the buffer. HMT has not yet designated the authority responsible for setting the CCyB. The Bank of England is likely to take up this role, with the responsibility for policy decisions delegated to the Financial Policy Committee.
- **Pillar 2:** The PRA will need to overhaul its Internal Capital Adequacy Assessment Process

(ICAAP) following the introduction of CRD IV. The consultation paper includes high-level principles outlining PRA expectations of firms' ICAAPs under the new regime. The PRA proposes that firms should meet Pillar 2A requirements with at least 56% Common Equity Tier 1 (CET1) capital from 1 January 2015, rising to 100% CET1 by 1 January 2016. The PRA is still working on the Pillar 2B buffer – a layer of capital incremental to Pillar 2A requirements – and plans to publish more information in due course.

- **Governance:** The PRA sets out the individual and collective responsibilities and requirements of a firm's management body, including establishing a nomination committee of non-executive directors, risk management procedures, and some technical aspects of remuneration.
- **Passporting and co-operation between Member States:** The PRA outlines provisions on the freedom of establishment and the freedom to provide services, branches of non-EEA credit institutions, and cooperation procedures between supervisors.

The PRA also details its approach to various narrow national discretions under the CRR, including the definition of capital, credit risk, counterparty credit risk, market risk, reporting, operational risk and liquidity. On capital changes, the PRA proposes moving faster than the minimum transition path - it favours applying end state definitions from 1 January 2014.

After the rules are finalised, a single prudential Rulebook will replace the existing the PRA Handbook.

The Rulebook will consist of instruments containing only rules, interpretative provisions, and a centralised glossary. The PRA will issue guidance in the form of ‘supervisory statements’ on certain aspects of the reforms to sit alongside the rules themselves.

The PRA consultation closes on **2 October 2013**.

The FCA

The FCA’s consultation *CRD IV for Investment Firms (CP13/6)* published on 31 July, deals with all other firms that fall within the scope of CRD IV. It considers how the various components of CRD IV and the CRR may apply to different types of investment firms.

The FCA notes that the EC is expected to review the effectiveness of the prudential rules for investment firms in 2015, so the FCA wants to minimise the level of immediate change and exercise national discretions where possible, pending the outcome of that review.

The FCA proposes introducing a new sourcebook that will apply to full scope, limited activity and limited licence investment firms, to be known as the Prudential Sourcebook for Investment Firms (IFPRU). All firms in these categories will be referred to as ‘IFPRU investment firms’. The consultation paper also confirms that investment firms designated as being prudentially regulated by the PRA are not covered by the FCA regime.

The FCA also proposes exercising the discretion to exempt certain investment firms from CRD IV. Those firms would continue to be regulated under current national rules transposing the existing CRD. The exemption applies to firms that provide portfolio management services and execute client orders but do not hold client money. These firms will be labelled ‘BIPRU firms’ and will continue to be subject to the rules in BIPRU, GENPRU, and SYSC. The FCA

estimates that there are approximately 1,000 investment firms in this category.

The CRR prevents firms that hold client assets from being ‘exempt CAD’ firms. As a consequence, any firm holding client assets, irrespective of its size or other activities, will come into scope of the CRR and be ‘upgraded’ to at least the lowest category of IFPRU firm (IFPRU limited license). By contrast, CAD firms that do not hold client assets, e.g. firms offering investment advice only, will be unaffected by CRD IV. They will continue to be subject to the FCA’s Interim Prudential Sourcebook for Investment Firms (IPRU (INV)).

To remove references to banks, building societies and IFPRU investment firms, the FCA proposes to delete major sections of the FCA versions of BIPRU and GENPRU. The amended sourcebooks will apply only to the new category of ‘BIPRU firms’. Certain glossary definitions will also have to be amended.

The FCA intends to use the discretion to maintain existing UK liquidity requirements for most firms until 2015 (when liquidity standards are introduced by the CRR). But 20 of the FCA’s largest investment firms will be subject to the full CRD IV liquidity reporting requirements, because the FCA considers that they pose a significant prudential risk to financial markets. These firms will therefore have to implement COREP liquidity reporting from 2014 and the full CRR liquidity requirements from 2015. Groups containing such firms will have to implement consolidated COREP liquidity reporting.

The consultation paper highlights that the CRR does not define CET1 capital for partnerships or LLPs which are forms of legal entity often used by UK investment firms. The FCA is asking these firms to provide a list of the capital instruments they intend to use as CET1, setting out why they believe these

instruments meet the characteristics of CET1 described in the CRR.

The FCA explains how they will transfer existing rule waivers to the CRR. For firms that will be subject to the CRR and IFPRU, the FCA provides useful tables which map existing BIPRU and GENPRU rules to the equivalent article in the CRR. IFPRU firms that currently have a BIPRU or GENPRU waiver will receive a waiver from the equivalent article of the CRR. Firms which have a waiver from the advanced approach rules (i.e. model waivers) must confirm to the FCA that they continue to comply with the terms of the existing waiver. Firms that fall into the new category of ‘BIPRU firms’ will continue to benefit from any existing waivers as they are unaffected by CRD IV. The FCA is developing procedures for processing applications for CRR waivers (described as permissions in the CRR) from next year.

The FCA consultation closes on 30 September. Following its review of responses, the FCA will confirm the final rules before 1 January 2014.

The future of prudential regulation in the UK

When the FSA split into the PRA and the FCA on 1 April 2013, many firms expressed concern over the evolution of the shared regulatory Handbooks that each regulator inherited. Their distinct approach to CRD IV is the first clear break with the rulebooks of the past. Even where firms are subject to the full CRD capital requirements, the exact capital calculation is likely to vary depending on whether a firm is supervised by the PRA or the FCA. Future regulation will depend not only on pan-European requirements, but also calls that the UK regulators make about whether a firm is ‘systemically important’.

Cross sector announcements

In this section:

Regulation	7
Capital and liquidity	7
Treating unrealised gains under CRR	7
Less prescriptive liquidity reporting	7
Basel's pop QIS	7
Relaxing LCR to boost lending	7
Data protection	7
Managing subject access requests	7
Dodd-Frank	7
CFTC brings in exemptions, extensions and new acronyms	7
Financial crime	8
HMT updates financial sanctions FAQs	8
Market infrastructure	8
New guidelines for using Trade Data Monitors	8
Setting boundaries on trade repository access	8
FMI recovery plans	8
CPSS-IOSCO monitors FMI compliance	8
Other regulatory	9
Still relying on external credit ratings?	9
FSCS declares defaults	9
Prospectus directive	9
EC amends debt securities disclosure requirements	9
Product rules	9
Improving point of sale disclosure	9
RDR	9
Adviser numbers on the rise	9
Regulatory reform	9
FCA answers questions on its Journey	9
The FSB tackle benchmark integrity	10
Transparency	10

Implementing PIPs' new regulatory regime	10
Accounting	10
Audit	10
FRC responds to audit proposals	10
FRC comments on Government's strategic report	10
PwC publications Accounting briefing	10

Regulation

Capital and liquidity

Treating unrealised gains under CRR

The EBA published a discussion paper on *Possible treatments of unrealised gains measured at fair value* on 2 August 2013, to consider the ways to treat unrealised gains, the associated criteria, and the interaction with wider international agreements on banking prudential standards. The EBA proposes separate treatment of the trading and banking books, of interest bearing and non-interest bearing financial instruments, and of tangible assets.

The consultation closes on **27 September 2013**. The EBA plans to deliver technical advice on treating unrealised gains to the EC before 1 January 2014.

Less prescriptive liquidity reporting

The EBA published *draft guidelines on retail deposits subject to different outflows for purposes of liquidity reporting* on 1 August 2013. The CRR requires the EBA to issue guidelines identifying retail deposits likely to experience higher outflows under stressed scenarios, which will then be taken into account in the Liquidity Coverage Ratio.

Deviating from its February Discussion Paper, the guidelines replace the expected outflow rates of unstable deposits with risk factors. The guidelines list the factors for firms to consider when dividing unstable deposits into three broad risk buckets. Institutions would have to report retail deposit amounts allocated to each bucket and their own estimates of expected outflows under stressed conditions.

The consultation closes on **1 October 2013**.

Basel's pop QIS

The BCBS published an updated *QIS monitoring workbook* and accompanying notes on 7 August 2013.

The Basel Committee is monitoring the impact of the Basel III standards, liquidity risk standards, and NSFR standards on participating banks. The Quantitative Impact Study (QIS) asks banks to submit balance sheet data as of end July 2013. In addition to information required for previous QIS exercises, the updated workbook requests information on:

- D-SIB surcharges
- exposures to qualifying CCPs
- written credit derivatives
- collateral swap activity

- secured borrowings and liabilities by counterparty type and
- off balance-sheet credit and liquidity facilities.

The deadline for submitting to national regulators is **end September 2013**. The results are expected to be collated and published by February 2014.

Relaxing LCR to boost lending

Mark Carney, Governor of the BoE, confirmed in a *speech* on 28 August 2013 that the PRA Board will implement the FPC's June 2013 recommendation regarding the amount of liquidity assets banks and building societies need to have. The PRA plan to reduce the required liquid asset holdings for eight major banks and building societies if they meet a 7% capital threshold. The planned reduction will lower the eight firms' highly liquid asset minimum to 80% of the liquidity coverage ratio (LCR) agreed by the Basel Committee in January 2013.

The BoE's measures are expected to lower these institutions' aggregate required holdings by £90 billion if all eight meet the capital threshold. The move could underpin an increase in the supply of credit to the real economy.

Data protection

Managing subject access requests

The Information Commissioner's Office (ICO) published *Subject access code of practice: Dealing with requests from individuals for personal information* on 8 August 2013.

Under the Data Protection Act, anyone can make a subject access request to find out what information an organisation holds on them. The organisation normally has forty days to respond.

The ICO used the code to promote good practice in firms. The code is particularly aimed at banks and payday lenders which accounted for one-sixth of the 6,000 complaints the ICO received last year relating to subject access requests.

Dodd-Frank

CFTC brings in exemptions, extensions and new acronyms

On 13 August 2013, the CFTC *approved* final rules exempting swaps entered into by cooperatives from the Dodd-Frank Act's clearing requirements. Banks reacted angrily to proposals – they think the measures will place them at a competitive disadvantage to farm credit banks, credit unions and other cooperatives. But the exemption might make sense if it helps these types of institutions grow to rival incumbent

banks, as it may open up more options for borrowers and reduce concentration risks in the banking sector.

On 16 August 2013, the CFTC issued a *No-Action letter* allowing Commodity Trading and Investment Advisors to aggregate orders when executing large, notional off-facility swaps until 1 October 2013, provided they meet specified conditions.

In addition, the CFTC approved *final rules* on enhanced risk management standards for systemically important clearing organisations (SICO) on 13 August 2013. If classified as a SICO, firms will be prohibited from using assessments to calculate their available default resources. They will also have to build-up additional financial resources and design enhanced system safeguards for business continuity and disaster recovery.

Financial crime

HMT updates financial sanctions FAQs

HMT updated the *Financial Sanctions: Frequently Asked Question (FAQs)* on 14 August 2013. The FAQs help firms understand the international and UK sanctions regimes as well as the UK's domestic terrorism measures.

The update includes sector-specific guidance for banks on dealing with designated persons and frozen accounts, and for insurers the FAQs

review the general impact of financial sanctions on their industry.

HMT intends to review the FAQs on a six-month rolling basis.

Market infrastructure

New guidelines for using Trade Data Monitors

The FCA published *guidelines* for investment firms using Trade Data Monitors (TDMs) to meet post-trade reporting obligations under the Markets in Financial Instruments Directive on 1 August 2013. Firms which use TDMs are currently required to verify that their systems:

- are continually monitored
- facilitate trade data consolidation with data from other sources
- make information available to the public on a non-discriminatory commercial basis and at a reasonable cost.

Firms can seek confirmation of compliance from either the FCA or their external auditors. The guidelines also contain a list of TDMs that have already been verified.

Setting boundaries on trade repository access

The CPSS-IOSCO task force published its report on *Authorities' access to trade repository data* on 12 August 2013. The report outlines when

competent authorities and other legitimate stakeholders can access trade data collected under OTC derivative reporting requirements.

CPSS-IOSCO provides feedback on the April 2013 draft paper but does not materially change the general access requirements and data protection provisions as originally proposed.

FMI recovery plans

CPSS and IOSCO issued a consultation paper on the *Recovery of Financial Market Infrastructures (FMIs)* on 12 August 2013. The consultation follows CPSS-IOSCO's July 2012 report on RRP and provides further guidance to FMIs, although it does not intend to create new standards in addition to the existing Principles for FMIs.

The paper considers the recovery tools that FMIs need in order to:

- allocate uncovered losses arising from member default
- cover liquidity shortfalls
- replenish financial resources
- allocate non-default losses
- re-establish a matched book.

FMIs may also need to create additional or alternative tools that enable them to continue providing critical services.

CPSS-IOSCO highlights that FMIs and their regulators should make sure that recovery plans:

- can identify the FMI's critical services, stress scenarios and triggers
- are comprehensive, effective, transparent and have the least negative systemic impact
- take into account domestic or foreign legal and regulatory constraints and
- are binding before the trigger event happens.

The consultation closes on **11 October 2013**.

CPSS-IOSCO monitors FMI compliance

CPSS and IOSCO published *Implementation of the PFMIs – Level 1 assessment report* on 12 August 2013. The report indicates that most jurisdictions have begun implementing the CPSS-IOSCO Principles for FMIs.

The report analyses the self-assessed progress of 26 individual countries and the EU as a whole. Future reviews will evaluate the consistency of implementation measures and outcomes resulting from the application of the PFMIs.

CPSS-IOSCO stresses that full, timely and consistent implementation is fundamental to ensuring the soundness

of FMI's and supporting the resilience of the global financial system.

Other regulatory

Still relying on external credit ratings?

The FSB published a progress report on *Reducing reliance and strengthening oversight of credit rating agencies (CRAs)* on 29 August 2013. An accompanying peer review study found that the US has moved the furthest in removing the hard-wiring of ratings, with the EU making significant strides through CRD IV and CRA III. The rest-of-the-world is lagging far behind.

The FSB calls on other regulators to speed up their work to end mechanistic reliance on external credit ratings, but it is an arduous task. Ironically, a primary roadblock to jettisoning external ratings is the international standards promulgated by the Basel framework. The Basel Committee has proposed reducing reliance in its securitisation framework. By mid-2014 it plans to propose reducing reliance on external ratings within its standardised approach for capital. But the big challenge is to identify credible alternative standards of creditworthiness. The FSB believes that market participants need to improve their own capacity to make their own credit assessments.

Like firms, regulators and central banks will need to start using their own

judgement when determining which financial instruments they will accept for regulatory purposes. Given limited resources, they are also going to have to begin to rely again on the credit risk judgements that their regulated firms make.

FSCS declares defaults

The FSCS *declared* 17 firms in default on 30 August 2013, allowing eligible customers to make claims against the scheme.

The firms in default cover the investment, insurance and home finance sectors across the UK. The FSCS does not indicate the amount of expected claims, nor did it suggest the need for an interim levy.

Prospectus directive

EC amends debt securities disclosure requirements

The EC published *Delegated Regulation No 759/2013 of 30 April 2013 amending Regulation (EC) No 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities* in the Official Journal on 8 August.

The delegated regulation clarifies the disclosure requirements for convertible and exchangeable debt securities under the Prospectus Regulation, and came into force 28 August 2013.

Product rules

Improving point of sale disclosure

The Joint Forum (Basel Committee, IOSCO and IAIS) published a consultation on *Point of Sale disclosure in the insurance, banking and securities sectors* on 15 August 2013.

The consultation identifies gaps in regulatory approaches to point of sale (POS) disclosure for savings and investment products across the banking, securities and insurance sectors.

The consultation analyses:

- information disclosure (such as key product features, costs and risks)
- format (such as document length and font size)
- division of responsibilities between product providers and distributors.

A written or electronic POS disclosure document for savings and investment products will be introduced. The document will be provided free of charge to consumers before the product purchase.

The POS disclosure document should be "clear, fair, not misleading and written in a plain language". The information should facilitate comparison of competing products. The responsibility for preparing, making available and delivering the POS

disclosure document should be clearly established, and should identify which entity is responsible for its content.

The EU has already advanced this thinking with simplified prospectuses, the UCITS key investor information document and proposals for a key information document in the PRIIPs Regulation.

The consultation closes on **18 October 2013**.

RDR

Adviser numbers on the rise

The FCA *released* the latest adviser figures on 15 August 2013. The FSA monitored adviser numbers both before and after implementing RDR.

The latest figures show a 6% increase in advisers since 31 December 2012, due in part to advisers passing the RDR qualification requirements after the RDR implementation date. There are now a total of 32,690 financial advisers, which is in the expected band set by FSA in July 2012.

Regulatory reform

FCA answers questions on its Journey

On 2 August 2013 the FCA published *A response to Journey to the FCA: Your questions answered*, which provides feedback on questions raised by a variety of stakeholders to the October 2012 FSA paper *Journey to the FCA*.

The FCA identifies common themes, including firms' desire to better understand the FCA's working practices, and its approach to being more accountable and transparent.

The FCA's future priorities are also highlighted. In addition to a stronger focus on consumer outcomes and competition, the FCA again highlights wholesale market conduct and the importance of senior management both setting the agenda and being accountable for failures.

The FSB tackle benchmark integrity

The FSB released a *progress report* on financial benchmark oversight and governance on 29 August 2013. Benchmarks have faced unprecedented regulatory scrutiny since news of LIBOR manipulation broke last year. In July 2013, IOSCO set out principles for financial benchmarks that covered the important issues of governance, integrity, methodology, quality, and accountability. The Official Sector Steering Group (OSSG) is leading the FSB's benchmark reform. The FSB subsequently endorsed the IOSCO principles on the OSSG's recommendation.

The OSSG now plans to assess the most important benchmarks against IOSCO's principles and then report the results to the FSB by June 2014. It will also work on encouraging the private sector to

identify additional benchmark rates. This involves the establishment of a Market Participants Group which will propose options for robust reference interest rates that could serve as potential alternatives to the most widely-used benchmark rates.

Transparency

Implementing PIPs' new regulatory regime

The Financial Services Act 2012 moved the pre-existing informal framework for Regulatory Information Services (RIS) onto a formal, statutory footing. Under the new statutory regime, the FCA will approve and supervise Primary Information Providers (PIPs) and the requirements (similar to those in the RIS Criteria) will be enforceable.

Following up on its prior consultations, the FCA published *CP13/8 – Arrangements for the Disclosure of Regulated Information Feedback on CP12/37, CP13/5 and CP13/6 and supplementary consultation on 28 August 2013*. The FCA is pressing ahead with the majority of changes set out in the consultation papers. But it is proposing to amend the definition of a RIS. Also, firms that use a non-EEA RIS would have to confirm annually that all disclosures made in the previous year are in line with the de minimis standards of the Transparency

Directive. The consultation closes on **28 October 2013**.

Accounting

Audit

FRC responds to audit proposals

The FRC published its *response to the Competition Commission's Summary of Provisional Decision on Remedies for the Statutory Audit Market* on 12 August 2013. The FRC welcomes the withdrawal of some earlier proposals such as mandatory rotation of audit firms, compulsory joint audit, and the FRC having a role in the appointing auditors. But it is concerned that five yearly audit tendering will not achieve the stated aim of promoting competition in the audit market.

FRC comments on Government's strategic report

On 15 August 2013, the FRC issued draft guidance on the strategic report introduced by the UK Government Department for Business, Innovation & Skills as part of revised narrative reporting regulations. The response period ends on **15 November 2013**. See our *Straight away* guide for more information.

PwC publications Accounting briefing

PwC's quarterly Accounting briefing focuses on the implications of recent developments and issues in UK GAAP

and IFRS. *Accounting briefing – August 2013* considers:

- Financial instruments under new UK GAAP
- Tax rate reduction substantively enacted for financial reporting purposes
- Narrative reporting, director remuneration and corporate governance changes.

Banking and capital markets

In this section:

Regulation	12
Consumer credit	12
The scope of consumer credit regulation increases	12
Identifying competition deterrents for payday lenders	12
FCA transfers some consumer credit rules	12
FCA sets out consumer credit interim permission fees	12
Government gives cash back	12
EMIR	12
It all depends on netting	12
Mortgages	13
Treating interest-only mortgage customers fairly	13
Financial stability	13
Big picture stress-testing	13
Other regulation	13
FOS newsletter	13



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Regulation

Consumer credit

The scope of consumer credit regulation increases

The FCA updated its *website* with the changes in scope of its consumer credit regulation on 15 August 2013. While the government has broadly maintained the scope of consumer credit regulation in its transfer to the FCA, it is making some minor changes to the activities that are regulated.

Peer-to-peer platforms, which the OFT regulates for debt administration, will now be caught under the regulated activity of 'operating an electronic system in relation to lending'. A number of firms operating under existing exemptions or group licences will be able to continue to do so, subject to their activity being incidental to their main business. The FCA also confirmed their intention to merge the credit brokerage and credit intermediation activities to form a single 'credit broking' activity, and set out the terms of a firm operating as an 'appointed representative'.

The FCA is accepting applications for interim permission from September and expects to publish its next consultation on the conduct of business rules in late September.

Identifying competition deterrents for payday lenders

The Competition Commission published their consultative *Statement of Issues* on 16 August 2013. As part of its investigation into the payday lending industry the Commission collects and analyses information on the market. To provide focus for this analysis it sets out 'theories of harm' which could have a negative impact on competition.

The Commission proposes two possible theories of harm:

- impediments to customers' ability to compare and identify value, and to switch between traditional lenders - these are commonly cited as competition issues, e.g. in the PPI market study
- market power and barriers to entry - it is a 'highly concentrated' market with 70% of the market dominated by the three largest firms, and the top 15 firms accounting for 90% of the market.

The Statement of Issues is open for comment until **20 September 2013**.

FCA transfers some consumer credit rules

FCA published *PS13/8 Consumer credit: carrying across some secondary legislation* on 30 August 2013. The FCA has power to designate a limited range of secondary legislation

made under the CCA without going through the usual consultation process. The FCA has used this power to make a designation instrument covering:

calculation of the total charge for credit

exemption of certain types of loans used to improve land

exemptions for lending to high net worth individuals or for business purposes.

FCA sets out consumer credit interim permission fees

The FCA published *PS13/7 FCA regime for consumer credit: interim permission fees* on 30 August 2013. The FCA has decided to maintain the fees detailed in its Consultation Paper 13/7. For sole traders, fees will be £150. For all other firms, fees will be £350. Firms that register with the FCA on or before 30 November 2013 will receive a 30% discount.

The FCA plans to consult in October 2013 on the fees it will charge when consumer credit firms become fully authorised between 2014 and 2016. It will also set out its proposals for charging not-for-profit bodies and non-commercial social lenders such as credit unions.

Government gives cash back

The FCA *announced* on 30 August 2013 that the Government will begin a programme of rebates to consumer

credit licence holders to reflect the closure of the OFT regime on 31 March 2014. The rebate programme is designed to ensure the cost of transferring consumer credit regulation from the OFT to the FCA is proportionate. Full details of how rebates will be made will be announced later this autumn, including eligibility criteria, the mechanism to be used, and timing.

EMIR

It all depends on netting

The BIS sponsored Macroeconomic Assessment Group on Derivatives (MAGD) published a *Macroeconomic Impact Assessment of OTC derivatives regulatory reforms* on 26 August. This work presents estimated costs and benefits of proposed OTC derivative reforms. The MAGD estimates that the main benefit will be a lower risk of OTC derivatives triggering a financial crisis. But this will come at the cost of more expensive risk transfer and derivatives services, which may in turn reduce economic activity.

The MAGD analysed three scenarios with different amounts of trade netting. Based on what the MAGD views as the most likely netting scenario, the median estimate is an annual increase of 0.12% of GDP attributable to the reforms. The scenarios with the most

trade netting forecast the greatest net benefits.

The MAGD recommends that regulators and market participants work to centrally clear as many OTC derivatives as possible to maximise the net benefit of the reforms. It believes this will be most efficient if cleared through a modest number of central counterparties or with central counterparties that interoperate.

Although the MAGD outlines scenarios with higher and lower estimated volumes of netting activities, it concluded that the economic benefits are essentially consistent across all three scenarios because the reforms demand collateralisation of the majority of net counterparty exposures, whatever their size.

Mortgages

Treating interest-only mortgage customers fairly

The FCA published *final guidance* on the fair treatment of interest-only mortgage customers on 29 August 2013.

Firms with interest-only mortgage clients will need to consider their communication strategy with clients, forbearance approach, and policies for managing clients. FCA also expects firms to have a fully documented guidance framework, including

procedures for front-line staff. The FCA guidance highlights good and poor practice to help meet these expectations.

Financial stability

Big picture stress-testing

The ECB published an article *A macro stress-testing framework for bank solvency analysis* on 8 August 2013.

Central banks' stress testing frameworks were widely criticised after the financial crisis for failing to anticipate the consequences of excessive leverage in the banking system, particularly in relation to sub-prime lending.

The ECB has redeveloped its own stress-testing model, in line with its mandate for safeguarding financial stability in the Eurozone. The article gives an overview of the main elements of the ECB's (top-down) macro stress-testing framework for solvency assessments and examples of how it is used for policy analysis.

The ECB believes the stress-testing framework can be used for both micro and macro-prudential purposes once the ECB takes up its supervisory powers under SSM next year.

Other regulation

FOS newsletter

The FOS published *Ombudsman News 111* on 23 August 2013, highlighting areas of concern. This edition focuses on complaints made by older or retired people, where the FOS has seen an increase in complaints of 249% over last three years. Various case studies cover issues including insurance, banking and investment advice complaints, and health or vulnerability concerns common amongst older people.

Asset management

In this section:

Regulation	15
AIFMD	15
Don't delay on AIFMD	15
Dealing with AIFMD's late transposition	15
Final guidelines for defining AIFs	15
FCA cooperates on AIFMD agreements	15
FCA details AIFMD passporting arrangements	15
FCA launches new collective investment web pages	16



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Regulation

AIFMD

Don't delay on AIFMD

The FCA confirmed the AIFM application process over the next year on its [website](#).

The FCA recommends firms submit complete applications no later than **22 April 2014**, giving the FCA the full three months allowed under AIFMD to approve the application. But applications should be made before 22 January 2014 because if the FCA deems the application incomplete, it has six months to consider the application.

For fund managers planning to use the full one year AIFMD transitional period, this may come as a shock. But under the UK legal regime, firms that waited until 21 July 2014 to apply would have faced marketing difficulties under AIFMD.

Regulators in some other Member States, including Germany, are taking a different approach. BaFin will accept applications from AIFMs up to 22 July 2014 as long as that firm is acting within all the AIFMD requirements by that date. Firms that submit applications before 22 July 2014 will be

able to continue operating under AIFMD while their applications are being considered. How these different approaches will affect the ability of firms to operate under AIFMD is unclear.

We still await further details on remuneration under AIFMD. Despite previously stating that it may not comply with ESMA's guidelines on remuneration, the FCA has now written to ESMA to confirm it will comply in full. The FCA plans to consult soon on how to implement the guidelines to the remuneration code; including how AIFMD's proportional remuneration rules should be applied by UK AIFMs.

Dealing with AIFMD's late transposition

ESMA published an opinion on [practical arrangements for the late transposition of the AIFMD](#) on 1 August 2013.

EU Member States had to implement AIFMD by 22 July 2013. Although many countries met this deadline, (including France, Germany, Ireland, Luxembourg and the UK), some still haven't fully implemented the new requirements, including Italy, Portugal, Spain, and Greece. ESMA thinks that that authorised AIFMs from a country

that has implemented AIFMD should be able to manage or market AIFs in countries that have not.

While national laws may still not allow EU AIFMs to market or manage AIFs in their countries, once a transposition deadline has been passed Member States have an obligation to reconcile their laws with a Directive's objectives. The EU Court of Justice has already established that Member States are liable to pay damages for any losses sustained by firms through failure to implement a Directive by the appropriate deadline. Therefore Member States that have not yet transposed AIFMD should make practical arrangements for EU AIFMs from countries that have transposed it to market and manage AIFs in their country.

Final guidelines for defining AIFs

ESMA published the official translations of [Guidelines on key concepts of the AIFMD](#) on 13 August 2013. The guidelines clarify the definition of an 'AIF' in AIFMD.

They focus on defining certain terms, including the definitions of:

- collective investment undertaking
- raising capital

- number of investors and
- defined investment policy'.

The assessment should be made against all factors - an undertaking has to meet all the factors to be considered an AIF. The guidelines will help firms identify which of their undertakings are AIFs.

The guidelines apply to AIFMs and competent authorities from 13 October 2013. But competent authorities should have written to ESMA before that date to confirm whether they will comply, or explain why they are not.

FCA cooperates on AIFMD agreements

The FCA published [details on AIFMD co-operation arrangements](#) on 28 August 2013. The FCA has signed supervisory co-operation agreements with 42 non-EEA authorities as part of its implementation of AIFMD.

FCA details AIFMD passporting arrangements

The FCA [published details](#) of passporting arrangements under AIFMD on 27 August 2013. The FAQs include information for firms seeking to understand both the position in relation to UCITS passports and passporting rights under AIFMD.

*FCA launches new collective
investment web pages*

The FCA launched new *web pages* on collective investment schemes on 21 August 2013, which include information on scheme authorisation, getting a scheme recognised in the UK, and marketing a UK UCITS in the EEA.

Insurance

In this section:

Regulation	18
Conduct	18
Mis-selling redress agreed for CPP	18
G-SII regime	18
Achieving an effective risk appetite framework	18
Lloyd's celebrates 325 years	18
Other regulatory	18
AIB publishes specimen annuity rates	18
Solvency II	18
New PwC publications	18
Accounting	18
IASB	18
Watch the new webcasts on ED proposals	18



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Regulation

Conduct

Mis-selling redress agreed for CPP

The FCA has reached an agreement with Card Protection Plan Limited (CPP) and 13 high street banks and credit card issuers for redress to be paid to customers who were mis-sold CPP's Card Protection and Identity Protection policies. See [press release](#).

G-SII regime

Achieving an effective risk appetite framework

The FSB published its initial list of nine globally systemically important insurers (G-SII's) on 18 July 2013. Our paper, *'FSB consults on principles for an effective risk appetite framework'*, considers how an effective risk appetite framework is intended to be a cornerstone of the G-SII regime.

Lloyd's celebrates 325 years

Lloyd's has published a host of [online material](#) exploring their history - everything from insuring sea vessels to spaceships, body parts to natural catastrophes - mark its 325th anniversary this year. The world has changed enormously since Lloyd's wrote its first insurance policies but it has

continued to adapt, innovate and evolve.

Other regulatory

AIB publishes specimen annuity rates

Following the launch of its [Retirement Choices Code](#) earlier this year, the ABI published [specimen annuity rates](#) offered by its members based on 12 example customer profiles on 21 August 2013 (see [press release](#)). These illustrations are designed to show consumers what is available in the market, highlight the importance of shopping around for the best deal and the need to get expert advice. ABI plans to update them regularly.

Solvency II

New PwC publications

Implications of results of LTGA assessment

EIOPA published the results of their Long-Term Guarantee Assessment ('LTGA') on 14 June 2013. In August we published *Solvency II matching adjustment - an opportunity for general insurers with Periodic Payment Order ('PPO') claims*. This publication looks at the implications of EIOPA's proposals to extend the scope of the 'classical matching adjustment' to limited non-life liabilities,

particularly Periodic Payment Order ('PPO') claim liabilities. To take advantage of the matching adjustment, insurers need to understand the proposals for their business and may wish to take this last opportunity to lobby the regulator.

Solvency II for asset managers

In August we also published *Solvency II for asset managers: putting you in control* discussing the impact of Solvency II on asset managers. We discuss the need for internal controls and the processes needed to comply with clients' requirements, including their need for complete, accurate and timely reporting.

Where to go for more information

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

Accounting

IASB

Watch the new webcasts on ED proposals

The IASB published a revised ED of proposals for the accounting for Insurance Contracts on 20 June 2013.

Two new [web presentations](#) on these proposals have been published:

- Reflecting changes in expected profitability of insurance contracts
- Transition: applying the proposals for the first time.

Monthly calendar

Open consultations

Closing date for responses	Paper	Institution
16/09/13	<u><i>Consultation paper on draft RTS on contracts having a direct, substantial and foreseeable effect within the Union and non-evasion of provisions of EMIR</i></u>	ESMA
16/09/13	<u><i>Consultation document: investment management exemption and collective investment schemes – expanding the “white list”</i></u>	HMRC
20/09/13	<u><i>Consultative document: revised Basel III leverage ratio framework and disclosure requirements</i></u>	Basel Committee
23/09/13	<u><i>Consultation paper on draft report on good practices on comparison websites</i></u>	EIOPA
23/09/13	<u><i>Consultation paper on a draft report on good supervisory practices regarding knowledge and ability requirements for distributors of insurance products</i></u>	EIOPA
25/09/13	<u><i>Consultation paper on draft RTS on credit valuation adjustment risk for the determination of a proxy spread and the specification of a limited number of smaller portfolios under Article 383 of CRR</i></u>	EBA
26/09/13	<u><i>Bank Levy Review 2013</i></u>	HMRC
27/09/13	<u><i>Consultative document: capital treatment of bank exposures to central counterparties</i></u>	Basel Committee
27/09/13	<u><i>Consultative document: the non-internal model method for capitalising counterparty credit risk exposures</i></u>	Basel Committee

Closing date for responses	Paper	Institution
27/09/13	<i><u>Consultative document: sound management of risks related to money laundering and financing of terrorism</u></i>	<i>Basel Committee</i>
27/09/13	<i><u>Consultation paper on revision of the ‘Guidelines on technical aspects of the management of interest rate risk arising from non trading activities in the context of the supervisory review process’</u></i>	<i>EBA</i>
27/09/13	<i><u>The FCA’s approach to advancing its objectives</u></i>	<i>FCA</i>
27/09/13	<i><u>Discussion paper on possible treatment of unrealised gains measured at fair value under Article 80 of the CRR</u></i>	<i>EBA</i>
30/09/13	<i><u>Consultation paper on draft RTS on own funds requirements for investment firms based on fixed overheads under Article 97(4) of CRR</u></i>	<i>EBA</i>
30/09/13	<i><u>CP13/6 CRD IV for investment firms</u></i>	<i>FCA</i>
30/09/13	<i><u>White paper: mobile wallet payments</u></i>	<i>EPC</i>
01/10/13	<i><u>Consultation paper on retail deposits subject to different outflows for purposes of liquidity reporting under CRR</u></i>	<i>EBA</i>
02/10/13	<i><u>CP5/13 Strengthening capital standards: implementing CRD IV</u></i>	<i>PRA</i>
04/10/13	<i><u>CP13/4 Distribution of retail investments: referrals to discretionary investment managers and adviser complaints reporting</u></i>	<i>FCA</i>
04/10/13	<i><u>Consultation on fraud, bribery and money laundering offences guidelines</u></i>	<i>Sentencing Council</i>
04/10/13	<i><u>Consultative document: capital requirements for banks’ equity investment in funds</u></i>	<i>Basel Committee</i>

Closing date for responses	Paper	Institution
04/10/13	<i><u>GC13/3 Examples of good and poor practice in “Banks’ control of financial crime risks in trade finance”</u></i>	FCA
04/10/13	<i><u>CP13/4 Distribution of retail investments: referrals to discretionary investment managers and adviser complaints reporting</u></i>	FCA
08/10/13	<i><u>Consultation paper on draft RTS on collaboration concerning supervision between home and host Member States specifying the information that Competent Authorities shall supply to one another under Article 50(6) of the CRD IV</u></i>	EBA
08/10/13	<i><u>Consultation paper on draft ITS on collaboration concerning supervision between home and host Member States in relation to sharing of information in accordance with Article 50(7) of the CRD IV</u></i>	EBA
08/10/13	<i><u>Consultation paper on draft RTS on prudent valuation under Article 105(14) of the CRR</u></i>	EBA
09/10/13	<i><u>Consultation paper on draft ITS on the format, structure, contents list and annual publication date of the supervisory information to be disclosed by competent authorities under Article 143(3) of the CRD IV</u></i>	EBA
10/10/13	<i><u>Discussion paper on CRA3 implementation</u></i>	ESMA
11/10/13	<i><u>CP13/5 Review of the client assets regime for investment business</u></i>	FCA
11/10/13	<i><u>Consultative report: recovery of financial market infrastructures</u></i>	IOSCO/CPSS
14/10/13	<i><u>Consultative document: liquidity coverage ratio disclosure standards</u></i>	Basel Committee
14/10/13	<i><u>Consultative document: residence of offshore funds – extending the scope of Section 363A Taxation (International and Other Provisions) Act 2010</u></i>	HMRC
15/10/13	<i><u>Consultation paper on draft RTS on the definition of materiality thresholds for specific risk in the trading book under Article 77 of the</u></i>	EBA

Closing date for responses	Paper	Institution
	<u><i>CRD IV</i></u>	
16/10/13	<u><i>Consultative document: interest distributions from authorised investment funds paid without deductions of tax</i></u>	HMRC
18/10/13	<u><i>Consultative document: longevity risk transfer markets: market structure, growth drivers and impediments, and potential risks</i></u>	IOSCO
18/10/13	<u><i>Consultative document: point of sale disclosures in the insurance, banking and securities sectors</i></u>	IOSCO
29/10/13	<u><i>Consultation paper on draft RTS on classes of instruments that are appropriate to be used for the purposes of variable remuneration under Article 92(4) of the CRD IV</i></u>	EBA
31/10/13	<u><i>Discussion paper on sponsor support technical specifications</i></u>	EIOPA
31/10/13	<u><i>The Payments Roadmap – an initial report</i></u>	Payments Council

Forthcoming publications in 2013

Date	Topic	Type	Institution
<i>Capital and Liquidity</i>			
Q3 2013	CRR/CRD IV	76 regulatory technical standards, 32 implementing technical standards and 20 guidelines	EBA
Q3 2013	Review of Financial Conglomerates Directive	Legislative proposals	EC
Q3 2013	Changes to the capital regime for self-invested personal pension operators	Policy statement	FCA

Date	Topic	Type	Institution
Q4 2013	CRD IV for investment firms	Policy statement	FCA
TBD 2013	Revision of Financial Conglomerates Directive (FICOD II)	Legislative proposals	EC
TBD 2013	The development of technical standards on risk concentrations and intra-group transactions	Draft technical standards	ESAs
<i>Client Money</i>			
Q3 2013	Review of the client money rules for insurance intermediaries	Policy statement	FCA
Q1 2014	Review of the client assets regime	Policy statement	FCA
TBD	Regulated client money regime for consumer credit companies	Consultation paper	FCA
<i>Consumer protection</i>			
Q3 2013	An EU framework for collective redress	Legislative proposals	EC
Q3 2013	Investor Guarantee schemes – revision	Legislative proposals	EC
Q3 2013	Changes to the FSCS sourcebook	Consultation paper	FCA
TBD 2013	Mortgage Credit Directive and transfer of second charge mortgages	Consultation paper	FCA
TBD	National Depositor Preference and UK depositors	Policy statement	PRA
TBD	Mortgage Market Review: Arrears and Approved Persons – final rules	Policy statement	FCA
<i>Financial crime, security and market abuse</i>			
Q3 2013	Financial message data transfer from the EU to the USA for the purposes of the Terrorist Finance Tracking Program	Report	EC
Q4 2013	Market Abuse Review	Technical advice	ESMA
TBD 2013	Third Anti-Money Laundering Directive	Legislative proposals	EC

Date	Topic	Type	Institution
Insurance			
Q3 2013	Mutuality and with-profit funds	Policy statement	FCA
Q3 2013	Institutions for Occupational Retirement Provision	Legislative proposals	EC
Q4 2013	Technical standards for Omnibus II	Technical standards	ESMA
TBD 2013/2014	Advice or technical standards for IMD2	Technical advice or technical standards	EIOPA
Securities and markets			
Q3 2013	Securities Law Directive	Legislative proposals	EC
Q3 2013	Revision of the Transparency Directive	Discussion papers	ESMA
Q3 2013	Close-out netting	Legislative proposals	EC
Q3 2013	OTC Derivatives, CCP Requirements, Trade Repositories and CCP Interoperability (EMIR)	Guidelines	ESMA
Q3 2013	Guidelines on the enforcement of EMIR provisions on OTC derivatives	Guidelines	ESMA
Q3 2013	Joint technical standards on Article 11 of EMIR (exchange of collateral)	Technical standards	ESAs
Q3 2013	Central counterparties loss allocation rules	Consultation paper	FCA
Q4 2013	Technical standards following the revision of MiFID (MiFID II and MiFIR)	Technical standards	ESMA
TBD 2013	Credit Rating Agencies III Regulation	Technical advice	ESMA
Products and investments			
Q3 2013	Money market funds	Legislative proposal	EC
Q3 2013	European Social Entrepreneurship Funds	Technical advice	ESMA

Date	Topic	Type	Institution
Q3 2013	European Venture Capital Funds	Technical advice	ESMA
Q3 2013	Implementation of the Alternative Investment Fund Managers Directive – third consultation	Consultation paper	FCA
Q3 2013	Voluntary jurisdiction relating to interest rate hedging products	Consultation paper	FCA
Q3 2013	Personal pensions – disclosures by SIPP operators and consultation on inflation-adjusted illustrations (disclosures only)	Policy statement	FCA
Q3 2013	Technical standards on the revised Transparency Directive: notification requirements and update and maintenance of Q&A	Technical standards	ESMA
Q4 2013	Distribution of retail investments: payments for referrals to discretionary investment managers and reporting of complaints against retail investment advisers	Policy statement	FCA
TBD 2013	Packaged Retail Investment Products	Technical standards	ESMA/EIOPA
TBD 2013	Development of high level principles for the product approval process	Principles	ESAs
TBD 2013	Undertakings For The Collective Investment of Transferable Securities V	Technical advice	ESMA
TBD 2013/2014	A framework for the activities and supervision of personal pension schemes	Advice	EIOPA
Q2 2014	Personal pensions – disclosures by SIPP operators and consultation on inflation-adjusted illustrations (inflation-adjusted illustrations only)	Policy statement	FCA
<i>Recovery and resolution</i>			
Q3 2013	Rescue and restructuring of financial institutions in Europe	Guidelines	EC
Q3 2013	Recovery and resolution plans	Policy statement	PRA

Date	Topic	Type	Institution
TBD 2013	EU framework for recovery and resolution plans	Technical advice	EBA
<i>Solvency II</i>			
Q3 2013	Solvency II – draft Level 2 delegated acts	Level 2 text	EC
Q3/4 2013	Solvency II and linked long-term insurance business	Policy statement	PRA
Q3/4 2013	Transposition of Solvency II – part 1	Policy statement	FCA/PRA
TBD 2013	Solvency II Level 3 measures	Level 3 text	EIOPA
Q2 2014	Transposition of Solvency II – part 2	Policy statement	FCA/PRA
<i>Supervision, governance and reporting</i>			
Q3 2013	Corporate reporting	Guidelines/recommendations	ESMA
Q3 2013	EU corporate governance and company law	Action plan	EC
Q3 2013	Storage of regulated information at ESMA	Discussion paper	ESMA
Q3 2013	Supervisory convergence	Discussion paper	ESMA
Q3 2013	Revision of Enforcement Standards	Consultation paper	ESMA
Q3 2013	FCA's approach to transparency	Feedback statement	FCA
Q3 2013	Conduct and prudential consumer credit rules	Consultation paper	FCA
Q4 2013	Publishing information about warning notices	Policy statement	FCA
TBD 2013	Consumer credit regulation	Policy statement	FCA
TBD 2013	IORP standard on reporting prudential regulation	Impact assessment	EIOPA
TBD 2013	Reporting prudential legislation relevant to occupational pension schemes to EIOPA	Implementing technical standards	EIOPA
TBD 2013	Implementing technical standards on credit ratings and external	Implementing technical standards	ESAs

Date	Topic	Type	Institution
	credit assessment institutions		
TBD 2013	The equivalence of CRA rules in a number of third countries	Technical advice	ESMA

Main sources: ESMA 2013 work programme; EIOPA 2013 work programme; EBA 2013 work programme; EC 2013 work programme; FCA policy development update.

Glossary

2EMD	The Second E-money Directive 2009/110/EC	BIS	Bank for International Settlements
ABC	Anti-Bribery and Corruption	BoE	Bank of England
ABI	Association of British Insurers	CASS	Client Assets sourcebook
ABS	Asset Backed Security	CCD	Consumer Credit Directive 2008/48/EC
AIF	Alternative Investment Fund	CCPs	Central Counterparties
AIFM	Alternative Investment Fund Manager	CDS	Credit Default Swaps
AIFMD	Alternative Investment Fund Managers Directive 2011/61/EU	CEBS	Committee of European Banking Supervisors (predecessor of EBA)
AIMA	Alternative Investment Management Association	CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors (predecessor of EIOPA)
AML	Anti-Money Laundering	CESR	Committee of European Securities Regulators (predecessor of ESMA)
AML3	3rd Anti-Money Laundering Directive 2005/60/EC	Co-legislators	Ordinary procedure for adopting EU law requires agreement between the Council and the European Parliament (who are the 'co-legislators')
ASB	UK Accounting Standards Board	CFTC	Commodities Futures Trading Commission (US)
Basel Committee	Basel Committee of Banking Supervisors (of the BIS)	CGFS	Committee on the Global Financial System (of the BIS)
Basel II	Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework	CIS	Collective Investment Schemes
Basel III	Basel III: International Regulatory Framework for Banks	Council	Generic term representing all ten configurations of the Council of the European Union
BBA	British Bankers' Association		
BIBA	British Insurance Brokers Association		

CRA1	Regulation on Credit Rating Agencies (EC) No 1060/2009	EC	European Commission
CRA2	Regulation amending the Credit Rating Agencies Regulation (EU) No 513/2011	ECB	European Central Bank
CRA3	proposal to amend the Credit Rating Agencies Regulation and directives related to credit rating agencies COM(2011) 746 final	ECJ	European Court of Justice
CRAs	Credit Rating Agencies	ECOFIN	Economic and Financial Affairs Council (configuration of the Council of the European Union dealing with financial and fiscal and competition issues)
CRD	'Capital Requirements Directive': collectively refers to Directive 2006/48/EC and Directive 2006/49/EC	ECON	Economic and Monetary Affairs Committee of the European Parliament
CRD II	Amending Directive 2009/111/EC	EEA	European Economic Area
CRD III	Amending Directive 2010/76/EU	EIOPA	European Insurance and Occupations Pension Authority
CRD IV	Amending Directive 2013/36/EU	EMIR	Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (EC) No 648/2012
CRR	Regulation on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012	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
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act (US)	ESRB	European Systemic Risk Board
D-SIBs	Domestically Systemically Important Banks	EURIBOR	Euro Interbank Offered Rate
EBA	European Banking Authority	Eurosystem	System of central banks in the euro area, including the ECB
		FASB	Financial Accounting Standards Board (US)

FATCA	Foreign Account Tax Compliance Act (US)	FSMA	Financial Services and Markets Act 2000
FATF	Financial Action Task Force	FSOC	Financial Stability Oversight Council
FC	Financial counterparty under EMIR	FTT	Financial Transaction Tax
FCA	Financial Conduct Authority	G30	Group of 30
FDIC	Federal Deposit Insurance Corporation (US)	GAAP	Generally Accepted Accounting Principles
FiCOD	Financial Conglomerates Directive 2002/87/EC	G-SIBs	Globally Systemically Important Banks
FiCOD1	Amending Directive 2011/89/EU of 16 November 2011	G-SIFIs	Globally Systemically Important Financial Institutions
FiCOD2	Proposal to overhaul the financial conglomerates regime (expected 2013)	G-SIIs	Globally Systemically Important Insurers
FMI	Financial Market Infrastructure	HMRC	Her Majesty's Revenue & Customs
FOS	Financial Ombudsman Service	HMT	Her Majesty's Treasury
FPC	Financial Policy Committee	IAIS	International Association of Insurance Supervisors
FRC	Financial Reporting Council	IASB	International Accounting Standards Board
FSA	Financial Services Authority	ICAS	Individual Capital Adequacy Standards
FSB	Financial Stability Board	ICB	Independent Commission on Banking
FS Act 2012	Financial Services Act 2012	ICOBS	Insurance: Conduct of Business Sourcebook
FS Reform Bill 2012	Financial Services (Bank Reform) Bill 2012	IFRS	International Financial Reporting Standards
FSCS	Financial Services Compensation Scheme	IMA	Investment Management Association
FSI	Financial Stability Institute (of the BIS)	IMAP	Internal Model Approval Process
		IMD	Insurance Mediation Directive 2002/92/EC

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	MMR	Mortgage Market Review
ISDA	International Swaps and Derivatives Association	MoJ	Ministry of Justice
ITS	Implementing Technical Standards	NAV	Net Asset Value
JCESA	Joint Committee of the European Supervisory Authorities	NFC	Non-financial counterparty under EMIR
JMLSG	Joint Money Laundering Steering Committee	NFC+	Non-financial counterparty over the EMIR clearing threshold
JURI	Legal Affairs Committee of the European Parliament	NFC-	Non-financial counterparty below the EMIR clearing threshold
LCR	Liquidity coverage ratio	NSFR	Net stable funding ratio
LEI	Legal Entity Identifier	OECD	Organisation for Economic Cooperation and Development
LIBOR	London Interbank Offered Rate	Official Journal	Official Journal of the European Union
LTGA	Long-Term Guarantee Assessment	OFT	Office of Fair Trading
MAD	Market Abuse Directive 2003/6/EC	Omnibus I	Directive 2010/78/EU amending 11 existing Directives to reflect Lisbon Treaty and new supervisory architecture
MAD II	Proposed Directive on Criminal Sanctions for Insider Dealing and Market Manipulation (COM(2011)654 final)	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)
MAR	Proposed Regulation on Market Abuse (EC) (recast) (COM(2011) 651 final)		
Member States	countries which are members of the European Union		

ORSA	Own Risk Solvency Assessment	SOCA	Serious Organised Crime Agency
OTC	Over-The-Counter	Solvency II	Directive 2009/138/EC
PCBS	Parliamentary Commission on Banking Standards	SSAP	Statements of Standard Accounting Practice
PERG	Perimeter Guidance Manual	SSR	Short Selling Regulation EU 236/2012
PPI	Payment Protection Insurance	T2S	TARGET2-Securities
PRA	Prudential Regulation Authority	TR	Trade Repository
Presidency	Member State which takes the leadership for negotiations in the Council: rotates on 6 monthly basis	TSC	Treasury Select Committee
PRIPs Regulation	Proposal for a Regulation on key information documents for investment products COM(2012) 352/3	UCITS	Undertakings for Collective Investments in Transferable Securities
RAO	Financial Services and Markets Act 2000 (Regulated Activities Order) 2001	UCITS IV	UCITS Directive 2009/65/EC
RDR	Retail Distribution Review		
RRPs	Recovery and Resolution Plans		
RTS	Regulatory Technical Standards		
SCR	Solvency Capital Requirement (under Solvency II)		
SEC	Securities and Exchange Commission (US)		
SFD	Settlement Finality Directive 98/26/EC		
SFO	Serious Fraud Office		
SIPP	Self-invested personal pension scheme		

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