SHEARMAN & STERLING LLP

FINANCIAL INSTITUTIONS ADVISORY & FINANCIAL REGULATORY GROUP NEWSLETTER

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# Financial Regulatory Developments Focus

**In this week's 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.

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

## Bank Prudential Regulation & Regulatory Capital

### Federal Reserve Board Announces Three New Reference Rates for Overnight Repo Transactions

On December 8, 2017, the Board of Governors of the Federal Reserve System announced final plans for the production of three new reference rates regarding overnight repurchase transactions of Treasury Securities. The rates will be produced by the Federal Reserve Bank of New York, in consultation with the US Office of Financial Research. The three rates—Tri-Party General Collateral Rate, Broad General Collateral Rate and Secured Overnight Financing Rate (SOFR)—are based on transaction-level data from segments of the repurchase market, and were the subject of an August 30, 2017 Federal Reserve Board request for public comment. The three interest rates will be constructed to reflect the cost of short-term secured borrowing in highly liquid and robust markets and each rate will be calculated as a volume-weighted median of transacted rates. The FRBNY intends to begin publishing these rates in the second quarter of 2018. The Federal Reserve Board also noted that although the Alternative Reference Rates Committee selected (in June 2017) SOFR as its recommended alternative to US Dollar LIBOR, the details of the transition from US Dollar LIBOR are outside the scope of the request for comment and this announcement.

The Federal Reserve Board press release and corresponding notice is available at: https://www.federalreserve.gov/newsevents/pressreleases/bcreg20171208a.htm.

### US Banking Agencies Support Conclusion of Reforms to International Capital Standards

On December 7, 2017, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation announced their joint support for the finalization by the Basel Committee of the "Basel III" agreement on bank capital standards, which were formulated initially in response to the financial crisis. The revised international standards will take effect in January 2022 and will be phased in over five years. The agencies announced that they will be considering how to best implement these standards in the United States, and that all proposed changes will be effected through the procedures of standard notice-and-comment rulemaking.

The Federal Reserve Board press release discussing the joint-agency announcement is available at: https://www.federalreserve.gov/newsevents/pressreleases/bcreg20171207b.htm, the FDIC press release discussing the joint-agency announcement is available at: https://www.fdic.gov/news/news/press/2017/pr17094.html and the OCC press release discussing the joint-agency announcement is available at: https://www.occ.treas.gov/news-issuances/news-releases/2017/nr-ia-2017-147.html.

### Federal Reserve Board Requests Comment on Package of Proposals that Would Increase the Transparency of Its Stress Testing Program

On December 7, 2017, the Federal Reserve Board announced a suite of proposals intended to increase the transparency of its stress testing program. One key aspect of the proposals is intended to increase transparency in the modeling used by the Federal Reserve Board to estimate hypothetical losses in its stress testing, including in the Comprehensive Capital Analysis and Review (CCAR). Specifically, the Federal Reserve Board will make available certain information available to the public that has previously not been released: (i) a range of loss rates, estimated using the Federal Reserve Board's models, for loans held by CCAR firms; (ii) portfolios of hypothetical loans with loss rates estimated by the Federal Reserve Board's models; and (iii) more detailed descriptions of the Federal Reserve Board's models, such as certain equations and key variables that influence the results of those models. The Federal Reserve Board is also seeking comments on a proposed "Stress Testing Policy Statement" that would increase transparency around the development, implementation and validation of models used by the Federal Reserve Board in its CCAR and Dodd-Frank Act Stress Test (DFAST) processes. Finally, the Federal Reserve Board proposed modifications to its framework regarding annual hypothetical economic scenarios. Specifically, the proposal will clarify when the Federal Reserve Board may make changes to certain factors used in the framework, including changes to the unemployment rate and house price index.

The Federal Reserve press release announcing the proposals is available at: https://www.federalreserve.gov/newsevents/pressreleases/bcreg20171207a.htm.

### Banking Committee Advances "Economic Growth, Regulatory Relief and Consumer Protection Act"

On December 5, 2017, the US Senate Committee on Banking, Housing & Urban Affairs announced the advancement of S. 2155, the "Economic Growth, Regulatory Relief and Consumer Protection Act." This legislation was supported by 16 of the Banking Committee's 23 members, and is intended to ease regulation on credit unions and smaller banks. On the same day, Vice Chairman of the FDIC Thomas Hoenig released a statement in support of the legislation, noting its goal is supporting economic growth, while easing the regulatory burden on smaller, less risky, financial institutions. Vice Chair Hoenig highlighted and supported the proposed legislation's blanket exemption from Volcker Rule compliance for banks that are below certain thresholds, but was cautious regarding the provision of the legislation that excludes central bank reserves from the calculation of the supplemental leverage ratio for custodial banks. Newly appointed Comptroller of the Currency Joseph Otting also released remarks in support of the proposed legislation, noting the positive effect that it will have on smaller financial institutions. Comptroller Otting especially noted the Volcker Rule exemption, simplified capital rules for highly capitalized community banks, and a higher threshold for designating an institution as systemically important. On December 4, 2017, Senator Sherrod Brown delivered remarks critical of certain provisions of the proposed legislation, noting especially the provisions that Senator Brown contend weaken the stress testing and living will safeguards enacted as a result of Dodd-Frank. Senator Brown also discussed how the proposed legislation may lead to some of the same risky home lending practices that exacerbated the financial crisis.

The Senate Banking Committee press release is available at: https://www.banking.senate.gov/public/index.cfm/republican-press-releases?ID=DD186539-D903-4AFF-8D1F-2CAFB32F88AE, a transcript of Senator Brown's remarks is available at: https://www.banking.senate.gov/public/index.cfm/democratic-press-releases?ID=4983C247-A873-4992-8F88-B98C20FE0233, a transcript of Vice Chairman Hoenig's remarks is available at: https://www.fdic.gov/news/news/speeches/spdec0517.html and the transcript of Comptroller Otting's remarks is available at: https://www.occ.treas.gov/news-issuances/news-releases/2017/nr-occ-2017-145.html.

### Federal Reserve Board Proposes to Amend Regulation A

On December 4, 2017, the Federal Reserve Board issued a notice of proposed rulemaking regarding amendments to Regulation A. The proposed amendments would revise the provisions with regard to the establishment of the primary credit rate at the discount window in a financial emergency. Under the proposal, the primary credit rate in a financial emergency will be the target federal funds rate, or, the top of the target range, if the Federal Open Market Committee has established a target range for the federal funds rate. The Federal Reserve Board also proposes to delete provisions that relate to the use of credit ratings for collateral for extensions of credit under the Term Asset-Backed Securities Loan Facility to reflect the expiration of this program. Comments on the proposal are due on January 8.

The notice of proposed rulemaking is available at: https://www.gpo.gov/fdsys/pkg/FR-2017-12-08/pdf/2017-26465.pdf.

### Federal Reserve, OCC and FDIC Release Examiner Guidance for Institutions Affected by Major Disasters

On December 15, 2017, the US Board of Governors of the Federal Reserve System, the US Office of the Comptroller of the Currency, the US Federal Deposit Insurance Corporation, and the US National Credit Union Administration released interagency examiner guidance regarding financial institutions affected by major disasters. In accordance with the guidance, examiners will continue to assign component and composite ratings for these affected financial institutions, taking into account how the disaster has affected certain of the ratings factors, such as capital adequacy and asset quality. The guidance also notes that examiners should evaluate management capability, but should distinguish between problems intrinsic to the management of the institution, and those problems caused by the major disaster. The guidance notes that a major disaster may result in a lower component or composite rating for an affected institution, but that

formal or informal action that would typically be considered for lower-ranked institutions may not be required, taking into account the institution's disaster recovery plan and policies, which should also be evaluated for reasonableness, among other factors. If action is required, the guidance instructs examiners to appropriately tailor the response to the specific circumstances affecting the institution.

The interagency supervisory guidance is available at: https://www.occ.treas.gov/news-issuances/news-releases/2017/nr-occ-2017-149a.pdf.

### House Financial Services Committee Advances 13 Bills, Including Bills Directed at Financial Institution Regulatory Reform

On December 13, 2017, the US House Financial Services Committee announced that it had approved 13 bills, several of which were focused on regulatory reform for financial institutions. Representative Jeb Hensarling noted in an accompanying press release that the Financial Services Committee remains committed to, among other things, reducing regulatory red tape that burdens and affects financial institutions. Among the bills that were advanced pertaining to financial institutions are: Legislation that would permit financial institutions, upon an individual's request, to use a scan or other copy of an individual's identification card for identification and antifraud purposes, but also requires that the institution delete the scanned copy after the institution has completed its review; a bill that would add the Treasury Secretary to the President's Interagency Task Force to Monitor and Combat Trafficking, and require that the task force submit proposals for revision of anti-money laundering programs to specifically identify, address and prevent the use of the financial system to support human trafficking; a bill that would establish deadlines for the issuance of final examination reports by federal financial institution regulatory agencies and legislation which would require federal banking agencies to publish the rationale and a cost-benefit analysis when issuing a prudential regulation that is more onerous than corresponding international prudential standards (commonly referred to as "gold-plating"). In addition, a bill was advanced that would extend the prohibition against the sale of senior preferred shares of Fannie Mae and Freddie Mac owned by the US Treasury without prior approval by Congress. This bill also provides a mechanism to suspend payments by these entities to the US Department of Housing and Urban Development's Housing Trust Fund.

The full text of the bills are available on the House Financial Services Committee website: https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=402791.

### US Federal Banking Regulators May Re-Evaluate Leveraged Lending Guidance

On December 5, 2017, the US Board of Governors of the Federal Reserve System, and the US Federal Deposit Insurance Corporation sent letters to Representative Blaine Luetkemeyer stating that they are considering seeking public input regarding improvements to the agencies' Interagency Guidance on Leveraged Lending. Then Acting Comptroller of the US Office of the Comptroller of the Currency sent a similar letter to Representative Luetkemeyer in November. Representative Blaine Luetkemeyer had requested via letter that the agencies discontinue their enforcement of leveraged lending restrictions. The request by Rep. Luetkemeyer was predicated upon an October determination by the US Government Accountability Office that the leverage lending guidance issued by the agencies fell under the Congressional Review Act. Because of this, the guidance may have no effect until it has been submitted to, and reviewed by, Congress.

### Office of Financial Research Releases 2017 Annual Report to Congress and 2017 Financial Stability Report

On December 5, 2017, the US Office of Financial Research released its 2017 annual report to Congress and 2017 financial stability report. In connection with its release of these reports, the OFR notes that it has developed and implemented new vulnerability monitoring and stress index tools, which were used in the preparation of the OFR's findings. The OFR reports outline three key threats to financial stability. First, the danger that cybersecurity threats pose not only to the financial industry, but also to the broader economy in general. The financial stability report notes that regulators are continuing to develop more robust cybersecurity standards, but that gaps still remain. The second threat discussed in the reports is the orderly resolution of a systemically important financial institution in the event of failure.

The reports note that while the current framework makes orderly resolution more feasible, there are shortcomings in the framework with regard to nonbank financial institutions. The reports also highlight the important role that the Orderly Liquidation Authority plays in the resolution framework. Finally, the third key threat identified by the reports is the evolving structure of financial markets. Specifically the reports highlight the risks posed by the lack of substitutes for essential services, such as the settlement of US Treasury securities; market fragmentation; and replacing LIBOR with a new reference rate.

The OFR's 2017 Annual Report to Congress is available at: https://www.financialresearch.gov/annual-reports/2017-annual-report/ and the OFR's 2017 Financial Stability Report is available at: https://www.financialresearch.gov/financial-stability-reports/2017-financial-stability-report/.

### Final EU Standards on Disclosure Requirements for Encumbered and Unencumbered Assets

On December 13, 2017, a Commission Delegated Regulation setting out Regulatory Technical Standards for the disclosure of encumbered and unencumbered assets was published in the Official Journal of the European Union. The RTS supplement the Capital Requirements Regulation by setting out the requirements on firms to disclose balance sheet value per exposure class, broken down by asset quality and the total amount of unencumbered assets on the balance sheet. The final RTS set out the data required to be disclosed, the format and the timing of the disclosure. Additional disclosure requirements are set for larger banks.

The final RTS enter into force on January 2, 2018. The additional disclosure requirements for larger banks will apply from January 2, 2019.

The final RTS is available at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2295&from=EN.

### EU Roadmap for Completing the Economic and Monetary Union: Key Points for Financial Institutions

On December 6, 2017, the European Commission published a Communication on further steps towards completing Europe's Economic and Monetary Union. The Commission is proposing several initiatives. First, the Commission is proposing a regulation to establish a European Monetary Fund. The EMF would replace the existing European Stability Mechanism and would act as a backstop to the Single Resolution Fund. Any support that the EMF provided to the SRF would need to be fully repaid by the Single Resolution Board from its own resources, including contributions from the industry. There are also proposals on new budgetary instruments for a stable euro area within the EU framework, changes to the Common Provisions Regulation, proposals to strengthen the Structural Reform Support Programme and a proposal to establish a European Minister of Economy and Finance. The Communication is supplemented by a proposed roadmap for implementing these steps over the next 18 months. The proposed roadmap indicates the dates by which certain of the Commission's proposed financial services legislation would be finalized. The risk-reduction package (amendments to the Capital Requirements framework and the Bank Recovery and Resolution Directive) would be finalized by mid-2018 and the Capital Markets Union legislative initiatives, including the review of the European Supervisory Authorities and the European Market Infrastructure Regulation, would be finalized by mid-2019.

The Commission's Communication is available at: https://ec.europa.eu/info/sites/info/files/economy-finance/com_821_0_0.pdf.

### European Central Bank Consults on Assessment Methodology Guide for Counterparty Credit Risk

On December 15, 2017, the European Central Bank consulted on a draft ECB guide on the assessment methodology for the internal model method and the advanced CVA capital charge for counterparty credit risk under the Capital Requirements Regulation. IMM and A-CVA are internal models used by banks to calculate counterparty credit risks for over-the-counter (OTC) derivatives and securities financing transactions.

The European Banking Authority was mandated under the CRR to provide an assessment methodology for IRB (credit risk), AMA (operational risk) and IMA (market risk) models. However, there is no mandate in the CRR for the EBA to produce regulatory technical standards for the assessment methodology for the IMM and the A-CVA models, as these are less widely used. The ECB has therefore considered it appropriate to develop the guide on its own initiative. The draft guide provides guidance to national supervisors how the ECB intends to investigate compliance with the existing legal framework in the context of any CCR-related internal model investigation (before or after approval) and the ongoing monitoring of approved internal models. The guide also provides optional guidance to significant institutions on the self-assessment of their IMM and A-CVA.

The ECB seeks feedback on the guide by March 31, 2018. It then plans a further call for feedback in 2018, following which the guide will be finalized.

The draft ECB guide is available at: https://www.bankingsupervision.europa.eu/banking/letterstobanks/shared/pdf/2017/ssm.egam_guide_draft.en.pdf, Frequently Asked Questions are available at: https://www.bankingsupervision.europa.eu/banking/letterstobanks/shared/pdf/2017/ssm.egam_qa.en.pdf and the ECB press release is available at: https://www.bankingsupervision.europa.eu/press/pr/date/2017/html/ssm.pr171215.en.html.

### European Banking Authority Develops Templates for Non-Performing Loans

On December 14, 2017, the European Banking Authority published standardized data templates for non-performing loans, following calls from the European Commission and the Council of the European Union to develop templates that would assist in developing the NPL secondary markets. The templates are not a supervisory reporting requirement, but a market standard to be used by banks on a voluntary basis.

The EBA's press release is available at: http://www.eba.europa.eu/-/eba-publishes-its-standardised-data-templates-as-a-step-to-reduce-npls and the templates are available at: https://www.eba.europa.eu/risk-analysis-and-data/eba-work-on-npls.

### UK Prudential Regulation Authority Confirms Approach to MREL and Capital Buffers

On December 11, 2017, the Prudential Regulation Authority published an updated Supervisory Statement, "The minimum requirement for own funds and eligible liabilities (MREL) - buffers and Threshold Conditions." The MREL requirement is the EU implementation, in the Bank Recovery and Resolution Directive, of the standard for total loss-absorbing capacity (TLAC) set by the Financial Stability Board.

The updated Supervisory Statement set out the PRA's expectations on the relationship between the minimum requirement for MREL and both capital and leverage ratio buffers. It follows the PRA's consultation earlier this year clarifying that it did not intend to create a different buffer requirement from that which is usable in the going-concern regime. The Supervisory Statement also discusses the implications that a breach of MREL would have for the PRA's consideration of whether a firm is failing, or likely to fail, to satisfy the Threshold Conditions. The PRA has confirmed that it expects firms not to count Common Equity Tier 1 (CET1) capital towards both MREL and the capital buffer requirements.

The Supervisory Statement applies to PRA-regulated banks, building societies and PRA-designated investment firms.

The updated Supervisory Statement is available at: https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2017/ss1616update.pdf?la=en&hash=EE48E560E732C247821BBD03CE3B5BFD03465060.

### UK Prudential Regulation Authority Issues Updates to Its Pillar 2A Capital Framework

On December 12, 2017, the U.K. Prudential Regulation Authority published a policy statement setting out final amendments to its supervisory statements on "The Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP)" and its Statement of Policy "The PRA's methodologies for setting Pillar 2 capital." These changes were proposed in a consultation by the PRA in July 2017, which closed in October 2017. Following feedback to the consultation, the PRA will proceed with the amendments it proposed in July, subject to some minor changes.

Under the amended framework, Pillar 2A capital will be set as a Requirement on firms under the Financial Services and Markets Act 2000 rather than as guidance, and the term "Total Capital Requirement," or TCR, will be introduced, which will comprise Pillar 1 plus Pillar 2A. The Supervisory Statement has also been revised to provide further clarity on when and how the Pillar 2A capital requirement may be set by the PRA at an individual (i.e. solo) level.

The Statement of Policy has been amended to set a general expectation that firms should disclose the TCR which applies to them at the highest level of consolidation in the United Kingdom. The PRA's disclosure expectations will therefore differ according to whether the firm concerned is part of a U.K. consolidation group or not and whether the PRA is home or host regulator.

The disclosure requirements will apply from January 1, 2018. The PRA will individually apply Pillar 2A capital requirements to firms in line with scheduled capital reviews. Firms are expected to apply Individual Capital Guidance issued to them by the PRA until such time as the PRA applies the new Pillar 2A requirements to them.

The PRA policy statement (PS 30/17) is available at: https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2017/ps3017.pdf.

### Basel Committee on Banking Standards Discusses Regulatory Treatment of Sovereign Exposures

On December 7, 2017, the Basel Committee on Banking Standards published a discussion paper on the regulatory treatment of sovereign exposures. The discussion paper sets out the issues raised by the Task Force on Sovereign Exposures, which the Basel Committee set up in 2015, and presents potential ideas for addressing those issues. The Basel Committee's view is that all sovereign exposures entail risk but they also play an important role in the banking system, financial markets and broader economy. The suggestions presented in the discussion paper seek to balance the prudential risks with the Basel Committee's mandate to enhance financial stability.

The Basel Committee presents its views on how the framework for the regulatory treatment of sovereign exposures might be changed. The discussion paper sets out possible revisions to the definition of sovereign entities to enhance consistency across jurisdictions. The Basel Committee is considering how the internal ratings-based approach might be removed for sovereign exposures as well as revising the standardized risk weights for sovereign exposures held in both the banking and trading book, including removing national discretions to apply a preferential risk weight for certain sovereign exposures. It also considers adjustments to the credit risk mitigation framework, including removing the national discretion to set a zero haircut for certain sovereign repo-type transactions.

The Basel Committee is also assessing how the potential risks of excessive holdings of sovereign exposures might be mitigated, such as through marginal risk weight add-ons based on the degree of a bank's exposure to a sovereign. The Basel Committee also considers how guidance on the Pillar 2 (supervisory review process) might be introduced for monitoring and stress testing for sovereign risk and for supervisory responses to mitigating sovereign risk. Lastly, the Basel Committee discusses the disclosure requirements under Pillar 3 in regard to sovereign risk.

Comments on the discussion paper should be provided by March 9, 2018. The Basel Committee has not yet decided whether to make any changes to the treatment of sovereign exposures and will assess its next steps based on the feedback.

The discussion paper is available at: https://www.bis.org/bcbs/publ/d425.pdf.

## Conduct & Culture

### US Federal Reserve Bank of New York Executive Vice President Discusses the Role of Bank Supervisors in the Culture Reform Dialogue

On December 7, 2017, US Federal Reserve Bank of New York Executive Vice President Kevin Stiroh spoke at a culture roundtable session regarding misconduct, risk, culture, and supervision. The remarks were based on a white paper that was published the same day. Mr. Stiroh's remarks focused primarily on employee misconduct risk in the financial services industry, noting that since 2008 financial institutions have paid over $320 billion in related fines. Mr. Stiroh also highlighted the damaging effect that employee misconduct has not only on the employer and financial institutions, but also on the financial system as a whole. Mr. Stiroh contended that misconduct is the result of low cultural capital—a confluence of processes and procedures, stated values and senior management and employees who are empowered to reinforce and conduct their day-to-day activities in a manner that promotes a culture of compliance. Mr. Stiroh also suggested that a lack of cultural capital may be the result of market failures brought about by factors such as externalities, principal-agent problems and adverse selection, arguing that one possible means to remedy these issues is through internal supervision; with supervisors willing to support a culture of compliance, close gaps in rules and advance the value of safe and sound practices. To this end, Mr. Stiroh highlighted to the attendees the important role that supervisors play in maintaining high levels of cultural capital at financial institutions.

Mr. Stiroh's speech is available at: https://www.newyorkfed.org/newsevents/speeches/2017/sti171207.

### UK Regulators Consult Further on Extension of Individual Accountability Regime to All Financial Services Firms

On December 13, 2017, the U.K. Financial Conduct Authority and Prudential Regulation Authority issued further consultations on aspects of the extension of the Senior Managers and Certification Regime to all firms authorized under the Financial Services and Markets Act 2000.

The FCA has published three separate consultations, which build on its previous consultation in July 2017 and set out further proportionate proposals to account for the wide differences in the sizes and nature of firms that will be brought within the regime. In the July 2017 consultation, the FCA proposed an extended SM&CR consisting of a standard set of requirements for firms within the "core" regime, and further "enhanced" or simplified "limited scope" requirements for other firms as appropriate. The PRA has published a further consultation supplementing its July 2017 consultation on the PRA's substantive proposals for extension of the SM&CR to insurers.

The three FCA consultations deal with the following matters:

1. Transitioning FCA solo-regulated firms (that is, those authorized and regulated by the FCA but not the PRA) and their staff to SM&CR. The consultation sets out the FCA's proposals for moving firms and their senior staff into the SM&CR, a process the FCA calls "conversion." For firms in the "core" regime and "limited scope" firms, conversion will be automatic. Pre-existing approvals under the current Approved Persons Regime will automatically be converted to Senior Management Functions. The conversion process for larger and/or more complex firms in the "enhanced" regime will require submission of a conversion notification, a statement of responsibilities and a responsibilities map. The consultation paper contains a tool for firms to check whether they fall into the core, enhanced or limited scope categories.

2. Transitioning insurers and their staff to SM&CR. The FCA proposes automatic conversion for Small Non-Directive Firms, small run-off firms and Insurance Special Purpose Vehicles. Solvency II firms and Large NDFs will need to submit the same details as FCA solo-regulated firms in the "enhanced" regime. Transitional provisions will apply to give firms time to adapt to the new regime and associated changes to the FCA handbook and conduct necessary staff training.

3. The duty of responsibility for insurers and FCA solo-regulated firms. The duty of responsibility allows the FCA to take enforcement action against a Senior Manager where there has been a contravention of a relevant requirement by the Senior Manager's firm, in circumstances where the Senior Manager did not take such steps as a person in their position could reasonably have been expected to take to avoid the contravention occurring or continuing. The FCA summarizes some of the factors it took into account when proposing, in its July 2017 consultation, definitional changes and new guidance in its Decision Procedure and Penalties Manual to reflect the extension of the duty to insurers and FCA solo-regulated firms. Respondents are asked to consider whether any further changes might be required.

The latest consultation from the PRA builds on its July 2017 consultation, which set out the PRA's substantive proposals for extension of the SM&CR regime to insurers. It also should be read in conjunction with the PRA's earlier consultation on optimizations to the Senior Insurance Managers Regime and its October 2017 policy statement on changes to SMR forms. The PRA states that the proposals in this latest consultation should not be viewed as pre-empting its consideration of responses to the July 2017 consultation, which closed on November 3, 2017. This consultation sets out the PRA's proposals to simplify the requirements on firms, by streamlining the existing SM&CR and SIMR forms and amending Part 4A Permission forms to reduce the total number of forms from 26 to 11. The forms will no longer distinguish between firm types, so the same set of forms can be used by both banking firms and insurance firms. The PRA also sets out a proposed list of Senior Management Functions for the newly integrated regime. It proposes to renumber Senior Insurance Management Functions 21, 22 and 23, to avoid duplication in the insurer SMFs. This consultation also sets out the process for individuals transferring from an SMF at an insurance firm to a banking firm, mirroring the proposal in the July 2017 consultation for individuals approved for an SMF at an insurance firm to be treated equivalently to an individual approved for an SMF within a banking firm. Finally, the PRA is using this consultation to take the opportunity to remove gendered language from the SM&CR. The terminology changes will impact SMFs 9, 10, 11, 12, 13 and 15.

The extension of the SM&CR will take place on a date that is yet to be specified by HM Treasury. However, both regulators are consulting on the assumption that the extension of SM&CR to insurers will take effect in late 2018 and that the extension to FCA solo regulated firms will take effect in mid to late 2019. Feedback on all consultations is invited by February 21, 2018.

Our summary of the July 2017 consultations is available at: http://finreg.shearman.com/financial-conduct-authority-consults-on-extending, the FCA consultation on transitioning FCA solo-regulated firms and individuals (CP 17/40) is available at: https://www.fca.org.uk/publications/consultation-papers/cp17-40-individual-accountability-transitioning-fca-firms-and-individuals-senior-manager, the FCA consultation on transitioning insurers and individuals (CP 17/41) is available at: https://www.fca.org.uk/publications/consultation-papers/cp17-41-individual-accountability-transitioning-insurers-sm-cr, the FCA consultation on the duty of responsibility for insurers and FCA solo-regulated firms (CP 17/42) is available at: https://www.fca.org.uk/publications/consultation-papers/cp17-42-duty-responsibility-insurers-and-fca-solo-regulated-firms, the PRA consultation on extending the SM&CR to insurers (CP 28/17) is available at: https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/consultation-paper/2017/cp2817.pdf and the PRA policy statement on changes to SMR forms (PS 24/17) is available at:

https://www.bankofengland.co.uk/prudential-regulation/publication/2017/strengthening-accountability-in-banking-and-insurance.

## Derivatives

### Global Standard Bodies Launch Review of OTC Derivatives Reforms

On December 14, 2017, the Financial Stability Board, the Basel Committee on Banking Standards, the Committee on Payments and Market Infrastructures and the International Organization for Securities Commissions jointly launched a review of the regulatory reforms on incentives for central clearing of OTC derivatives. The review forms part of the FSB's commitment to evaluate the effects of the G20 Financial Regulatory reforms. Qualitative survey forms have been published for participants in the clearing space (CCPs, clients/end-users, clearing members and banks providing clearing services to clients) to complete on a group-wide basis.

The deadline for submitting completed surveys is January 26, 2018. A final report on the impact of the G20 reforms is expected by the end of 2018.

The surveys and related information are available at: http://www.fsb.org/2017/12/call-for-responses-to-surveys-on-incentives-to-centrally-clear-otc-derivatives/.

## Financial Crime

### UK Publishes New Anti-Corruption Strategy

On December 11, 2017, the U.K. Government published a U.K. Anti-Corruption Strategy 2017 to 2022 setting out how the U.K. Government intends to combat corruption over the next five years. The Strategy identifies the following six priorities:

1. Reduce the insider threat in high risk domestic sectors;

2. Strengthen the integrity of the United Kingdom as an international financial centre;

3. Promote integrity across the public and private sectors;

4. Reduce corruption in public procurement and grants;

5. Improve the business environment globally; and

6. Work with other countries to combat corruption.

In strengthening the United Kingdom's position as an international financial centre, the Government intends to ensure greater transparency over ownership and control of legal entities, stronger enforcement, enhanced anti-money laundering and counter-terrorist financing measures and a better means for sharing information between the public and private sectors.

The strategy is available at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/667221/6_3323_Anti-Corruption_Strategy_WEB.pdf.

## Funds

### UK Government's Strategy for the UK's Asset Management Industry

On December 6, 2017, HM Treasury published the second U.K. Investment Management Strategy which sets out the U.K. Government's long-term strategy for ensuring that the United Kingdom remains a globally competitive location

for asset management. The Government believes that action should be taken now to respond to the challenges and the opportunities for the asset management industry arising out of Brexit, and that this is the best time to renew the 2013 Strategy, which focused mostly on fund domicile issues.

The objectives of the U.K.'s Strategy include, among other things, enhancing the dialogue between the Government, the Financial Conduct Authority and industry, promoting the United Kingdom's competitive and stable tax and regulatory environment, advancing the development of asset management FinTech solutions and continuing a coordinated international engagement and trade promotion program. The Strategy sets out the outputs to achieve these objectives, such as enhancing communication between stakeholders, identifying opportunities to boost the United Kingdom's competitiveness and encouraging the FCA to continue its work on the Asset Management Hub, Project Innovate and proposals for making the U.K. asset management industry more competitive. The Government commits to ensuring that United Kingdom asset managers will continue to be able to establish fund structures based on UCITS in the United Kingdom following Brexit.

In addition, the Government supports the work of the Investment Association to establish a digital fund using blockchain as well as an asset management cyber security strategy. Following the success of the International FinTech conference 2017, the Government will host a second conference in the first half of 2018.

On the international agenda, the Government wants to reduce barriers to market access and intends to work with the FCA to pursue the establishment of mutual recognition of funds agreements, in particular for certain target market jurisdictions. The Government also commits to preserving the ability to delegate portfolio management of assets across jurisdictions.

The U.K. Investment Management Strategy II is available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/665668/The_Investment_Management_Strategy_II.pdf.

## MiFID II

### EU Clamps Down on Systematic Internalisers Operating Broker-Crossing Networks Under MiFID II

On December 13, 2017, an amending Delegated Regulation was published in the Official Journal of the European Union which closes a loophole in the Markets in Financial Instruments Directive provisions relating to systematic internalisers. In February this year, the European Securities and Markets Authority highlighted the possibility that investment firms operating broker-crossing networks might try to circumvent the MiFID II requirements by setting up networks of connected SIs which would allow SIs to cross third party buying and selling interests via matched principal trading or other types of back-to-back transactions.

An SI is defined under MiFID II as an "investment firm which, on an organized, frequent systematic and substantial basis, deals on own account when executing client orders outside a trading venue without operating a multilateral system." The Delegated Regulation on the organizational requirements and operating conditions for investment firms provides further criteria to be met for an investment firm to be considered an SI. The amending Regulation amends this Delegated Regulation to provide that a SI may not participate in matching arrangements with entities outside of its own group with the objective or consequence of carrying out de facto riskless back-to-back transactions in a financial instrument outside a trading venue.

The amending Regulation entered into force on December 13, 2017 and will apply from January 3, 2018.

The amending Delegated Regulation is available at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2294&from=EN, the original Delegated Regulation is available at:

http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0565&from=DA and ESMA's February letter to the European Commission is available at: http://finreg.shearman.com/european-securities-and-markets-authority-concern.

### European Commission Declares Trading Venues in Australia, Hong Kong and USA Equivalent Under the Revised Markets in Financial Instruments Directive

On December 13, 2017, the European Commission adopted Implementing Decisions for equivalence of the legal and supervisory framework of Australia, Hong Kong and the USA for national securities exchanges and alternative trading systems in accordance with the revised Markets in Financial Instruments Directive.

MiFID II requires EU investment firms to ensure that the trades they undertake in shares admitted to trading on regulated markets, or traded on trading venues should take place on regulated markets, multilateral trading facilities or systematic internalisers, or third-country trading venues assessed by the European Commission as equivalent. These latest three equivalence decisions by the European Commission will allow investment firms to comply with MiFID II when shares are traded on trading venues in these three countries.

Implementing Decision for Australia is available at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017D2318&from=EN, Implementing Decision for Hong Kong is available at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017D2319&from=EN and Implementing Decision for USA is available at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017D2320&from=EN.

### Final UK Domestic Legislation Published Implementing the Revised Markets in Financial Instruments Directive

On December 13, 2017, the Financial Services and Markets Act 2000 (Markets in Financial Instruments) (No. 2) Regulations 2017 were published, and will take effect mainly from January 3, 2018. Some technical provisions will come into force a day earlier, on January 2, 2018, for the purpose of making corrections to other legislation in advance of the implementation date for the revised Markets in Financial Instruments Directive.

The Regulations amend the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 to clarify the position in domestic law of those firms that deal on own account in commodity derivatives or emission allowances (or their derivatives) and that wish to take advantage of the exemption set out in MiFID II, but are awaiting information to make the threshold calculation used to establish if they qualify for the exemption. The Regulations also align the domestic regime with the passporting provisions of MiFID II, by extending the transitional provisions of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2017 that relate to structured deposits to EEA firms that are passporting into the United Kingdom. This will allow an EEA firm that is passporting into the United Kingdom to notify the appropriate regulator by April 1, 2018 that it wishes to carry on a permitted activity in relation to structured deposits.

The Regulations make consequential amendments to other secondary legislation to replace "MiFID" with "MiFID II" and also make a number of corrections to the text of the main implementing regulations for MiFID II, namely the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017. The Regulations also make amendments to correct drafting errors in some of the provisions of the Financial Services and Markets Act 2000 that implement provisions relating to the powers of national regulators and the imposition of administrative sanctions for contraventions of the Market Abuse Regulation.

The Regulations (S.I. 2017 No. 1255) are available at: http://www.legislation.gov.uk/uksi/2017/1255/pdfs/uksi_20171255_en.pdf and the explanatory memorandum to the Regulations is available at: http://www.legislation.gov.uk/uksi/2017/1255/pdfs/uksiem_20171255_en.pdf.

## Payment Services

### Federal Reserve Board Announces Elimination of SOSA Ranking and Proposes Changes to Payment System Risk Policy

On December 11, 2017, the US Federal Reserve Board announced that it is seeking comments regarding a proposed change to its Payment System Risk Policy. In a related action, the Federal Reserve Board has also announced that it is eliminating the strength of support assessment (SOSA) ranking used for FBOs because the information that informs such rankings (such as information on parent banks, home country accounting practices and financial systems, and international regulatory developments) has become more readily available to US supervisors. The proposed changes to the PSR Policy would affect US branches and agencies of foreign banking organizations, and result in changes to the methods used in determining the net debit cap of an FBO and its ability to request a streamlined procedure with regard to the FBO's maximum daylight overdraft capacity. The calculation method currently takes into account whether the FBO is a financial holding company, as well as the FBO's SOSA ranking. The Federal Reserve Board notes that the changes to the PSR Policy may result in a reduction of the net debit cap for some FBOs, but contends that the changes will not constrain the US operations of FBOs generally, while more accurately reflecting the usage of intraday credit by FBOs. Comments to the proposal are due on or before February 12, 2018.

The Federal Reserve Board's PSR Policy proposal is available at: https://www.gpo.gov/fdsys/pkg/FR-2017-12-14/pdf/2017-26923.pdf and the Federal Reserve Board's SR Letter regarding SOSA is available at: https://www.federalreserve.gov/supervisionreg/srletters/sr1713.htm.

### European Banking Authority Publishes Final Draft Technical Standards on Central Contact Points Under the Revised Payment Services Directive

On December 11, 2017, the European Banking Authority published its final draft Regulatory Technical Standards on central contact points under the revised Payment Service Directive. The RTS will apply where a payment institution or electronic money institution with its head office in one member state provides payment services on a cross-border basis, under the right of establishment, through agents in another (host) member state. PSD2 gives the national regulators in the host member state the option of requiring that payment institutions or electronic money institutions operating through agents must establish a central contact point in the host territory, to ensure adequate communication and information reporting and effective supervision.

The final draft RTS specify the criteria to be applied when determining, in accordance with the principle of proportionality, the circumstances when the appointment of a central contact point is appropriate, and the functions of those contact points.

The final draft RTS will now be submitted to the European Commission for endorsement, following which there will be a three-month scrutiny period for the European Parliament and the Council. Assuming no changes are made to the RTS, they will be published in the Official Journal of the European Union and come into force 20 days later.

The EBA Final Report is available at: http://www.eba.europa.eu/documents/10180/2058868/Final+Report+on+RTS+on+central+contact+points+under+PSD2+%28EBA-RTS-2017-09%29.pdf.

### European Banking Authority Publishes Technical Standards on Contents of and Access to a Central Register for Payment Services Information

On December 13, 2017, the European Banking Authority published a final report setting out final draft Regulatory Technical Standards and Implementing Technical Standards under the revised Payment Services Directive.

PSD2 requires that the EBA develop, operate and maintain an electronic central register that contains information as notified by national regulators. The EBA consulted earlier in the year on its proposals for the central register and that consultation closed in September 2017.

The final draft Regulatory Technical Standards set out the technical requirements for the development, operation and maintenance of the electronic central register and on access to the information contained in the register. The final draft Implementing Technical Standards set out the details and structure of the information to be entered by national regulators in their public registers and notified to the EBA.

Users of the register will be able to access details such as the date of authorization/registration, commercial names and the cross-border services provided by a range of institutions. The EBA notes that, while a comprehensive register would be desirable for all market participants, the EBA is not legally able to include credit institutions in the register. This is because the EBA's mandate under PSD2 contains a pre-defined list of institutions which does not include credit institutions. The register will therefore contain information relating to: payment and electronic money institutions, their agents and foreign branches; exempted payment and electronic money institutions and their agents; account information service providers, their agents and foreign branches; providers of services based on specific payment instrument that can be used only in a limited way; and providers of electronic communication networks executing payment transactions or providing services in addition to electronic communications services.

The RTS and ITS will now be submitted to the European Commission for endorsement, following which there will be a three-month scrutiny period for the European Parliament and the Council. Assuming no changes are made to the RTS and/or ITS, they will be published in the Official Journal of the European Union and come into force 20 days later.

The EBA expects to launch the register later in 2018, rather than on the implementation date for PSD2 of January 13, 2018. This is because the EBA cannot start development of the register until the RTS and ITS are adopted.

The EBA final report is available at: http://www.eba.europa.eu/documents/10180/2061040/Final+Report+on+final+draft+RTS+and+ITS+on+EBA+Register+under+PSD2+%28EBA-RTS-2017-10%29%20%28EBA-ITS-2017-07%29.pdf.

### European Banking Authority Issues Guidelines for Assessing and Managing Security and Operational Risks in Payment Services

On December 12, 2017, the European Banking Authority published finalized guidelines to assist payment services providers to conduct appropriate risk assessment and risk management of operational and security risks. The finalized guidelines contain some changes from the draft guidelines on which the EBA launched a consultation in May 2017.

The revised Payment Services Directive, which will take effect from January 13, 2018, will require EU payment service providers to establish a risk management framework comprising appropriate mitigation measures and control mechanisms to manage the operational and security risks that arise from the payment services they provide. PSPs must also provide their national regulator annually (or more frequently as required) with an updated and comprehensive assessment of the operational and security risks relating to the payment services they provide and on the adequacy of the mitigation measures implemented in response to those risks.

The first guideline sets out a general principle of proportionality, which takes into account the great variety of business models and risks implied by payment services provided by differently structured and regulated PSPs. A further eight guidelines cover:

(i) Governance, including the content, focus and sign-off of the risk management framework, the models to be used for risk management and control and considerations for outsourcing;

(ii) Risk assessment, including identifying all relevant business functions, key roles and supporting processes and information assets and then classifying and assessing the relevant operational and security risks attaching to them;

(iii) Protection, requiring PSPs to establish and implement preventive security measures, including physical security measures and access control, against identified risks to ensure the integrity and confidentiality of data and systems;

(iv) Detection, requiring establishment of processes and capabilities for continuous monitoring of functions, processes and assets for anomalous activity, information leakage, malicious code and other threats and for the reporting of operational or security incidents;

(v) Business continuity, requiring PSPs to conduct appropriate analysis of potential business disruptions and put in place response and recovery plans and crisis communication measures;

(vi) Testing, requiring PSPs to establish a testing framework to validate the robustness and effectiveness of security measures;

(vii) Situational awareness, requiring PSPs to develop the capability to stay abreast of developing threats and provide appropriate training; and

(viii) Payment service user relationship management, including processes to ensure payment services users are provided with assistance, guidance and updated information and alerts on security threats.

The guidelines will apply to all PSPs from January 13, 2018.

The guidelines are available at: http://www.eba.europa.eu/documents/10180/2060117/Final+report+on+EBA+Guidelines+on+the+security+measures+for+operational+and+security+risks+under+PSD2+%28EBA-GL-2017-17%29.pdf.

## Recovery & Resolution

### Single Resolution Board and Federal Deposit Insurance Corporation Sign Cooperation Arrangement

On December 14, 2017, the EU Single Resolution Board and the US Federal Deposit Insurance Corporation announced that they had signed a cooperation agreement which would provide for information sharing and cooperation in policymaking and resolution planning for cross-border financial institutions. The preamble of the agreement notes that given the interconnectedness of the global financial system, such cooperation is necessary to promote financial stability in the event of an institution's failure. While not legally binding, the agreement sets forth the general framework of the relationship and the principals designed to advance the resolution goals of each agency. The agreement also sets forth the policies and procedures that govern the relationship between the SRB and FDIC, including the scope of the agreement, permissible uses of information shared between the agencies and the mechanisms that each agency can use to effectuate consultation, cooperation and information sharing.

The cooperation agreement between the SRB and FDIC is available at: https://www.fdic.gov/news/news/press/2017/pr17095a.pdf.

### UK Prudential Regulation Authority Confirms Its Revised Expectations on Recovery Planning

On December 11, 2017, following its consultation earlier this year on its expectations on recovery planning, the Prudential Regulation Authority published a Policy Statement which sets out the PRA's final revised expectations on the content of recovery plans and the approach to recovery planning for groups which include a ring-fenced body. Alongside the Policy Statement, the PRA has published a new Supervisory Statement on recovery planning and an updated Supervisory Statement on RFBs. The PRA decided to publish the new Supervisory Statement because its experience in assessing firm's plans showed that there was a need to improve the quality of recovery plans and to increase the prospect of plans being credible. The new Supervisory Statement on recovery planning therefore supersedes the previous one, SS-18/13.

The PRA expects firms to meet certain of its expectations by June 30, 2019. These are the expectations on the full separability analysis for disposal options, modelling of capital and liquidity profiles in each scenario, full analysis of funding needs by currency in each scenario and the integration of liquidity contingency plans. The remainder of the

expectations in the new Supervisory Statement on recovery planning should be met by June 30, 2018 or by the firm's first annual update of their recovery plan, whichever is the later. The PRA has stated that it will host workshops for firms in the first half of 2018 on its revised expectations.

The new Supervisory Statement on recovery planning is available at: https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2017/ss917.pdf?la=en&hash=D5317FDD3B9858CF1ADA8FD6B6BB69E459762D03, the updated Supervisory statement on ring-fenced bodies is available at: https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2017/ss816update2.pdf?la=en&hash=F9F6316C98FC686683F558F45FFBC88D0FA71715 and the Policy Statement is available at: https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2017/ps2917.pdf?la=en&hash=982017827FDCED87FDC6A55F571DAA02C83B45AC.

## People

### Senate Banking Committee Approves Nomination of Jerome Powell as Chair of the Federal Reserve Board

On December 5, 2017, the Senate Banking Committee overwhelmingly approved the nomination of Jerome Powell as Fed Chairman by a vote of 22-1, with only Sen. Elizabeth Warren in opposition. The nomination now goes to the full Senate.

### Federal Reserve System Announces New Payments Security Strategy Leader

On December 8, 2017, the Federal Reserve Board announced that it was appointing Kenneth Montgomery as its payment security strategy leader. In this role, Mr. Montgomery will chair the Secure Payments Task Force, and lead the Federal Reserve's efforts to increase security and safety of the US Payments system.

The Federal Reserve press release regarding the appointment is available at: https://www.federalreserve.gov/newsevents/pressreleases/other20171208b.htm.

### Rosa Gil to Join New York Fed Board of Directors

On December 8, 2017, the Federal Reserve Bank of New York announced the appointment by the Federal Reserve Board of Dr. Rosa Gil as a Class C director of the FRBNY.

The Federal Reserve Bank of Richmond press release regarding the appointment is available at: https://www.newyorkfed.org/newsevents/news/aboutthefed/2017/oa171208.

### Thomas Barkin to Become Next President and CEO of the Federal Reserve Bank of Richmond

On December 4, 2017, the Federal Reserve Bank of Richmond named Thomas Barkin as its President and Chief Executive Officer. Mr. Barkin's appointment will take effect on January 1, 2018. Mr. Barkin was appointed by the eligible directors of the Richmond Fed, and approved by the Federal Reserve Board. Mr. Barkin had previously served as a member of the board of directors for the Federal Reserve Bank of Atlanta from 2009 to 2014.

The Federal Reserve Bank of New York press release regarding the appointment is available at: https://www.richmondfed.org/press_room/press_releases/2017/president_barkin_20171204.

## Upcoming Events

January 16, 2018: EBA consultation on Pillar 2 draft Guidelines

January 22, 2018: EBA public hearing on draft RTS on the methods of prudential consolidation under the CRR

March 22, 2018: U.K. Government's second annual International Fintech Conference

## Upcoming Consultation Deadlines

January 2, 2018: BoE consultation on its approach to setting internal MREL for groups

January 2, 2018: PRA consultation on changes to the PRA's large exposures framework (CP 20/17)

January 2, 2018: EBA consultation on draft Implementing Standards on the provision of information for the purpose of resolution plans

January 4, 2018: PRA consultation on Groups policy and double leverage (CP 19/17)

January 8, 2017: Comments on Federal Reserve Board amendments to Regulation A due

January 12, 2018: PSR consultation (CP17/2) on authorized push payment scams

January 14, 2018: U.K. Competition & Markets Authority consultation on its 2018/2019 annual plan

January 15, 2018: ESMA consultation on proposed Guidelines on the position calculation under EMIR

January 16, 2018: European Commission legislative proposals for enhanced powers for European Supervisory Authorities and the European Systemic Risk Board

January 19, 2018: FCA consultation on removing non-Handbook guidance superseded by MiFID II

January 25, 2018: ESMA consultation on amendments to Systematic Internalisers' quote rules under RTS 1 of MiFID II

January 26, 2018: U.K. Banking Standards Board consultation considering what good banking outcomes look like for consumers

January 29, 2018: European Commission proposed Regulation moving the EBA to Paris due to Brexit

January 29, 2018: European Commission legislative proposals for enhanced powers for the ESAs and the European Systemic Risk Board

January 31, 2018: EBA consultation on Pillar 2 draft Guidelines

February 2, 2018: BoE consultation on the procedure for the Enforcement Decision Making Committee

February 2, 2018: FSB consultations on proposed guidance on principles of bail-in execution and on the funding strategy elements of an implementable resolution plan

February 5, 2018: FCA consultation: Industry Codes of Conduct and Discussion Paper on FCA Principle 5

February 9, 2018: EBA consultation on draft RTS on the methods of prudential consolidation under the CRR

February 15, 2018: Comments due on the Federal Reserve's proposed guidance on supervisory expectations for boards of directors and its proposed new rating system for large financial institutions

February 21, 2018: FCA consultation – transitioning FCA solo-regulated firms and individuals to SM&CR (CP 17/40)

February 21, 2018: FCA consultation – transitioning insurers and individuals to SM&CR (CP 17/41)

February 21, 2018: FCA consultation – the duty of responsibility for insurers and FCA solo-regulated firms under the SM&CR (CP 17/42)

February 21, 2018: PRA consultation – extending the SM&CR to insurers (CP 28/17)

February 28, 2018: European Commission consultation on supervisory reporting requirements

March 6, 2018: PRA consultation on proposed updates to the Pillar 2 reporting requirements

March 6, 2018: PRA consultation on model risk management principles for stress testing

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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