SHEARMAN & STERLING LLP

FINANCIAL INSTITUTIONS ADVISORY & FINANCIAL REGULATORY GROUP NEWSLETTER

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Financial Regulatory Developments Focus

In this newsletter, we provide a snapshot of the principal US, European and global financial regulatory developments of interest to banks, investment firms, broker dealers, market infrastructure providers, asset managers and corporates.

Click here if you wish to access our Financial Regulatory Developments website.

You might like to view our Brexit Resource Center website, which is available here.

In this Issue (please click on any title to go directly to the corresponding discussion):

Trump Administration Developments

President Trump Signs Executive Order on Regulatory Reform

On February 24, 2017, President Trump signed the Enforcing the Regulatory Reform Agenda executive order that will establish a task force and regulatory reform officer at each US federal agency, appointed by agency heads. The purpose of these new roles will be to enforce the President's agenda going forward, including the President's previous executive order that requires agencies to repeal two rules for every new rule that they issue. The task forces are responsible for reviewing existing regulations within 90 days to determine if any can be repealed or amended.

The Executive Order is available at: https://www.whitehouse.gov/the-press-office/2017/02/24/presidential-executive-order-enforcing-regulatory-reform-agenda.

US House Financial Services Committee Chairman Jeb Hensarling Sends Letter to Janet Yellen Regarding New Rulemakings

On February 23, 2017, US House Financial Services Committee Chairman Jeb Hensarling and the other 33 Republican members of the Committee sent a letter to US Board of Governors of the Federal Reserve System Chair Janet Yellen. Although Chair Yellen had stated in recent testimony that the Federal Reserve Board would abide by President Trump's January 30, 2017 regulatory freeze, the letter further urged the Chair to refrain from proposing or adopting any new rules, absent an emergency, until the Senate confirms a Vice Chairman for Supervision of the Federal Reserve Board. The letter stated that if the Federal Reserve Board proceeded with adopting rules prior to the confirmation of a Vice Chairman, the lawmakers would work to "ensure that Congress scrutinizes the Federal Reserve's actions - and, if appropriate, overturns them - pursuant to the Congressional Review Act."

The letter is available at: https://www.findknowdo.com/sites/default/files/news/attachments/2017/02/hensarlinglettertoyellen.pdf.

Steven T. Mnuchin Sworn in as US Secretary of Treasury

On February 13, 2017, Steven T. Mnuchin was sworn in to serve as the 77th Secretary of the US Treasury. In this role, Secretary Mnuchin will be the principal economic advisor to President Trump on domestic and international financial, economic and tax issues. Secretary Mnuchin succeeds Jacob J. Lew, who served in the position under President Obama.

Treasury's press release is available at: https://www.treasury.gov/press-center/press-releases/Pages/sm0001.aspx.

Legislation Introduced in the US Congress to Repeal and Reform the Consumer Financial Protection Bureau

On February 13, 2017, H.R. 1018 was introduced in the US House of Representatives which would alter the current governance structure of the Bureau of Consumer Financial Protection. Like a comparable bill that was introduced in the US Senate (S. 105), H.R. 1018 would replace the role of director of the Bureau with a 5-person commission. Other notable provisions that members of the commission will serve staggered terms, and that no more than 3 members can be from a single political party.

On February 17, 2017, H.R. 1031 was introduced in the US House of Representatives which seeks to repeal the Bureau of Consumer Financial Protection. A corresponding version of the bill, which calls for the Bureau to be eliminated by repealing title X of Dodd-Frank, was introduced in the US Senate (S. 370).

H.R. 1031 is available at: https://www.congress.gov/115/bills/hr1031/BILLS-115hr1031ih.xml.

H.R. 1018 is available at: https://www.congress.gov/115/bills/hr1018/BILLS-115hr1018ih.xml.

Bank Prudential Regulation & Regulatory Capital

US Federal Reserve Board Announces Annual Adjustment to the Asset-Size Threshold in Regulation I

On February 22, 2017, the US Federal Reserve Board announced the annual adjustment to the asset-size threshold in Regulation I, which determines the dividend rate that certain member banks earn on their Federal Reserve Bank stock. The updated total consolidated asset threshold is $10,122,000,000.

The Fixing America's Surface Transportation (FAST) Act of 2015 provides that depository institution stockholders with total consolidated assets above the asset-size threshold shall receive a dividend on paid-in capital stock equal to the lesser of (i) 6 percent or (ii) the most recent 10-year Treasury auction rate prior to the dividend payment. The dividend rate for other member banks remains at 6 percent.

The notice will be published shortly in the Federal Register and is available at: https://www.federalreserve.gov/newsevents/press/bcreg/bcreg20170222a1.pdf.

US Federal Bank Regulators Issue Revised Economic Scenarios for 2017 Stress Testing

On February 10, 2017, the US Federal Reserve Board, the US Office of the Comptroller of the Currency and the US Federal Deposit Insurance Corporation each released revised economic scenarios for use by certain financial institutions with total consolidated assets of more than $10 billion for the 2017 stress tests as required under the Dodd-Frank Act. The agencies had previously issued scenarios on February 6, 2017 however, these scenarios contained incorrect historical values for the BBB corporate yield in 2016.

The scenarios represent baseline, adverse and severely adverse scenarios and include key variables that reflect economic activity, including unemployment, exchange rates, prices, income, interest rates and other relevant aspects of the economy and financial markets. While the baseline scenario represents expectations of private sector economic forecasters, the adverse and severely adverse scenarios are hypothetical scenarios designed to assess the strength and resilience of financial institutions and their ability to continue to meet the credit needs of households and businesses under stressed economic conditions.

The Federal Reserve Board's revised stress test scenarios are available at: https://www.federalreserve.gov/newsevents/press/bcreg/bcreg20170203a5.pdf, the OCC's stress test scenarios are available at: https://www.occ.gov/tools-forms/forms/bank-operations/stress-test-reporting.html and the FDIC's revised stress test scenarios are available at: https://www.fdic.gov/news/news/press/2017/pr17012a.xlsx.

Final Draft Technical Standards on the Exclusion of Transactions with Non-EU Non-Financial Counterparties from Credit Valuation Adjustment Risk

On February 9, 2017, the European Banking Authority published final draft Regulatory Technical Standards on the procedures for excluding transactions with non-financial counterparties established in a third country (which do not hold positions over the clearing threshold, or so called NFC-s) from the own funds requirement for credit valuation adjustment risk. The final draft RTS will supplement the requirements of the Capital Requirements Regulation. The EBA consulted on proposed draft RTS in August 2015. Firms' transactions with any NFC- will be excluded from the own funds requirements for CVA risk under the CRR, whether or not the NFC- is established in the EU. As NFC-s established in non-EU countries are not subject directly to EU regulation, the final draft RTS clarify that firms are responsible for: (i) taking the necessary steps to identify all NFC-s under this exemption and calculating accordingly their own funds requirements for CVA risk; (ii) ensuring that exempt counterparties established outside the EU would qualify as NFC-s if they were established in the EU; and (iii) ensuring that counterparties calculate the clearing threshold according to the relevant provisions in EMIR and do not exceed those thresholds. The EBA has also included an option for firms to verify the status of third country counterparties at the time of trade inception or on a periodic basis to take account of the situation that firms frequently enter into trades with NFC-s established in a third country. The final draft RTS align the treatment of NFC-s established in a non-EU country with the treatment of NFC-s established in the EU as recommended by the EBA in its February 2015 report. The final draft RTS has been submitted to the European Commission for endorsement.

The RTS is available at: http://www.eba.europa.eu/documents/10180/1748059/Final+draft+RTS+on+procedures+for+excluding+3rd+country+NFCs+%28EBA-RTS-2017-01%29.pdf.

EU Technical Standards on Additional Collateral Outflows for Derivative Transactions Published

On February 8, 2017, a Commission Delegated Regulation, in the form of RTS, on additional liquidity outflows corresponding to collateral needs resulting from the impact of an adverse market scenario on an institution's derivatives transactions was published in the Official Journal of the European Union. The CRR requires firms to add an additional outflow for collateral needs that would result from an adverse market scenario on a firm's derivatives transactions, financing transactions and other contracts if material. Due to materiality considerations, the EU has adopted the RTS for derivatives transactions first. The rules apply only to collateralized derivative transactions, including those that mature within 30 days.

The RTS require that the calculation of the additional collateral outflows be based on the Historical Look Back Approach for market valuation changes developed by the Basel Committee on Banking Standards. The text of the final RTS does not materially differ from the revised draft RTS, which the EBA submitted to the European Commission on May 3, 2016. The RTS will enter into force on February 28, 2017 and will apply directly across the EU.

The RTS is available at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0208&from=EN.

UK Regulator Publishes Proposals on Pillar 2A Capital Framework

On February 24, 2017, the Prudential Regulation Authority launched a consultation on proposed changes to the Pillar 2A capital framework. The Pillar 2A framework is effectively a layer of regulatory capital beyond standard requirements based on firm-specific quantitative requirements rather than regulatory discretion. The PRA is proposing to revise the IRB benchmark, adjust the Pillar 2A approach for firms using the standardized approach for credit risk and include additional considerations for firms using both the standardized approach and IFRS as their accounting framework.

The proposals are relevant to banks, building societies and PRA-designated investment firms. Responses to the consultation are due by May 31, 2017. The proposed implementation date for the updated Pillar 2A capital framework is January 1, 2018. The PRA will consider whether further changes are needed to the Pillar 2 framework as a result of the Basel Committee's and the European Commission's related proposals.

The consultation paper is available at: http://www.bankofengland.co.uk/pra/Documents/publications/cp/2017/cp317.pdf.

Competition

UK Competition and Markets Authority Publishes Order to Implement Retail Banking Market Investigation Remedies

On February 2, 2017, the UK Competition and Markets Authority published The Retail Banking Market Investigation Order 2017. The Order follows the CMA's final Report, published on August 9, 2016, on its market investigation into the supply of retail banking services to personal current account customers and small and medium-sized enterprises (SMEs) in the UK. The Report outlined the CMA's findings and a proposed package of remedies. The Order formally implements certain of those remedies and sets out a timetable for doing so. In addition to the Order, the package of remedies will be implemented by undertakings entered into by Bacs Payment Schemes Limited and recommendations to HM Treasury, the Department for Business, Energy and Industrial Strategy and the Financial Conduct Authority.

The Order was made in accordance with the Enterprise Act 2002 which requires the CMA to remedy, mitigate or prevent the adverse effects on competition that were outlined in its report following a market investigation. The CMA can enforce the Order by civil proceedings for an injunction or any other appropriate relief or remedy. The timetable outlines the stages for introducing the CMA's key advances such as open banking, the monthly maximum unarranged overdraft charge, standardized business account opening procedures and the requirement that banks must publish service quality statistics.

The CMA consulted on a draft order and draft explanatory note for the implementation of the remedies on November 23, 2016. The CMA published a summary of responses to the consultation on February 2, 2017.

The Order is available at: https://assets.publishing.service.gov.uk/media/5893063bed915d06e1000000/retail-banking-market-investigation-order-2017.pdf; The explanatory note is available at: https://assets.publishing.service.gov.uk/media/5893064ced915d06e1000002/retail-banking-order-explanatory-note.pdf; The timetable is available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544944/banking-remedy-map.pdf; The summary of responses is available at: https://assets.publishing.service.gov.uk/media/58930677e5274a0ac1000002/retail-banking-summary-of-responses.pdf;

Summary of the final report is available at: https://assets.publishing.service.gov.uk/media/57a8c0fb40f0b608a7000002/summary-of-final-report-retail-banking-investigation.pdf.

Corporate Governance

US Office of the Comptroller of the Currency Issues Revised Comptroller's Licensing Manual Booklet

On February 16, 2017, the OCC issued a revised version of the "Changes in Directors and Senior Executive Officers" booklet of the Comptroller's Licensing Manual. This revised booklet replaces the prior version which was issued in October 2009, and incorporates updated regulations that became effective July 1, 2015, addressing changes in directors and senior executive officers of national banks, federal savings associations, and federal branches of non-US banks. Specifically, the revised booklet explains when prior notice for changes in directors and senior executive officers is required, provides institutions with information regarding the contents of complete notices and addresses the 90-day review period.

The updated booklet is available at: https://www.occ.gov/publications/publications-by-type/licensing-manuals/file-pub-lm-clm-cdo.pdf.

Cyber Security

New York State Department of Financial Services Finalizes Cybersecurity Regulation

On February 16, 2017, the New York State Department of Financial Services issued its final cybersecurity regulation for financial services companies. The final regulation, which takes effect March 1, 2017, requires banks, insurance companies, and other financial services institutions regulated by the NYSDFS to establish and maintain a cybersecurity program designed to protect consumers' private data based on an assessment of its risk profile. The NYSDFS initially proposed the regulation in September 2016 and then revised and re-proposed the regulation in December 2016. The final rule requires that the program be adequately funded and staffed, overseen by qualified management, and reported on periodically to the most senior governing body of the organization. Additionally, the officer of each covered financial services companies must annually certify their compliance to the NYSDFS. The final rule contains several changes from the original proposal including clarification on the ability of a covered financial services company to rely on an affiliate's cybersecurity program to satisfy the rule and expanded exemptions including for entities with limited activities in New York.

The final rule is available at: http://www.dfs.ny.gov/legal/regulations/adoptions/rf23-nycrr-500_cybersecurity.pdf.

Derivatives

US Securities and Exchange Commission Extends Interim Final Rules Granting Exemptions for Security-Based Swaps

On February 15, 2017, the US Securities and Exchange Commission adopted amendments to the expiration dates in its interim final rules that provided exemptions for certain securities-based swaps. The July 2011 interim final rules provided for exemptions under the Securities Act of 1933, the Securities Exchange Act of 1934 and the Trust Indenture Act of 1939 for security-based swaps that were security-based swap agreements prior to July 16, 2011 but are defined as "securities" under the Securities Act of 1933 and the Securities Exchange Act of 1934 solely because of Title VII of the Dodd-Frank Act. Under the July 2011 interim final rules, the exemptions were set to expire on February 11, 2013. The SEC has previously extended the exemption, first to February 11, 2014, then to February 11, 2017, and now to February 11, 2018. In its release, the SEC noted that the extension was being granted to avoid disruption in the security-based swaps market while the SEC continues to consider the impact of Title VII and whether regulatory action is appropriate.

The interim final rule is available at: http://www.lexissecuritiesmosaic.com/gateway/fedreg/2017-03121.pdf

US Commodity Futures Trading Commission Issues Time-Limited No-Action Transition for March 1, 2017 Compliance Date for Variation Margin and No-Action Relief from Minimum Transfer Amount Provisions

On February 13, 2017, the US Commodity Futures Trading Commission's Division of Swap Dealer and Intermediary Oversight (DSIO) issued a time-limited no-action letter (CFTC staff letter 17-11) which provides that, from March 1, 2017 to September 1, 2017, DSIO will not recommend an enforcement action against a swap dealer for failure to comply with the variation margin requirements for swaps that are subject to a March 1, 2017 compliance date. The no-action letter does not postpone the March 1, 2017 compliance date for variation margin, rather it allows market participants a grace period to come into compliance. DSIO believes that without a sufficient transition period, there could be a significant impact on the ability to hedge positions for pension funds, asset managers and insurance companies that manage Americans' retirement savings and financial security. This sort of phased compliance has been used many times in the implementation of the swaps rules contained in the Dodd-Frank Act.

DSIO also issued a no-action letter (CFTC staff letter 17-12) stating that DSIO will not recommend an enforcement action against a SD, subject to certain conditions, that does not comply with the minimum transfer amount (MTA) requirements of CFTC regulations 23.152(b)(3) or 23.153(c) with respect to one or more swaps with any legal entity that is the owner of more than one separately managed account (SMA). DSIO is providing this relief to allow SDs entering into swaps with SMAs to treat each account as a separate counterparty, subject to certain limits, for purposes of applying the MTA, despite that such accounts are owned by the same legal entity.

The CTFC staff letter 17-11 is available at: http://www.cftc.gov/idc/groups/public/@lrlettergeneral/documents/letter/17-11.pdf and CFTC staff letter 17-12 is available at: http://www.cftc.gov/idc/groups/public/@lrlettergeneral/documents/letter/17-12.pdf.

For a more detailed discussion of the CFTC's action, please see Shearman & Sterling's publication available at: http://www.shearman.com/en/newsinsights/publications/2017/02/cftc-offers-limited-relief-for-march-1

US Commodity Futures Trading Commission Provides Time-Limited No-Action Relief for Aggregation Notice Filings for Position Limits

On February 6, 2017, the CFTC's Division of Market Oversight issued a time-limited no-action letter stating that, from February 14, 2017 to August 14, 2017, it will not recommend an enforcement action for failure to file a notice when relying on certain aggregation exemptions from federal position limit levels. Absent this relief, on February 14, 2017, market participants would have been required to file notices to rely on certain aggregation exemptions under CFTC regulation 150.4(c).

DMO also announced the availability of a portal that provides the form and manner for filing aggregation exemption notices. This new portal is available on the Forms & Submissions page of www.cftc.gov. Although the no-action letter

provides temporary relief from the aggregation notice filing compliance date of February 14, 2017, DMO is providing the portal for participants who choose, of their own accord during the relief period, to file a notice with the CFTC of their intent to take advantage of certain aggregation exemptions under CFTC regulation 150.4(c).

The CFTC staff letter is available at: http://www.cftc.gov/idc/groups/public/@lrlettergeneral/documents/letter/17-06.pdf.

EU Corrections to Regulatory Technical Standards on Margin Requirements for Uncleared Transactions Enter Into Force

On February 27, 2017, a Commission Delegated Regulation amending the RTS on margin requirements for uncleared derivatives was published in the Official Journal of the European Union. The amending RTS relate to the phase-in of the variation margin requirements for intra-group transactions and supplement the European Market Infrastructure Regulation. EMIR requires counterparties to uncleared OTC derivative transactions to implement risk mitigation techniques to reduce counterparty credit risk. The original RTS prescribe how margin should be posted and collected and the methodologies by which the minimum amount of initial margin and variation margin should be calculated, as well as specifying a list of securities eligible as collateral for the exchange of margins, such as sovereign securities, covered bonds, specific securitizations, corporate bonds, gold and equities.

The original RTS on risk mitigation techniques for uncleared OTC derivatives was published in the Official Journal of the European Union on December 15, 2016. This correction is due to a technical error in the adoption process, which resulted in the omission of two paragraphs on the phase-in of variation margin requirements to intra-group transactions. The amending RTS update the original RTS by inserting two new paragraphs specifying the phase-in schedule for variation margin requirements for intra-group transactions. Where an intra-group transaction takes place between a Member State entity and a third country entity, the exchange of variation margin is not required until three years after entry into force of the amending RTS, but only where there is no equivalence decision for that third country. Where there is an equivalence decision, the variation margin requirements will apply either four months after the entry into force of the equivalence decision, or according to the timeline outlined in the original RTS, whichever is later.

The amending RTS enter into force on February 27, 2017 and apply retroactively from January 4, 2017 so as to coincide with the dates of the original RTS.

The amending RTS is available at: http://ec.europa.eu/transparency/regdoc/rep/3/2017/EN/C-2017-149-F1-EN-MAIN-PART-1.PDF and the original RTS is available at: http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1485801630726&uri=CELEX:32016R2251.

Regulators Issue Guidance on Approach to Non-Compliance with the Impending Variation of Margin Exchange Requirement

On February 23, 2017, the European Supervisory Authorities, the FCA, the US prudential regulators, including the Federal Reserve Board and the OCC, and the International Organization of Securities Commissions issued guidance as to the March 1, 2017 implementation of variation margin requirements on uncleared swaps. The guidance indicates how the respective supervisory authorities and regulators will approach compliance with the variation margin requirements.

The ESAs expect national regulators to apply their risk-based supervisory powers in day-to-day enforcement of the applicable legislation, including taking into account the size of the exposure to the counterparty and its default risk. The ESAs expect firms to document the steps taken toward full compliance and put in place alternative arrangements to ensure that the risk of non-compliance is contained. The ESAs are not delaying application of the rules but are signaling that compliance will be evaluated on a case-by-case basis and they expect any compliance issues to be overcome in the next few months. This is a not dissimilar to the approach taken to reporting under EMIR, when practicalities prevented many persons from being able to connect to a trade repository on time, and no prosecutions were made for late compliance. The FCA followed the ESA's guidance with a statement indicating that where a firm cannot comply fully it must be able to demonstrate that it has made best efforts to achieve full compliance and explain how it will achieve

compliance in as short a time as practicable for all in-scope transactions entered into from March 1, 2017. Firms are expected to have detailed and realistic plans.

The US prudential regulators expect priority to be given to compliance efforts by covered entities based on the size of and risk inherent in the credit and market risk exposures presented by each counterparty. In particular, compliance as of March 1 should be achieved with respect to those counterparties that present significant exposures. Firms must make good faith efforts to comply as soon as possible for other counterparties but no later than September 1, 2017.

The ESA's statement is available at: https://www.esma.europa.eu/sites/default/files/library/esas_communication_on_industry_request_on_forbearance_variation_margin_implementation.docx_0.pdf, the FCA's statement is available at: https://www.fca.org.uk/news/news-stories/fca-statement-emir-1-march-2017-variation-margin-deadline, the US regulators' statement is available at: https://www.federalreserve.gov/newsevents/press/bcreg/20170223a.htm and IOSCO's statement is available at: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD556.pdf.

Enforcement

UK Regulator Takes Enforcement Action Against Firms for Failing to be Open and Cooperative

On February 9, 2017, the PRA fined The Bank of Tokyo Mitsubishi UFJ Ltd and MUFG Securities EMEA plc for failing to be open and cooperative with the PRA about an enforcement action into BTMU by the New York Department of Financial Services. The DFS had investigated BTMU regarding possible breaches of US sanctions laws about which a settlement was reached in 2014.

BTMU was fined by the PRA for breaching Fundamental Rules 6 and 7 of the PRA Rulebook in that it failed to communicate relevant information about its settlement with the DFS which meant that the UK regulatory implications were not adequately considered and that its reporting responsibilities to the PRA could not be met; BTMU also failed to inform the PRA of relevant information relating to the DFS matter. MUS was fined for breaching Fundamental Rule 7 because it failed to inform the PRA of the potential implications of the DFS matter for a senior MUS individual, which meant that the PRA could not consider whether the circumstances did or might impact that individual's fitness and propriety.

BTMU and MUS were fined £17,850,000 and £8,925,000 respectively, both figures incorporating a 30% discount, pursuant to the PRA Settlement Policy, which the firms qualified for because they agreed to settle at an early stage of the PRA's investigation.

The final notice is available at: http://www.bankofengland.co.uk/pra/Documents/supervision/enforcementnotices/en090217.pdf; and the DFS content order is available at: http://www.dfs.ny.gov/about/ea/ea141118.pdf?_sm_au_=iVVJrnv0FsrVhsvV.

Financial Crime

EU Consultation on Proposed Draft Technical Standards on Central Contact Points for AML and CFT Purposes

On February 10, 2017, the Joint Committee of the European Supervisory Authorities launched a consultation on proposed RTS on the criteria for when a central contact point is appropriate and the functions of the central contact point. The Fourth Money Laundering Directive requires electronic money issuers and payment service providers with their headquarters in one EU member state and one or more establishments in other EU member states (other than as a branch) to appoint a central contact point in those other member states to ensure compliance with anti-money laundering and counter-financing terrorism rules and to facilitate supervision by the national authorities, including by providing documents and information on request.

The ESAs (comprised of the EBA, the European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority) have published a proposed draft RTS which supplements those requirements by setting out the criteria that member states should consider when deciding whether a central contact point should be established and what functions it should carry out. If a member state does not require a central contact point to be established, the draft RTS would not apply. Each member state will be required to decide who the central contact point should be and how it should be set up.

The consultation paper is available at:
http://www.eba.europa.eu/documents/10180/1749433/Consultation+Paper+on+RTS+on+CCP+to+strengthen+fight+against+financial+crime+%28JC-2017-08%29.pdf.

European Supervisory Authorities Warn that Further Steps are Required on AML/CFT

On February 20, 2017, the ESAs published a joint Opinion on the risks of money laundering and terrorist financing affecting the EU's financial sector. The ESAs—the EBA, ESMA and EIOPA - are required by the Fourth Money Laundering Directive to prepare the Opinion. The Opinion is intended to inform the European Commission's assessment of the AML and CFT risks affecting the EU financial market, inform the ESA's work on enhancing supervisory convergence and assist national regulators applying the risk-based approach to AML/CFT supervision.

The Opinion sets out the AML/CFT risks that the EU financial sector is exposed to which include, amongst other things, ineffective systems and controls, regulatory arbitrage, lack of access to intelligence on terrorist suspects and the movement of high-risk transactions out of the regulated sector. The ESAs conclude that more is needed to ensure that the EU's AML and CFT defenses are effective, particularly as Member States move to a more risk-based AML/CFT regime. Some existing initiatives will help to address the risks, such as the proposed amendments to the Fourth Money Laundering Directive and the relevant Guidelines issued by the ESAs. However, the ESAs consider that enforcement agencies could assist by ensuring that financial institutions have timely access to relevant information, that national regulators could proactively raise awareness of supervisory expectations, including by providing targeted guidance, that national regulators should collect AML/CFT data in a more consistent manner to facilitate comparisons and track progress and that the EU authorities should identify ways to ensure that the EU's AML/CFT laws and guidelines are implemented effectively and consistently across the EU.

The Opinion is available at:
http://www.eba.europa.eu/documents/10180/1759750/ESAS+Joint+Opinion+on+the+risks+of+money+laundering+and+terrorist+financing+affecting+the+Union%E2%80%99s+financial+sector+%28JC-2017-07%29.pdf.

UK Financial Conduct Authority Publishes Final Changes to Rules on Delaying Disclosure of Information

On February 24, 2017, the FCA published a Policy Statement and final changes to rules on delaying the disclosure of inside information in the Disclosure Guidance and Transparency Rules. Minor changes have been made since the FCA's consultation last year. The Market Abuse Regulation requires issuers publicly to disclose inside information which directly concerns them as soon as possible. MAR obliges ESMA to prepare Guidelines which further specify when an issuer might delay disclosure of inside information. ESMA's Guidelines, published on November 20, 2016, explain what would be considered a "legitimate interest," allowing an issuer to delay disclosure of inside information. It also provides a non-exhaustive indicative list of legitimate interests of the issuer that are likely to be prejudiced by the immediate disclosure of inside information and the situations in which delay of disclosure is likely to mislead the public, which include situations where the inside information which the issuer intends to delay disclosure of is materially different from the issuer's previous public announcement. ESMA's Guidelines have applied directly across the EU since January 10, 2017.

The FCA has confirmed that it will comply with ESMA's Guidelines and the changes to the FCA's rules ensure that compliance. The final rules have been in force since February 24, 2017.

The Policy Statement and final rules are available at: https://www.fca.org.uk/publication/policy/ps17-02.pdf and ESMA's Guidelines are available at: https://www.esma.europa.eu/document/mar-guidelines-delay-in-disclosure-inside-information.

Financial Market Infrastructure

Bank of England Re-Proposes Averaging Methodology for SONIA

On February 16, 2017, the Bank of England published a supplementary consultation paper on its revised proposed averaging methodology to be used for the Sterling Overnight Index Average Interest Rate Benchmark, known as SONIA. The BoE took over as administrator of SONIA on April 25, 2016. SONIA is currently based on a market for brokered deposits which has limited transaction volumes. In October 2016, the BoE consulted on its proposals to reform SONIA in four areas, including the SONIA calculation methodology. The BoE proposed to switch the current calculation to measuring the average rate using a volume-weighted median, rather than a volume-weighted mean. Following feedback to that proposal, the BoE is now proposing that SONIA be calculated as the volume-weighted trimmed mean rate of eligible transactions. This is calculated by removing transactions at outlying rates and calculating the mean of the remaining transactions. Responses to the consultation are due by March 16, 2017. By the end of March 2017, the BoE intends to publish its final approach to the design of SONIA and the transition and publication arrangements in a summary and response to feedback document which will cover both this consultation and the October 2016 consultation. The BoE had intended to transition from the current benchmark to the proposed reformed SONIA between October and December of 2017. However, the BoE now expects that the transition will take place in March or April 2018.

The consultation paper is available at: http://www.bankofengland.co.uk/markets/Documents/soniareformcp0217.pdf.

Financial Services

US Securities and Exchange Commission Issues Guidance Update and Investor Bulletin on Robo-Advisers

On February 23, 2017, the US SEC published information and guidance for investors and the financial services industry on the use of robo-advisers, which are registered investment advisers that use computer algorithms to provide investment advisory services online. Because of the unique issues raised by robo-advisers, the SEC's Division of Investment Management issued a Guidance Update for robo-advisers that contains suggestions for how they can meet their disclosure, suitability and compliance obligations under the Investment Advisers Act of 1940. Robo-advisers, as registered investment advisers, are subject to the substantive and fiduciary obligations of the Advisers Act. The Guidance Update notes that there may be a variety of means for a robo-adviser to meet its obligations to clients under the Advisers Act, and that not all of the issues addressed in the Guidance Update will be applicable to every robo-adviser. A second publication, an Investor Bulletin issued by the SEC's Office of Investor Education and Advocacy, provides individual investors with information they may need to make informed decisions if they consider using robo-advisers. Investors can use the SEC's Investment Adviser Public Disclosure (IAPD) database, available on Investor.gov, to research the background, including registration or license status and disciplinary history, of any individual or firm recommending an investment, including robo-advisers, which are typically registered as investment advisers with either the SEC or one or more state securities authorities.

The Guidance Update is available at: https://www.sec.gov/investment/im-guidance-2017-02.pdf and the Investor Bulletin is available at: https://www.investor.gov/additional-resources/news-alerts/alerts-bulletins/investor-bulletin-robo-advisers.

UK Regulator Launches Review of UK Primary Markets

On February 14, 2017, the FCA launched its review into the effectiveness of primary markets by publishing a discussion paper on the UK primary markets landscape. The FCA is seeking views on how the UK primary capital markets can meet the needs of investors and operate effectively. It includes an overview of the UK's primary markets, how the listing regime fits in, the FCA's regulatory role and key trends in the UK's primary equity markets.

The issues which are raised in the discussion paper include, among other matters, whether: (i) the boundary of the premium listing regime is appropriately drawn and whether re-drawing the boundary would improve effectiveness for issuers and investors; (ii) the listing regime for overseas issuers should be reconsidered; (iii) requiring premium listing for exchange traded funds issuers is unnecessarily burdensome; (iv) standard listing is sufficiently understood or valued by issuers and investors to be effective; (v) the UK primary markets are effective in providing patient capital and whether there are different market structures which might provide a solution; (vi) there is a role for a UK primary debt multilateral trading facility and how it should be structured; and (vii) there are regulatory measures that could be taken to encourage greater retail participation in debt markets.

The FCA's consultation paper on enhancements to the listing regime should be read in conjunction with the discussion paper. Responses to the issues raised in the discussion paper are requested by May 14, 2017. If the FCA considers that policy proposals are warranted by the feedback it receives, it will publish a further consultation paper.

The discussion paper is available at: https://www.fca.org.uk/publication/discussion/dp17-02.pdf and the consultation paper is available at: https://www.fca.org.uk/publication/consultation/cp17-04.pdf.

UK Regulator Proposes Changes to UK Listing Rules

On February 14, 2017, the FCA published a consultation paper proposing amendments to the Listing Rules of the FCA's Handbook. The FCA is proposing to, among other matters, (i) clarify the premium listing eligibility requirements and introduce new technical notes and additional guidance to give more context to the rules; (ii) introduce a new concessionary route to premium listing for certain property companies that cannot meet the track record requirements so that a property valuation report may be used to assess the company's eligibility for a premium listing; (iii) introduce new technical notes on the concessionary routes; (iv) amendments to the profit test within the class tests which are used to determine which governance requirements a premium listed issuer must comply with for certain large transactions; and (v) in the context of reverse takeovers, reversing the assumption of insufficient information being available to the market where a target issuer cannot provide that information so that the assumption will be that the market can operate smoothly on the basis of information that listed companies make publicly available as part of their disclosure of inside information requirements under MAR.

The FCA's discussion paper on the review of the effectiveness of the UK primary markets should be read in conjunction with the consultation paper. Responses to the FCA's proposed rule changes are requested by May 14, 2017. The FCA intends to publish its final rules in a Policy Statement in the second half of 2017.

The consultation paper is available at: https://www.fca.org.uk/publication/consultation/cp17-04.pdf and the discussion paper is available at: https://www.fca.org.uk/publication/discussion/dp17-02.pdf.

FinTech

European Authority Rules Out Regulating Distributed Ledger Technology for Now

On February 7, 2017, ESMA published a Report on the application of Distributed Ledger Technology to the securities markets. Distributed ledgers, sometimes referred to as blockchains, are essentially records or ledgers of electronic transactions that are maintained by a shared or distributed network of participants instead of a centralized entity. ESMA

consulted in late 2016 on how DLT applies to securities markets. The Report provides ESMA's analysis of the key risks and benefits of DLT as applied to securities markets and how DLT maps to existing EU regulation.

ESMA is of the view that DLT could provide a number of benefits to securities markets but is also concerned that it may introduce new risks or magnify existing risks. Benefits of DLT include more efficient clearing and settlement services, enhanced reporting and supervision functions at firms and regulators for data sharing and risk management purposes, reduced costs related to the development of recovery plans in a cyber-attack or system breakdown scenario, reduced counterparty risk and enhanced collateral management. ESMA is concerned with a variety of risks, in addition to the well-documented issues of cyber security and fraud, such as the possible ramifications for market fairness and competition as well as financial instability. ESMA considers that systemic risk may, under certain circumstances, contribute to market volatility through applications such as "smart contracts" which can exacerbate one-directional market reaction in times of stress due to their embedded automated triggers. The combination of these risks could increase market complexity, operational risks and market fragmentation.

ESMA stresses that primary issues, such as interoperability and the use of common standards, access to central bank money, governance and privacy and scaleability need to be addressed first. In addition, certain legal issues also need clarification, such as legal certainty of ownership and settlement finality. ESMA notes that DLT is likely, at least initially, to be applied to post-trading activities such as clearing, settlement and securities servicing. As a consequence, securities records or principles on settlement finality will need adaptation to DLT for its implementation to increase, especially with regard to risk mitigation techniques in the context of the clearing obligation under EMIR and the Markets in Financial Instruments Regulation. Settlement activities in the EU are mainly governed by the Settlement Finality Directive and the Central Securities Depositories Regulation. The aim of the SFD is to reduce the systemic risks associated with participation in payment, clearing and securities settlement systems, while the CSDR applies to all financial instruments as defined by MiFID II and activities undertaken by central securities depositories, unless it specifies otherwise.

ESMA is of the view that in the short term, the development of new technology, such as DLT, is not impeded by the current EU regulatory framework. However, the implementation of DLT is also affected by broader legal issues beyond financial regulation, such as corporate law, contract law, insolvency law or competition law. ESMA concludes that the development of DLT is still at an early stage and that it is too early to assess the changes that DLT may bring to formulate an appropriate regulatory response at this time. ESMA will continue to monitor market developments around DLT.

The Report is available at: https://www.esma.europa.eu/press-news/esma-news/esma-assesses-dlt%E2%80%99s-potential-and-interactions-eu-rules and the discussion paper is available at: https://www.esma.europa.eu/press-news/esma-news/esma-assesses-usefulness-distributed-ledger-technologies.

International Organization of Securities Commissions Publishes FinTech Research Report

On February 8, 2017, IOSCO published a research Report on financial technologies, or FinTech—innovative business models and emerging technologies that have the potential to transform the financial services industry. The Report focuses on the delivery of securities and capital markets products and services through FinTech, examining financing platforms, retail trading and investment platforms, institutional platforms and distributed ledger technologies. The Report analyzes the risks, benefits and opportunities of the products and services and summarizes some of the most recent regulatory responses.

The Report is available at: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD554.pdf.

Funds

UK Financial Conduct Authority Discusses Open-Ended Funds Holding Illiquid Funds

On February 8, 2017, the FCA published a Discussion Paper on open-ended investment funds investing in illiquid assets. The FCA is seeking feedback on whether its rules and regulatory approach to open-ended funds that hold illiquid assets are appropriate. The paper considers some of the risks that may arise when investors use open-ended investment funds to gain exposure to illiquid assets such as land, buildings, infrastructure and unlisted securities. The FCA is concerned that fund managers that manage funds that hold illiquid assets may face challenges when investors want to withdraw their funds quickly and at short notice. These include achieving realistic valuations of the underlying assets, and whether the need to accept increased redemption requests might lead a manager to favor exiting investors over those that wish to keep their money in the fund, particularly under stressed conditions. The results of the UK's referendum on whether to leave the EU led to uncertainty in the financial markets and open-ended funds had to work out how to value their property portfolios accurately and how to manage a significant increase in redemptions. The FCA paper describes the liquidity management issues experienced by certain UK property funds and how the FCA responded to those issues, describes the current UK regulations that apply to funds investing in illiquid funds and makes suggestions for possible approaches to the regulation of liquidity.

The FCA has requested feedback on the points raised by May 8, 2017. Once it has assessed the responses, the FCA will decide whether it needs to amend its rules or policy approach. If changes are required, the FCA will publish a consultation paper setting out its proposals.

The Discussion Paper is available at: https://www.fca.org.uk/publication/discussion/dp17-01.pdf.

MiFID II

European Securities and Markets Authority Concerned About MiFID II Loopholes

On February 14, 2017, ESMA published a letter, dated February 1, 2017, from it to the European Commission about the potential for loopholes to be exploited in the revised Markets in Financial Instruments package, known as MiFID II. MiFID II comes into effect on January 3, 2018. Part of the aim of MiFID II is to close some of the loopholes that were identified in the existing MiFID I legislation, including by ensuring that investment firms that operate internal matching systems and execute client orders on a multilateral basis become authorized as a trading venue. ESMA expresses the concern that certain investment firms that currently operate broker-crossing networks might seek to circumvent the provisions of MiFID II by setting up networks of interconnected systematic internalisers. ESMA commits itself to monitoring developments closely and states that it may consider clarifying the scope of the permitted activities of SIs as well as the characteristics of multilateral systems via Q&As. ESMA requests the Commission to consider whether it should adopt any legislation that might further clarify the definitions and concepts in MiFID II to prevent the loophole being exploited.

The letter is available at: https://www.esma.europa.eu/press-news/esma-news/esma-writes-european-commission-mifid-ii-systematic-internalisers-operating.

Revised EU Commodity Derivatives Position Reporting Standards Published

On February 9, 2017, ESMA published revised final draft Implementing Technical Standards on the format of position reports by market operators and investment firms. The revised Markets in Financial Instruments Directive requires national regulators to establish and apply position limits on the size of a net position in commodity derivatives traded on trading venues and economically equivalent OTC contracts. The limits will apply to the size of a position that a person can hold, including any other positions held on behalf of that person by group entities. Market operators and investment

firms will be subject to certain position reporting requirements. The position reporting regime is intended to support the application and enforcement of position limits.

ESMA has revised the ITS that it submitted to the European Commission for endorsement in December 2015 because of difficulties experienced in implementing the original ITS in practice. Among other things, the revised ITS remove the obligation on firms to report positions gross. ESMA has submitted the revised ITS to the European Commission for endorsement. The MiFID II package will apply from January 3, 2018.

The revised ITS is available at: https://www.esma.europa.eu/press-news/esma-news/esma-revises-mifid-standard-position-reporting.

UK Government Publishes Final Policy on Transposing MiFID II

On February 9, 2017, HM Treasury published a paper summarizing responses to its consultation on the transposition of the revised MiFID and three draft statutory instruments to facilitate transposition. Member States are required to adopt measures transposing MiFID II by July 3, 2017 and to apply the provisions from January 3, 2018. HM Treasury consulted on MiFID II transposition in March 2015 and sought feedback on draft legislation to facilitate transposition and its proposed policy approach to access for third country firms, data reporting services, position limits and reporting, unauthorized persons, structured deposits, the power to remove board members, organised trading facilities and binary options. Most respondents broadly agreed with the proposed measures for transposition. However, further guidance has been provided on numerous aspects of the proposed legislation. Since the consultation, a number of further issues in MiFID II requiring further legislative amendments as part of transposition have been identified and are included in the draft legislation and detailed in the report. HM Treasury notes that despite the UK voting to leave the EU, until exit negotiations are concluded, the UK remains a full member of the EU and must comply with MiFID II accordingly.

The first draft regulation is The Financial Services and Markets Act 2000 (Markets in Financial Instruments Regulation) Regulations 2017 (the "Main Regulations"). The Main Regulations designate the FCA, PRA and the BoE as the regulators for the purposes of supervision of firms subject to MiFID II and MiFIR. On access for third-country firms, HM Treasury has stated that it will proceed with its plans to maintain the UK's current overseas persons exclusion regime. This means that the UK has opted not to exercise its discretion under MiFID II to require third-country firms to establish a branch to the extent that they wish to provide investment services to retail or elective professional clients in the UK. The changes to UK legislation will allow an EU MiFID II branch access to the UK as well as third-country firms. The draft Regulations transpose the position limits regime and provides the FCA with power to intervene to enforce position limits. MiFID II requires regulators to have the power to remove members of the management board of an investment firm or market operator. The draft Regulations transpose this requirement by creating a standalone power for the FCA and the PRA to remove members of management boards of investment firms, credit institutions and recognized investment exchanges when certain conditions are met.

The second draft regulation, The Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2017, amends the Financial Services and Markets Act UK (Regulated Activities) Order 2001, commonly known as the "RAO." The RAO specifies activities and investments for the purposes of defining a "regulated activity." MiFID II will introduce a new specified activity of operating an organised trading facility and certain derivatives relating to currencies, binary contracts and emission allowances have been added as specified investments. The draft Order amends the RAO to provide that operating an OTF is a regulated activity, include the new specified activities and investments and include structured deposits within the scope of certain specified activities.

HM Treasury confirms that it will proceed with introducing a separate regime for the regulation of data reporting services providers, The Data Reporting Services Regulations 2017, instead of including DRSPs' activities as regulated activities under the RAO. MiFID II provides authorization requirements for three specific data reporting services:

Approved Reporting Mechanisms, Approved Publication Arrangements and Consolidated Tape Providers. Following feedback received, HM Treasury has not created separate offenses for market manipulation by DRSPs, noting that such offenses largely already exist and that existing UK legislation enables the FCA to impose financial penalties and other sanctions for market manipulation concerning MiFID II.

HM Treasury expects the legislation to be finalized early in 2017. The timeframe is mostly intended to help firms apply for authorization or variation of permission by July 3, 2017. The FCA has already opened its applications gateway and published the application forms.

The summaries of responses to the consultation are available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590504/PU2037_MIFID_final_web.pdf, the Main Regulations are available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590297/Annex_A_-_the_Main_Regulations_.pdf, the draft statutory instrument amending the RAO is available at: http://www.legislation.gov.uk/ukdsi/2017/9780111154168/pdfs/ukdsi_9780111154168_en.pdf, the transposition note is available at: http://www.legislation.gov.uk/ukdsi/2017/9780111154168/pdfs/ukdsitn_9780111154168_en.pdf, the draft instrument outlining the Data Reporting Regulations is available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/592295/Annex_C_.pdf and the FCA application and notification user guide are available at: https://www.fca.org.uk/publication/documents/mifid-ii-application-notification-guide.pdf.

Payment Services

European Banking Authority Published Final Draft Technical Standards for Payment Service Providers

On February 23, 2017, the EBA published final draft RTS on the requirements of strong customer authentication and secure communication under the revised Payment Services Directive (known as PSD2). PSD2, which will apply from January 13, 2018, requires payment service providers to apply strong customer authentication measures where the payer accesses its payment account online, initiates an electronic payment transaction or carries out any action through a remote channel, which may imply a risk of payment fraud or other abuses.

The final draft RTS supplement PSD2 with requirements for: (i) strong customer authentication; (ii) exemptions from the authentication requirements depending on: the level of risk involved in the service provided, the amount, the recurrence of the transaction, or both or the payment channel used for the execution of the transaction; (iii) security measures to protect the confidentiality and the integrity of payment service users' personalized security credentials; and (iv) common and secure open standards of communication between account servicing payment service providers, Payment Initiation Services providers, Account Information Services providers, payers, payees and other payment service providers.

The EBA consulted on the draft RTS during 2016. Following consultation feedback, the EBA made changes to the final draft RTS. The final draft RTS have been submitted to the European Commission for consideration and adoption. It is proposed that the final RTS would apply 18 months after it comes into effect, therefore the earliest the requirements would apply from is November 2018.

The final draft RTS is available at: http://www.eba.europa.eu/documents/10180/1761863/Final+draft+RTS+on+SCA+and+CSC+under+PSD2+%28EBA-RTS-2017-02%29.pdf.

European Banking Authority Consults on Draft Guidelines on Complaints of Alleged Infringements of PSD2

On February 16, 2017, the EBA published for consultation draft Guidelines on complaints procedures for alleged infringements of the Payments Services Directive 2 by payment service providers. The PSD2 provides for payment service users and other interested parties, including consumer associations, to submit complaints to national regulators regarding alleged infringements of the PSD2 requirements by payment service providers.

The proposed Guidelines will apply to national regulators of payment service providers. The proposed Guidelines require national regulators to have two different means by which a complaint can be submitted and to publicly disclose information on their procedures for complaints of alleged infringements. National regulators will be required to request certain information from complainants and also to provide complainants with certain information in response to their complaint. Furthermore, national regulators will need to have procedures in place to collate and analyze aggregated complaints information so that they can assess, for example, the nature of the most common types of complaints and the identity of the payment service providers subject to the most complaints. Responses to the consultation are due by May 16, 2017. The final Guidelines will apply from January 13, 2018 and will be updated on a regular basis thereafter.

The consultation paper is available at: http://www.eba.europa.eu/documents/10180/1756077/Consultation+Paper+on+Guidelines+on+complaints+procedures+under+PSD2+%28EBA-CP-2017-01%29.pdf.

Securities

UK Regulator Publishes Data Suggesting Minor Decline in UK Corporate Bond Market Liquidity Conditions

On February 15, 2017, the FCA published a research paper summarizing its most recent research into liquidity conditions in the UK corporate bond market. The report concludes that there has been a general decline in liquidity since mid-2014. This stands in contrast to previous research undertaken by the FCA for the period between 2008 and 2014 which found little evidence of a quantifiable deterioration in liquidity. The publication extends the analysis to include the period after 2014 incorporating new data about orders and quotes with a finding that there has been a moderate decline in transaction-based proxies for liquidity. The research also highlights that there has been an increase in the amount of failed or rejected trades, an increase in the amount of time taken to fill an order, a decline in dealer quote rates on electronic bond trading platforms as well as a slight widening of some quoted and effective bid-ask spreads. The paper concludes that the combination of the information suggests that trading conditions in the UK have become more difficult over the past 18-24 months, however, the market is still relatively robust.

The research paper is available at: https://www.fca.org.uk/publications/research/new-evidence-liquidity-uk-corporate-bond-markets.

Shadow Banking

Global Loan Fund Survey Reveals No Regulatory Action Required at Present

On February 20, 2017, IOSCO published a report on the findings of the survey on loan funds that was carried out during 2016. The report covers loan funds in the area of investment funds and includes open-ended and close-ended funds, retail and professional investor funds. However, the report does not cover any type of securitization position or securitization special purpose vehicle. IOSCO concludes that further work on loan funds is not required at this stage because the loan fund market is a small, niche market and most jurisdictions consider that the rules already in place for funds are sufficient to address the specificities of loan funds, including the liquidity, credit and systemic risks that loan funds may pose. IOSCO will continue to monitor the loan fund market and will consider whether further work is required as the market develops.

The report is available at: https://www.iosco.org/library/pubdocs/pdf/IOSCOPD555.pdf.

People

Daniel K. Tarullo Submits Resignation as Member of the US Federal Reserve Board

On February 10, 2017, Daniel K. Tarullo submitted his resignation as a member of the US Federal Reserve Board, effective on or around April 5, 2017. He has been a member of the Federal Reserve Board since January 28, 2009.

A copy of Tarullo's resignation letter is available at: https://www.federalreserve.gov/newsevents/press/other/other20170210a1.pdf.

US Federal Reserve Board Announces Retirement of General Counsel Scott G. Alvarez

On February 8, 2017, the US Federal Reserve Board announced that Scott G. Alvarez, general counsel, will retire later in 2017, after nearly 36 years of service to the Federal Reserve Board. The Federal Reserve Board will begin a search for his successor.

The Federal Reserve Board press release is available at: https://www.federalreserve.gov/newsevents/press/other/20170208a.htm.

New Deputy Governor for Markets and Banking at the Bank of England

On February 9, 2017, HM Treasury announced that Charlotte Hogg had been appointed Deputy Governor for Markets and Banking at the BoE, effective March 1, 2017. Ms. Hogg will take over the role in addition to continuing her current role as Chief Operating Officer of the BoE. Ms. Hogg is replacing Minouche Shafik, who is taking up the role of Director at the London School of Economics in September 2017.

The news release is available: https://www.gov.uk/government/news/charlotte-hogg-appointed-new-deputy-governor-markets-and-banking.

Upcoming Events

March 2, 2017: US Treasury Secretary Mnuchin will preside over a meeting of the Financial Stability Oversight Council

May 5, 2017: ESA's public hearing on RTS on central contact points to strengthen fight against financial crime

Upcoming Consultation Deadlines

March 7, 2017: EBA consultation on draft Guidelines on major incidents reporting under PSD2

March 7, 2017: FCA consultation on enhancing conduct of business rules for firms providing CfD products to retail clients

March 13, 2017: Financial Stability Board consultation on proposed Guidance on CCP resolution and resolution planning

March 16, 2017: HM Treasury consultation on implementing the revised EU Payment Services Directive in the UK

March 16, 2017: BoE supplementary consultation on the reform of SONIA

March 17, 2017: ESAs consultation on the use of big data by financial institutions

March 20, 2017: EBA consultation on proposed Guidelines on the supervision of significant branches

March 31, 2017: FCA consultation on the future funding of the Financial Services Compensation Scheme as well as changes to the FSCS rules

March 31, 2017: ESMA consultation on proposed Guidelines on the transfer of data between trade repositories

April 24, 2017: FCA consultation on proposed revisions to the client money distribution rules

May 5, 2017: ESA's consultation on draft RTS on central contact points to strengthen fight against financial crime

May 14, 2017: FCA review of the UK primary markets

May 14, 2017: FCA consultation on changes to the Listing Regime

May 16, 2017: EBA consultation on draft guidelines on procedures for complaints of alleged infringements of the Payments Services Directive 2

May 16, 2017: EBA consultation on draft guidelines on procedures for complaints of alleged infringements of the Payments Services Directive 2

May 31, 2017: PRA consultation on the Pillar 2A capital framework

This newsletter is intended only as a general discussion of these issues. It should not be regarded as legal advice. We would be pleased to provide additional details or advice about specific situations if desired. If you wish to receive more information on the topics covered in this publication, you may contact your usual Shearman & Sterling representative or any of the following:

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