



"We get financial firms to regulatory compliance rapidly and cost-effectively."

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European Regulatory Summary - May 2016

The focus on systemic stability continues: the General Board of the European Systemic Risk Board (ESRB) highlighted persistent weaknesses in banks' balance sheets; ESMA is conducting EU-wide stress tests on CCPs; and EBA has published a report on securitisation risk retention, due diligence and disclosure requirements. There also have been several developments in the MiFID regulations: the European Commission informed ESMA about its decision to endorse draft regulatory technical standards on non-equity transparency, the ancillary test and position limits provided that certain changes are made. The European Parliament approved the financial benchmark regulations. The regulation will enter into force following formal adoption by the Council, which is expected in May 2016, and publication in the official journal.

ESMA News

- ESMA has issued a Discussion Paper (DP) on rules under the Securities Financing Transaction Regulation (SFTR). The SFTR, published in December 2015, is the European Union's response to the global initiative to bring more transparency to shadow banking activities. The new rules on transparency require both financial and non-financial market participants to report details of their securities financing transactions. Details to be reported include the composition of the collateral, whether the collateral is available for reuse or has been reused, the substitution of collateral at the end of the day and the haircuts applied. The DP sets out proposals for implementing the reporting framework under the SFTR, including tables of the fields with the proposed data to be reported, and the registration requirements for those Trade Repositories (TRs) which want to accept reports on security financing transactions. The consultation closed on 22 April.
- ESMA has published a report on the enforcement and regulatory activities of accounting enforcers within the European Union (EU) in 2015. [Click here](#) to access the report.
- ESMA published UCITS remuneration guidelines under the UCITS directive and AIFMD. [Click here](#) to access the guidelines.

EMIR

- ESMA has fined the trade repository DTCC Derivatives Repository Limited (DDRL) €64,000, and issued a public notice, for failing to put in place systems capable of providing regulators with direct and immediate access to derivatives trading data. This is a key requirement under the European Markets and Infrastructure Regulation (EMIR) in order to improve transparency and facilitate the monitoring of systemic risks in derivatives markets.
- EMIR (European Market Infrastructure Regulation) includes the obligation to centrally clear certain classes of over-the-counter (OTC) derivative contracts through Central Counterparty Clearing (CCPs) or apply risk mitigation techniques when they are not centrally cleared. The clearing obligation applies to EU firms that are counterparties to an OTC derivative contract. EMIR identifies two categories of counterparties to whom the clearing obligation applies: financial counterparties (FC) such as banks, insurers, asset managers, etc. and non-financial counterparties (NFC).
- ESMA has submitted amended RTS (Regulatory Technical Standards) under EMIR. These amended draft RTS reduce from two-day to one-day the MPOR for gross omnibus accounts and individual segregated accounts for exchange traded derivatives and securities. Following the US equivalence decision by the European Commission, the amended RTS would provide a level playing field between European and US CCPs of one-day MPOR. The client account structures together with the conditions that they need to respect for the CCPs to margin on a one-day MPOR basis ensure a sufficient level of protection to the CCPs and a greater protection for clients.
- [Click here](#) to access the press release from the EC.

FCA responds to the European Commission green paper: Retail Financial Services

The European Commission recently published a green paper on retail financial services. The FCA has published its response to the paper. You can access this by [clicking](#) here.



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ESAs finalise Key Information Documents for retail investors in the EU

The Joint Committee of the European Supervisory Authorities (EBA, EIOPA, ESMA - ESAs) has finalised its proposal for regulatory technical standards (RTS) on Key Information Documents (KIDs) for Packaged Retail and Insurance-based Investment Products (PRIIPs). The proposed KIDs provide retail investors across the EU with simple and comparable information on investment products in the banking, insurance and securities sectors. The proposed three-page document increases the transparency and comparability of information about the risks, performance and costs of these products. The new rules are believed to contribute to enhancing the confidence and strengthening the protection of EU consumers of banking, insurance and securities products. The final draft RTS can be [viewed here](#).

Solvency II

- The European Insurance and Occupational Pensions Authority (EIOPA) has published a Consultation Paper (CP) on the methodology to derive the ultimate forward rate (UFR), the rate used to derive risk-free interest rate term structures - and arrangements for its implementation. [Click here](#) to view the CP. Another Consultation Paper has been published seeking further technical advice on the identification and calibration of other infrastructure investment risk categories e.g. infrastructure corporates.
- The UK PRA has issued a CP titled 'Recalculation of the 'transitional measure on technical provisions' under Solvency II - CP15/16'. [Click here](#) to access the CP.

ESAs identify vulnerabilities affecting the EU financial system and suggest actions to address the main risks

The Joint Committee of the European Supervisory Authorities (EBA, EIOPA, ESMA - ESAs) has published its Spring 2016 report on risks and vulnerabilities in the EU financial system. The report identifies three main risks affecting the European financial system and suggests a set of policy actions. [Click here](#) to access the report.

Capital Markets Union (CMU)

The EC is evaluating its progress on the CMU and has published its first progress report. [Click here](#) to access the report.

MiFID II

The European Commission adopted a delegated regulation supplementing MiFID II. The regulation aims at specifying, in particular, the rules relating to exemptions, the organisational requirements for investment firms, data reporting services providers, conduct of business obligations in the provision of investment services, the execution of orders on terms most favourable to the client, the handling of client orders, the SME growth markets, the thresholds above which the position reporting obligations apply and the criteria under which the operations of a trading venue in a host member state could be considered as of substantial importance for the functioning of the securities markets and the protection of investors. [Click here](#) to access the delegated regulation.

EBA publishes results of the CRDIV-CRR/Basel III monitoring exercise as of 30 June 2015

The EBA published its ninth report of the CRDIV-CRR/Basel III monitoring exercise on the European banking system. This exercise, run in parallel with the one conducted by the Basel Committee on Banking Supervision (BCBS) at a global level, allows the gathering of aggregate results on capital – risk-based and non-risk-based (leverage) ratios – and liquidity ratios – the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) – for banks in the European Union (EU). It summarises the results using data as of 30 June 2015. [Click here](#) to access the report.