

BANKS NEWSLETTER

Managing Editor

Pierre-Etienne Chabanel
Managing Director,
Regulatory & Compliance Solutions

Contact Us

Americas
+1.212.553.1653
clientservices@moodys.com

Europe
+44.20.7772.5454
clientservices.emea@moodys.com

Asia-Pacific (Excluding Japan)
+85.2.3551.3077
clientservices.asia@moodys.com

Japan
+81.3.5408.4100
clientservices.japan@moodys.com

Sign Up

Subscribe at
www.moodysanalytics.com/regulatoryinsight
to automatically receive your monthly copy.

Regulatory Insight

Key Developments at a Glance

The Bank of International Settlements (BIS) published a working paper on leverage and risk-weighted capital requirements. This paper states that the global financial crisis has highlighted the limitations of risk-sensitive bank capital ratios, and presents a statistical model which demonstrates the benefits of introducing minimum leverage ratios.

The Basel Committee on Banking Supervision (BCBS) issued Frequently Asked Questions (FAQ) on the global supervisory framework for measuring and controlling large exposures. Separately, the BCBS issued its final guidance on Core Principles for Effective Bank Supervision.

Seventeen papers on macro-prudential policy, including a paper on a liquidity-based approach to macro-prudential policy, were published by the BIS. Additionally, the BIS published the September 2016 issue of the Quarterly Review which includes international and financial market developments along with recent enhancements to BIS statistics.

The European Central Bank (ECB) published a working paper on interbank loans, collateral, and modern monetary policy that develops a novel agent-based model of the interbank market with endogenous credit risk formation mechanisms. The group overseeing the BCBS, the Group of Central Bank Governors and Heads of Supervision (GHOS) announced the progress made in finalizing post-crisis regulatory reforms to reduce excessive variability in risk-weighted assets (RWAs).

KEY DEVELOPMENTS PER REGION

> **EUROPE:** Aiming to increase the transparency of shadow banking activities, the European Securities and Markets Authority (ESMA) issued a consultation paper on draft technical standards implementing the Securities Financing Transaction Regulation (SFTR). The European Banking Association (EBA) published its final guidelines specifying the application of the definition of default across the EU and its final draft Regulatory Technical Standards (RTS) on the materiality threshold of past due credit obligations. Additionally, the EBA published its tenth report of the CRD IV-CRR/Basel III monitoring exercise of the European banking system.

European Union-wide data on Over the Counter (OTC) derivatives was presented in a report by the European Systemic Risk Board (ESRB). The ECB launched a public consultation on guidance to banks on how they should deal with non-performing loans (NPLs)

> **AMERICAS:** The U.S. Office of Comptroller of Currency (OCC) published final guidelines establishing recovery planning for insured national banks, insured Federal savings associations, and large insured Federal branches of foreign banks. The FED released a final policy statement detailing the framework to be followed in setting the countercyclical capital buffer (CCyB) for private-sector credit exposures located in the U.S. Additionally, Canada's Office of the Superintendent of Financial Institutions (OSFI) published changes to the Financial Information Committee regulatory forms and instructions.

> **ASIA PACIFIC:** The Hong Kong Monetary Authority (HKMA) updated its standard templates and tables for revised Pillar 3 disclosures and, separately, published an FAQ on the implementation and operation of the mandatory clearing regime for OTC derivatives.

Table of Contents

International	3
Europe	13
European Union	13
Germany	27
Ireland	28
Switzerland	29
Americas	30
United States of America	30
Argentina	37
Canada	37
Latin America	39
Asia Pacific	40
Australia	40
Hong Kong	41
Japan	42
Korea	42
Glossary	43

International

Key Developments

Working Paper on Leverage and Risk-Weighted Capital Requirements

- BIS

September 30, 2016

Type of Information:
Research

The Bank of International Settlements (BIS) published a working paper on leverage and risk-weighted capital requirements.

The paper states that the global financial crisis has highlighted the limitations of risk-sensitive bank capital ratios. To tackle this problem, the Basel III regulatory framework has introduced a minimum leverage ratio, defined as a bank's tier 1 capital over an exposure measure, which is independent of risk assessment. Using a medium-size Dynamic Stochastic General Equilibrium (DSGE) model that features banking sector, financial frictions, and various economic agents with differing degrees of creditworthiness, the authors find that:

- » Leverage ratio acts as a backstop to the risk-sensitive capital requirement by being a tight constraint during a boom and a soft constraint in a bust
- » Net benefits of introducing the leverage ratio could be substantial
- » Steady state value of the regulatory minima for the two ratios (that is, risk-weighted capital and leverage ratios) strongly depends on the riskiness and the composition of bank lending portfolios

Links: [Notification](#), [Working Paper](#)

Keywords: Basel III, Leverage Ratio, RWA

Global Financial Stability Report

- IMF

September 29, 2016

Type of Information:
Report

The International Monetary Fund (IMF) published two analytical chapters (2 and 3) of the Global Financial Stability Report (GFSR).

Chapter 2 studies how nonbank financial institutions may shape the transmission of monetary policy. It finds that nonbanks have strengthened the transmission of monetary policy. Nonbanks may amplify the effects of monetary policy on real economic activity because their incentives to take risks are particularly sensitive to changes in monetary policy. However, banks still matter for the transmission of monetary policy because even large firms have limited ability to move away from bank loans and into bond financing after a monetary contraction. The chapter highlights that policymakers must continue to adapt the conduct of monetary policy to changes in the composition of financial systems and to be mindful of the implications of monetary policy on financial stability. Keeping this in mind, the provision of data on nonbank financial intermediaries needs to be further enhanced.

Chapter 3 focuses on the links between corporate governance, investor protection, and financial stability across emerging market economies (EMEs). Corporate governance and investor protection have been found to be improved in EMEs over the past two decades. The analysis supports the notion that stronger corporate governance and investor protection frameworks enhance the resilience of EMEs to global financial shocks. The results show that corporate governance improvements foster deeper and more liquid capital markets, allowing them to absorb shocks better. Corporate governance improvements also enhance stock market efficiency, thus making equity prices less sensitive to external shocks and less prone to crashes. EMEs with better corporate governance and investor protections generally have stronger corporate balance sheets. The financial stability benefits associated with improved corporate governance strengthen the case for further reform. Policies to further bolster the rights of outside investors (especially minority shareholders) bring disclosure requirements fully in line with international best practice and promote greater board independence and are likely to yield financial stability benefits.

Links: [Notification](#), [Chapter 2](#), [Chapter 3](#)

Keywords: GFSR, Governance, Monetary Policy, Non-Bank Finance

Frequently Asked Questions on Supervisory Framework for Measuring and Controlling Large Exposures

- Basel Committee

September 27, 2016

Type of Information: FAQ

The Basel Committee on Banking Supervision (BCBS) issued frequently asked questions (FAQ) on the global supervisory framework for measuring and controlling large exposures. The publication also includes clarifications on some paragraphs of the standard, pursuant to the Basel Committee's objective of promoting consistent global implementation of the requirements.

When Basel Committee published the revised *Supervisory framework for measuring and controlling large exposures* in April 2014, it noted that, by 2016 it would review the appropriateness of setting a large exposure limit for exposures to qualifying central counterparties (QCCPs) related to clearing activities and the need for a specific treatment for interbank exposures. After completing the observation period, the Basel Committee decided not to modify the framework. Consequently, the framework, which will take effect from January 01, 2019, will exempt, from the large exposure limit, exposures to QCCPs related to central clearing and will apply the large exposure limit to interbank exposures.

Links: [Press Release](#), [FAQ](#), [Final Supervisory Framework for Measuring and Controlling Large Exposures](#)

Keywords: Basel III, QCCP, Large Exposure

Guidance on the Regulation and Supervision of Institutions Relevant to Financial Inclusion

- Basel Committee

September 27, 2016

Type of Information:
Guideline

The Basel Committee issued its final guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion. The Basel Committee's *Core Principles for Effective Banking Supervision* are the minimum standard for sound prudential regulation and supervision of banks and banking systems.

The recent guidance identifies 19 of the total 29 Basel Core Principles (BCPs) for which additional guidance is needed. The required guidance is for the application of the BCP to the supervision of financial institutions engaged in serving the financially unserved and underserved. The guidance also specifies the "Essential Criteria" and "Additional Criteria" associated with the BCP that have specific relevance to financial inclusion.

The final guidance reflects comments received on a consultative version published in December 2015. The guidance is useful to both Basel Committee member and non-member jurisdictions, including jurisdictions in which bank supervisors are striving to comply with the BCPs and those that may implement it over time.

Links: [Press Release](#), [Guidance](#), [Core Principles for Effective Banking Supervision](#)

Keywords: BCP, Financial Inclusion

Papers on Macro-Prudential Policy

- BIS

September 23, 2016

Type of Information:
Report

The BIS published 17 papers on macro-prudential policy, among which is the paper on a liquidity-based approach to macro-prudential policy. These papers were presented at a conference on "Macroprudential policy: effectiveness and implementation challenges," which was held in Istanbul, Turkey, during Turkey's presidency of the G20. This was a joint conference by the CBRT, BIS, and IMF. Several country case studies were also presented. The papers address the history, theory, and practical implementation of macro-prudential policies and analyze:

- » The nature of interactions with other policies (notably monetary policy and micro-prudential regulation)
- » How macro-prudential policies can cope with external shocks and what cross-border spillover effects arise
- » The effectiveness of various macro-prudential policy tools

The paper titled "A liquidity-based approach to macroprudential policy" was presented during the seventh session. It highlights that considerable progress has been made since the global financial crisis in strengthening the resilience of financial systems. New regulations have created or increased capital and liquidity buffers, in effect, quantitatively constraining leverage and maturity transformation, especially in systemic institutions. The paper argues that those efforts could usefully be complemented by an additional pillar for macro-prudential policy, with the objective of regulating the financial cycle, preventing the build-up of imbalances, and reducing the risk of financial fragility. The paper concludes that the best approach is to cyclically regulate liquidity creation and maturity transformation inside the financial system as, ultimately, they drive the dynamics of leverage and credit supply. Central banks have the necessary tools and can use their expanded balance sheets to bring elasticity in the supply of maturity transformation in the economy. They can also put a price on maturity transformation by financial intermediaries through flexible use of reserve requirements and interest paid on reserves.

Links: [Notification](#), [A Liquidity-Based Approach to Macro-Prudential Policy](#)

Keywords: Macro-Prudential Policy, Macro-Prudential Policy Tools

Recommendations for Version 5.9 of Financial Products Markup Language

- ISDA

September 22, 2016

Type of Information:
Statement

The International Swaps and Derivatives Association, Inc. (ISDA) published the recommendation for Financial products Markup Language (FpML) version 5.9. The new recommendation includes improvements and updates to coding schemes and examples of how they can be applied to further increase data quality. Other changes include addition of new interest rate, foreign exchange, and securities products within pre-trade process functionality, such as credit limit checking. In addition, support for equities has expanded with the inclusion of equity volatility swaps.

FpML is an open-source standard for the exchange of information for the electronic dealing and processing of derivatives and the latest version of FpML focuses on regulatory reporting. This version is in response to several regulatory developments, including the U.S. SEC's security-based swap reporting requirements and further clarification on the reporting obligations with the EU's revised Markets in Financial Instruments Directive and associated regulation (MIFID II/MIFIR). Version 5.9 also incorporates amendments made to the reporting treatment of cleared derivatives made by the U.S. Commodities Future Trading Commission (CFTC).

Links: [Press Release](#), [Regulatory Reporting Using FpML: Overview](#), [FpML Global Reporting Spreadsheet](#)

Keywords: FpML 5.9, Reporting

Report on the Implementation Status of Financial Reforms in Non-Priority Areas

- FSB

September 22, 2016

Type of Information:
Report

The Financial Stability Board (FSB) published the summary of key findings on the implementation of G20/FSB financial reforms in areas not designated as priority under the FSB Coordination Framework for Implementation Monitoring (CFIM). The CFIM, which was adopted in October 2011, distinguishes between priority areas that undergo more intensive monitoring and detailed reporting and other areas of reform. This report summarizes the implementation progress and recent developments for each recommendation. FSB also published a chart depicting the to-date progress on each recommendation across FSB jurisdictions, based on the latest available Implementation Monitoring Network (IMN) survey information.

The FSB's IMN undertakes the monitoring of implementation in other or non-priority areas of financial reform. The principal source of information for the IMN is the responses to its annual survey (which was first launched in 2010) by FSB jurisdictions. The areas of reform included in the current version of the survey are hedge funds; securitization; enhancing supervision; building and implementing macro-prudential frameworks and tools; improving oversight of credit rating agencies; enhancing and aligning accounting standards; enhancing risk management; strengthening deposit insurance; safeguarding the integrity and efficiency of financial markets; and enhancing financial consumer protection. Till date, the IMN has undertaken seven annual surveys and the comprehensive responses by FSB member jurisdictions are available on the FSB website.

Links: [Monitoring of Non-Priority Areas](#), [IMN Summary of Implementation Progress](#), [Chart on Progress by Recommendation, Responses by Jurisdiction](#)

Keywords: *Monitoring, Non-Priority Areas, Other Areas*

Report Examining Elements of Effective Macro-Prudential Policies and Highlighting Rise of Macro-Prudential Policies Worldwide to Prevent Crises

- IMF

September 20, 2016

Type of Information:
Report

The IMF published a news statement highlighting that a growing number of countries—both emerging and advanced economies—are turning to the use of macro-prudential policies to prevent crises. It also published a paper examining and identifying the elements of effective macro-prudential policies since the financial crisis of 2008. The IMF, the FSB, and the BIS had developed this paper jointly for the G20 leaders' summit in Hangzhou, China.

The IMF highlights that macro-prudential policies to prevent crises are on the rise. The wide range of institutional arrangements and policies being adopted across countries suggests that there is no one-size-fits-all approach. However, a number of elements have been found useful for macro-prudential policy making. The paper also finds that countries need to setup an ongoing process that translates an assessment of the risks to the financial system to policy actions to contain these risks.

The IMF provides country-specific advice on macro-prudential policy issues through its surveillance and its Financial Sector Assessment Program (FSAP). Since the global financial crisis, the FSAP has become mandatory for countries with systemically important financial systems. Additionally, the IMF recently issued a Guidance Note on macro-prudential policy, to guide the staff's analysis. Based on this document, the financial assessments provide an in-depth assessment of macro-prudential policy settings and institutional arrangements in countries, such as the U.S, the U.K, and Ireland. Similarly, surveillance conducted through the IMF's annual assessments of a country's economy increasingly provides advice on these issues.

Links: [News Article](#), [Report](#)

Keywords: *Macro-Prudential Policy, Macro-Prudential Policy Tools*

Quarterly Review of Bank for International Settlements

- BIS

September 18, 2016

Type of Information:
Report

The BIS published the September 2016 issue of the Quarterly Review. This issue covers the international banking and financial market developments along with the recent enhancements to the BIS statistics.

The BIS has been enhancing its statistical offering to support monetary and financial stability analysis, in close coordination with central banks and international organizations. Some of this work has been undertaken in the context of the Data Gaps Initiative (DGI) endorsed by the G20. This issue includes a few special feature articles, along with the information on the new statistics that BIS has introduced in the following areas:

- » Detailed locational banking statistics that shed further light on the geography of international banking
- » Time series on credit-to-GDP gaps
- » Commercial property price indicators
- » Historical time series on consumer prices

In addition, the BIS is making, publicly available, daily data on nominal effective exchange rates for 61 countries, to complement the monthly data already published. These data will be updated weekly.

Link: [Quarterly Review](#)

Keywords: *DGI, Quarterly Review, Statistics*

An Update on Enhancements to the BIS Statistics

- BIS

September 18, 2016

Type of Information:
Report

In the current issue of the *BIS Quarterly Review*, the following new statistics were introduced:

- » Detailed locational banking statistics, specifically the claims and liabilities of banks in each reporting country (on counterparties in more than 200 countries)
- » Time series on credit-to-GDP gaps
- » Commercial property price indicators
- » Historical time series on consumer prices

The BIS has been enhancing its statistical offering to support monetary and financial stability analysis, in close coordination with central banks and international organizations. Some of this work has been undertaken in the context of the DGI endorsed by the G20. These statistics are a unique source of information about the structure of, and activity in, the global financial system.

Links: [Recent Enhancements](#), [BIS Statistics: An Overview](#)

Keywords: DGI, Enhancements, Statistics

Updates on Basel III Monitoring Data Collection

- Basel Committee

September 16, 2016

Type of Information:
Statement

The Basel Committee updated the Basel III monitoring workbook (version 3.4.1) and FAQ on Basel III monitoring for the collection of June 2016 data.

The Basel Committee monitors the impact of Basel III global regulatory framework for more resilient banks and banking systems, Basel III leverage ratio framework and disclosure requirements, Basel III Liquidity Coverage Ratio (LCR) and liquidity risk monitoring tools, and Basel III Net Stable Funding Ratio (NSFR) on a sample of banks. The exercise is repeated semi-annually, with end-December and end-June reporting dates.

Links: [Basel III Monitoring Workbook \(version 3.4.1\)](#), [Updated FAQ](#)

Keywords: Basel III, Monitoring

Results of Basel III Monitoring Exercise

- Basel Committee

September 13, 2016

Type of Information:
Report

The Basel Committee published the results of the latest Basel III monitoring exercise. Data has been provided for 228 banks, comprising 100 "Group 1 banks" (which are large internationally active banks with tier 1 capital of over EUR 3 billion) and 128 "Group 2 banks" (which represent all other banks).

Over the years, the Basel Committee has established a rigorous reporting process to regularly review the implications of the Basel III standards for banks and has published the results of previous exercises since 2012. This monitoring exercise examines data on Basel III capital requirements, liquidity requirements, and longer-term structural liquidity standard of NSFR.

- » **Capital requirements.** On a fully phased-in basis, data, as of December 31, 2015, show that Group 1 banks meet the Basel III risk-based capital minimum common equity tier 1 (CET1) requirements as well as the target level of 7.0% (plus the surcharges on global systemically important bank or G-SIBs, as applicable). Between June 30, 2015 and December 31, 2015, Group 1 banks continued to reduce their capital shortfalls relative to the higher tier 1 and total capital target levels; in particular, the tier 2 capital shortfall has decreased from EUR 12.8 billion to EUR 5.5 billion. The sum of after-tax profits prior to distributions across the same sample of Group 1 banks for the six-month period ending December 31, 2015 was EUR 206.8 billion. Under the same assumptions, no capital shortfall for Group 2 banks is included in the sample for the CET1 minimum of 4.5%. For a CET1 target level of 7.0%, the shortfall remained constant at EUR 0.2 billion since the previous period.
- » **LCR.** Basel III's LCR requirement was set at 60% in 2015, increased to 70% in 2016, and will continue to rise in equal annual steps to reach 100% in 2019. The weighted average LCR for the Group 1 bank sample was 125.2% on December 31, 2015, slightly up from 123.6% six months earlier. For Group 2 banks, the weighted average LCR was 148.1%, up from 140.1% six months earlier. Of the banks in the LCR sample, 85.6% of the Group 1 banks and 82.9% of the Group 2 banks reported an LCR that met or exceeded 100%, while all banks except for one bank each in Group 1 and Group 2 reported an LCR at or above the 60% minimum requirement that was in place for 2015.
- » **NSFR.** The weighted average NSFR for the Group 1 bank sample was 113.7%, while for Group 2 banks the average NSFR was 115.9%. As of December 2015, 79.6% of the Group 1 banks and 87.0% of the Group 2 banks in the NSFR sample reported a ratio that met or exceeded 100%, while 95.9% of the Group 1 banks and 97.2% of the Group 2 banks reported an NSFR at or above 90%.

The results of the monitoring exercise assume that the final Basel III package is fully in force, based on data as of December 31, 2015. That is, they do not take account of the transitional arrangements set out in the Basel III framework, such as the gradual phase-in of deductions from regulatory capital. No assumptions were made about bank profitability or behavioral responses, such as changes in bank capital or balance sheet composition. Hence, the results of the study may not be comparable with industry estimates.

Link: [Basel III Monitoring Report](#)

Keywords: Basel III, Monitoring, QIS

Working Paper on Interbank Loans, Collateral, and Modern Monetary Policy

- ECB

September 13, 2016

Type of Information:
Research

The ECB published a working paper on interbank loans, collateral, and modern monetary policy. This study develops a novel agent-based model of the interbank market with endogenous credit risk formation mechanisms. Banks are allowed to exchange funds through unsecured and secured transactions to facilitate the flow of funds to the most profitable investment projects. The agent-based model confirms basic stylized facts on the following:

- » Bank balance sheet distributions
- » Interbank interest rates
- » Interbank lending volumes, for both the secured and the unsecured market segments

Additionally, the study revealed that network structures in the secured market segment are characterized by the presence of dealer banks, while similar patterns have not been observed in the unsecured market. The working paper also illustrates the usefulness of the model for analyzing a number of policy scenarios. For instance, the model provides a potential foundation for stress testing and for studying the propagation of bank-specific shocks.

Link: [Working Paper](#)

Keywords: Collateral, Monetary Policy, Stress Testing

Amendments to the Insurance Contracts Standard: International Financial Reporting Standards 4

- IASB

September 12, 2016

Type of Information: Statement

The International Accounting Standards Board (IASB) issued amendments to its existing insurance contracts standard, International Financial Reporting Standards (IFRS) 4.

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard that the IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

- » Give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued.
- » Give companies whose activities are predominantly connected with insurance, an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard—IAS 39.

The new insurance contracts standard is being drafted and will have an effective date no earlier than 2020. The proposed IFRS Taxonomy update related to the amendments has also been published. The IASB should receive comment letters before November 15, 2016.

Link: [IFRS Homepage](#)

Keywords: IFRS 4, IFRS 9, Insurance Contracts

Progress Toward Finalizing the Post-Crisis Regulatory Reform

- Basel Committee

September 11, 2016

Type of Information: Statement

The Group of Central Bank Governors and Heads of Supervision (GHOS), a group that oversees the Basel Committee, announced the progress made in finalizing post-crisis regulatory reforms to reduce excessive variability in risk-weighted assets (RWAs). The GHOS Chairman, Mario Draghi, emphasized that the completion of post-crisis reforms in the form of Basel III will Finalizing help restore confidence in banks' risk-weighted capital ratios.

Additionally, the GHOS endorsed the broad direction of the Basel Committee's reforms and discussed the Basel Committee's ongoing cumulative impact assessment. It reaffirmed that, as a result of this assessment, the Basel Committee should focus on not significantly increasing the overall capital requirements.

Link: [Press Release](#)

Keywords: Basel III, GHOS

Treatment of Interest Rate Risk in the Banking Book in Latin America

- FSI

September 08, 2016

Type of Information: Report

The Financial Stability Institute (FSI) published a paper on the treatment of Interest Rate risk in the Banking Book (IRRBB) in Latin America.

The paper, which is based on a survey among Association of Supervisors of Banks of the Americas (ASBA) member jurisdictions, discusses the supervisory treatment of IRRBB in Latin America. The preliminary results of the survey were presented and discussed with representatives from ASBA jurisdictions at a FSI-ASBA policy and implementation meeting in early 2016. It covers several key aspects of the Basel capital framework, specifically:

- » IRRBB capital requirements
- » Choices in assessing and measuring IRRBB
- » Reporting, disclosure, and supervisory actions

The Basel Committee had updated its 2004 interest rate risk (IRR) principles in April 2016, following a consultation in 2015. The final standards continue to be captured through an enhanced Pillar 2 approach, which also includes elements of Pillar 3. There exists a strong presumption for capital consequences for banks with undue risk relative to capital or earnings, possibly under a supervisory mandated standardized approach based on change in the economic value of equity.

Links: [Occasional Paper Overview](#), [Basel III IRRBB Standard](#), [The 2004 IRR Principles](#)

Keywords: Basel III, IRRBB

Speech of Hans Hoogervorst on Insurance Contracts Accounting

- IASB

September 08, 2016

Type of Information:
Speech

Mr. Hans Hoogervorst, Chairman of the IASB, spoke at EY-IFRS Kongress in Berlin on IFRS developments worldwide, IASB's work on completion of insurance contracts standard, and the future agenda of IASB. The Chairman highlighted that one major project remaining on IASB's agenda is to finish the new accounting standard for insurance contracts and IASB staff are busy drafting the standard. Given the complexity of many insurance contracts, the staff are carefully testing that the wording is accurate and workable based on the input from the industry.

IFRS 4, which is the current insurance standard, is a holding standard that has grandfathered an array of highly diverse national accounting standards. Consequently, the comparability between insurance companies worldwide is poor. IASB is producing an effects analysis of the new insurance contracts standard, which will give concrete examples of this lack of comparability. Insurers are aware of the shortcomings of the current accounting rules and many provide investors with supplementary non-GAAP measures, such as embedded value estimates. While these non-GAAP measures can give useful information, they suffer from the usual problem of lack of rigor and comparability. This lack of comparability and the often poor quality of current accounting practices in the insurance industry worldwide is clearly unacceptable. Both investors and the insurance industry know it. Mr. Hoogervorst highlighted that everyone in the industry agrees on the need to fix this problem as soon as possible. Hence, IASB is determined to publish the standard at the earliest.

During the speech, Mr. Hoogervorst highlighted variety in the measurement of the insurance liability by illustrating few examples. Some insurers use discount rates that are based on the expected return of assets, others use risk-free discount rates, while others still use historical rates based on interest rates at the date of inception. Therefore, the devastating impact of the current low-interest-rate environment on long-term obligations is not nearly as visible in the insurance industry as it is in the defined benefit pension schemes of many companies. Discounting an insurance liability that was incurred 15 years ago at a historical interest rate of 5% to 6% does not give relevant information in a time when interest rates are close to (or even below) zero.

In some cases, minimum-return guarantees and other complex features are typically reflected in the insurance liability only when they become worth exercising and even then typically only at an amount that does not reflect their true economic value. For a bank, such treatment of complex financial liabilities would be unthinkable. Therefore, a lack of comparability exists not only among insurance companies, but also between insurance and other parts of the financial industry such as banks.

Link: [IFRS Homepage](#)

Keywords: *Insurance Contracts*

G20 Leaders' Communique: Hangzhou Summit

- G20

September 05, 2016

Type of Information: Statement

The leaders of the G20, met in Hangzhou, China, on September 04-05, 2016 and a communique was published on the Hangzhou Summit. The leaders met to determine further collective actions toward strengthening the G20 growth agenda, pursuing innovative growth concepts and policies, building an open world economy, and ensuring that economic growth benefits all countries and people.

The leaders at the Summit discussed that growth must be supported by effective and efficient global economic and financial architecture. Thus, the G20 is committed to finalizing the remaining critical elements of the regulatory framework and to the timely, full, and consistent implementation of the agreed financial sector reform agenda, including Basel III, the total loss-absorbing capacity (TLAC) standard, and effective cross-border resolution regimes. The leaders welcome the Basel Committee's plan to finalize the Basel III framework by the end of 2016, without significantly increasing overall capital requirements across the banking sector, while promoting a level playing field. They also welcome the second annual report of the FSB on implementation and effects of reforms.

In addition to enhancing the monitoring of implementation and effects of reforms, the G20 will continue to address the issue of systemic risk within the insurance sector. The communique states that the G20 leaders encourage work on the development of an insurance capital standard (ICS) for internationally active insurers. Additionally, the full and timely implementation of the agreed over-the-counter (OTC) derivatives reform agenda is also in focus, along with the removal of legal and regulatory barriers to the reporting of OTC derivatives to trade repositories and to authorities' appropriate access to data. The leaders also encourage members to close the gap in the implementation of the Principles for Financial Market Infrastructures (PFMI) and welcome the reports by the Committee on Payments and Market Infrastructures (CPMI), International Organization of Securities Commission (IOSCO), and Financial Stability Board (FSB) on enhancing central counterparty resilience, recovery planning, and resolvability.

The G20 leaders commended the joint work of the IMF, FSB, and BIS in developing and promoting effective macro-prudential policies, also highlighting the importance of effective macro-prudential policies in limiting systemic risks. The leaders welcome the FSB consultation on proposed policy recommendations to address structural vulnerabilities from asset management activities. The leaders intend to closely monitor and address emerging risks and vulnerabilities in the financial system, including those associated with shadow banking, asset management, and other market-based finance. Additionally, the leaders seek support of G20 members, IMF, and World Banking Group (WBG) for domestic capacity building to help countries improve their compliance with global anti-money laundering and countering the financing of terrorism (AML/CFT) and prudential standards.

The leaders also endorsed the work done in the area of financial inclusion, specifically the G20 High-level Principles for Digital Financial Inclusion, the updated version of the G20 Financial Inclusion Indicators, and the Implementation Framework of the G20 Action Plan on SME Financing. Member countries are encouraged to consider these principles in devising their broader financial inclusion plans, particularly in the area of digital financial inclusion, and to take concrete actions to accelerate progress on all people's access to finance.

Links: [Press Release](#), [Communique](#), [G20 Annex: Agreed Documents](#)

Keywords: Financial Reforms, G20

First Progress Report on the Second Phase of the G20 Data Gaps Initiative

- FSB

September 02, 2016

Type of Information: Report

The FSB published the first progress report on the second phase of the G20 DGI-2. The report offers updates on work done on DGI by participating jurisdictions and international organizations to address the post-crisis data gaps. The report also seeks endorsement by the G20 Finance Ministers and Central Bank Governors (FMCBG) for the proposed action plans (set out in Annex 1) for the implementation of DGI-2 recommendations. The DGI 2 introduces action plans that set out targets for the implementation of its twenty recommendations through the five-year horizon of the initiative.

The DGI-2 aims to implement the regular collection and dissemination of reliable and timely statistics for policy use and its recommendations address monitoring of risks in the financial sector; vulnerabilities, interconnections, and spillovers; and data sharing and communication of official statistics. The key areas covered in the DGI-2 recommendations are financial soundness indicators, shadow banking data, derivatives and securities statistics, and data on global systemically important financial institutions or G-SIFIs (including insurers).

Following the significant progress in closing some of the information gaps identified during the global financial crisis of 2007-08, the G20 FMCBG had endorsed, in September 2015, the completion of the first phase of DGI, along with the launch of the second phase. The DGI-2 action plans acknowledge that countries may be at different stages of statistical development and that the aim is to bring the G20 economies at higher common statistical standards. The G20 economies that are at an advanced stage of statistical development are encouraged to progress beyond the minimum common standards. Where appropriate, the targets for the implementation of DGI-2 recommendations will be embedded in the relevant reporting templates to facilitate collection and dissemination of data. Non-G20 FSB member economies also participate in the implementation of DGI-2 recommendations.

Links: [Progress Report](#), [DGI Data Templates](#)

Keywords: DGI 2, G20

Second Progress Report on Measures to Reduce Misconduct Risk

- FSB

September 02, 2016

Type of Information:
Report

The FSB published the second progress report on its workplan on measures to reduce misconduct risk, which were agreed on in May 2015. The report examines progress made and future actions to take forward the FSB's workplan on misconduct risk. The report's key highlights follow:

- » **Reducing misconduct through incentives:** The FSB undertook a survey and held a roundtable with financial institutions (focusing on banks and bank holding companies) on the role of compensation tools, such as in-year bonus adjustment, malus, and clawback, in incentivizing good conduct. By the end of 2017, the FSB will consult on supplementary misconduct-related guidance for existing compensation standards; recommendations for consistent national reporting; and collection of data on the use of compensation tools to address misconduct.
- » **Improving standards of market practice:** IOSCO continued to explore ways to further strengthen the current global framework to address misconduct by firms and individuals. In January 2017, it will publish the final report of its Market Conduct Task Force, including a detailed regulatory toolkit for wholesale market conduct regulation. Additionally in May 2016, the Foreign Exchange Working Group of the BIS issued its first phase of the Global Code of Conduct for the Foreign Exchange Market, along with the principles for adhering to the new standard. The complete Global Code and the adherence mechanisms will be released in May 2017, which will include principles related to electronic trading (including algorithmic operators and users), trading venues, brokers, and prime brokerage.
- » **Reforming financial benchmarks:** The FSB is monitoring progress in implementing the recommendations set out in its July 2014 report on "Reforming Major Interest Rate Benchmarks" and it will issue the final progress report by the end of 2017. The FSB's July 2016 report includes proposals, plans, and timelines for reform and strengthening of existing major interest rate benchmarks and for additional work on the development and introduction of alternative benchmarks. Additionally, IOSCO has undertaken a number of projects in this area, primarily to assess the degree of implementation of the Principles for Financial Benchmarks by benchmark administrators operating in IOSCO jurisdictions. By the end of 2016, IOSCO will finalize guidance for benchmark administrators on the content of the statements of compliance that administrators are expected to publish and will also publish its follow-up review of the WM/Reuters 4pm London Closing Spot Rate, a key Foreign Exchange benchmark.

The FSB will publish the third progress report on its misconduct workplan in advance of the next G20 Leaders' meeting in July 2017.

Links: [Press Release](#), [Foreign Exchange Market Code of Conduct](#), [Report on Interest Rate Benchmarks](#), [Principles for Financial Benchmarks](#)

Keywords: G20, Misconduct Risk

Reporting of Progress in Implementation of Priority Financial Reform Areas

- FSB

August 31, 2016

Type of Information:
Report

The FSB published a dashboard reporting progress toward implementation of the G20/FSB priority financial reforms in FSB jurisdictions.

The dashboard offers a snapshot of the status of implementation progress, based on information collected by FSB and the standard-setting bodies' monitoring mechanisms. The dashboard highlights the timeliness of implementation and the extent to which implementation is consistent with the Basel III international standard or whether its effectiveness is hampered by identified obstacles (trade reporting). The key priority areas are implementation of Basel (II/2.5/III) framework, implementation of FSB Principles and Standards for Sound Compensation Practices (Principles and Standards, P&S), reforms to resolution regimes and policies, policy measures for global systemically important financial institutions (G-SIFIs), reforms in OTC derivatives markets, and addressing shadow banking risks.

The FSB, through the Standing Committee on Standards Implementation, or SCSI, coordinates and oversees the monitoring of the implementation of agreed financial reforms and its reporting to the G20. Starting in 2015, the FSB began publishing an annual report (the second annual report was published in August 2016) on the implementation and effects of the G20 financial reforms. Included in these reports is the color-coded dashboard that describes the status of implementation progress by FSB jurisdictions across priority areas. In addition, starting in 2016, the FSB has begun publishing Jurisdiction Profiles that present the status of implementation of G20 financial regulatory reforms across all reform areas, drawing on information from various sources.

Links: [Implementation Dashboard](#), [Implementation Monitoring: An overview](#), [Monitoring of Priority Areas](#), [Second Annual Report](#)

Keywords: Monitoring, Priority Areas

Registration Authorities List

- GLEIF

August 31, 2016

Type of Information:
Statement

The Global Legal Entity Identifier Foundation (GLEIF) published the new list of registration authorities, containing 652 business registers and other relevant registration authority sources and assigns a unique code to each register on the list. The organizations issuing Legal Entity Identifier (LEI) will reference this code in their LEI issuance processes and reporting.

The list standardizes the cross-reference provided by the legal entity to its local authoritative source. With this list, GLEIF enables users of the LEI data to more easily link the LEI to other data sources. GLEIF will monitor compliance of LEI issuers with the Registration Authorities List based on the following criteria:

- » Within twelve months following the date of publication of the Registration Authorities List, 99% of all LEIs issued after that date should indicate the code of the registration authority specified with this list and the Entity ID used by this authoritative source to identify the entity.
- » Within 18 months of the date of publication of the Registration Authorities List, 98% of all LEIs issued should meet these requirements.

Link: [GLEIF Registration Authorities List](#)

Keywords: GLEIF Registration Authority, LEI

Europe

European Union

Key Developments

Amendment to Technical Standards on Supervisory Reporting of Institutions

- EC

September 30, 2016

Type of Information:
Regulation

Regulatory Status: Final
Rule

The European Commission (EC) published in the *Official Journal of the European Union*, the Commission Implementing Regulation (CIR) 2016/1702 amending CIR 680/2014, which lays down the ITS on supervisory reporting of institutions. The scope of changes is amendments to reporting templates and instructions. The CIR 2016/1702 amends the CIR 680/2014 in the following ways:

- » Index and template numbers 2, 4, 7, 9.1, 9.2, 9.3, 9.4, 18, and 21 of Annex I to CIR 680/2014 have been replaced by the index and templates set out in Annex I to CIR 2016/1702
- » Annex II to CIR 680/2014 has been replaced by the text set out in Annex II to CIR 2016/1702
- » Template numbers 1.2, 2, 8, 14, 16, 17, 18, 19, 20, 30, 31, 41, 43, and 45 of Annex III to CIR 680/2014 have been replaced by the templates set out in Annex III to CIR 2016/1702
- » Annex IV to CIR 680/2014 has been replaced by the text set out in Annex IV to CIR 2016/1702
- » Annex V to CIR 680/2014 has been replaced by the text set out in Annex V to CIR 2016/1702
- » Annex VII to CIR 680/2014 has been replaced by the text set out in Annex VI to CIR 2016/1702
- » Annex IX to CIR 680/2014 has been replaced by the text set out in Annex VII to CIR 2016/1702

CIR 2016/1702 will apply from December 01, 2016, with the first reporting reference date being December 31, 2016.

Comments Due Date: N/A

Effective Date: October 19, 2016

First Reporting Date: N/A

Links: [CIR 2016/1702](#), [CIR 680/2014](#)

Keywords: CIR 2016/1702, CIR 680/2014, CRR

Consultation on Future Reporting Rules for Securities Financing Transactions

- ESMA

September 30, 2016

Type of Information:
Regulation

Regulatory Status:
Proposed Rule

ESMA issued a consultation paper on draft technical standards implementing the Securities Financing Transaction Regulation (SFTR), which aims to increase the transparency of shadow banking activities. In addition to the SFTR, ESMA is proposing certain amendments to the existing standards implementing European Market Infrastructure Regulation (EMIR). These amendments are drafted to ensure a level-playing-field for market participants with regards to registration and access rules

ESMA is seeking stakeholder feedback on its draft SFTR implementing measures and the key areas of the draft rules include:

- » Procedure and criteria for the registration as a trade repository under the SFTR
- » Use of internationally agreed reporting standards, the reporting logic and the main aspects of the structure and content of securities financing transaction (SFT) reports
- » Requirements regarding transparency of data, data collection, aggregation, and comparison
- » Access levels for different competent authorities

ESMA has developed its proposals on reporting of SFTs building on its experience with the EMIR and other EU-wide reporting regimes, to align reporting standards to the maximum extent possible. ESMA will use the feedback received to finalize its draft technical standards, which are to be submitted to the EC for endorsement by the end of first quarter or the beginning of the second quarter of 2017.

Comments Due Date: November 30, 2016

Effective Date: January 01, 2018

First Reporting Date: N/A

Links: [Press Release](#), [Consultation Paper](#)

Keywords: EMIR, Reporting, SFT

Speech of Valdis Dombrovskis on Work Being Done to Complete the Regulatory Framework for banking Sector in Europe

- EC

September 29, 2016

Type of Information: Speech

The EC Vice President Valdis Dombrovskis spoke at the European Banking Federation conference on the work taken forward by the Basel Committee and the EC's approach to completing the regulatory framework in the banking sector in Europe.

Mr. Dombrovskis discussed the work underway to finalize the Basel framework and highlighted that capital requirements can vary in a way that does not always reflect the differences in banks' risk profiles. The EC supports Basel Committee's objective to tackle the unjustified variations that work against competition and financial stability. However, an intelligent solution is needed, one that considers the individual banks' situations and maintains a risk-sensitive approach to setting capital requirements. Banks have different business models involving different levels of risk and this needs to continue to be recognized to preserve Europe's diverse financial landscape. Additionally, EC cannot support a solution that would weigh unduly on the financing of the broader economy in Europe. EC is now focused on supporting investment and it wants to avoid changes that would lead to a significant increase in the overall capital requirements in the banking sector in Europe. This is in line with the Basel Committee's commitment and received strong backing from all EU countries in July.

Mr. Dombrovskis highlighted that any future international agreement should be based on solid quantitative evidence. Additionally, Basel revisions should recognize that, in a number of areas, markets in Europe face different challenges than elsewhere. Hence, equalizing average risk weights across the world cannot be the solution. EC believes that it is perfectly normal for a bank focused on lending in a sector and region with low risks to have lower average risk weights than a bank operating elsewhere.

The proposals Basel had issued for consultation would imply significant capital requirement increase in all the areas. As far as the EU is concerned, work needs to be done on a number of areas that are important for the EU economy. These include the general treatment of real estate loans, corporate lending, and infrastructure lending. The treatment of operational risk also needs to be given further consideration, as outcomes of the new method appear to produce arbitrary capital requirements that do not properly reflect the risks faced by banks. Mr. Dombrovskis states that EC does not believe in a standardized capital floor and this is an essential part of the framework. Mr. Dombrovskis adds that EC is looking for a solution that works for Europe and does not put the banks at a disadvantage compared to the global competitors and believes such an agreement is in everyone's interest to maintain a credible framework. Thus, EC is trying to come up with a revision of the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) legislation this autumn, which will be in line with EC's aim to have a legislation that supports financial stability and allows banks to lend and support investment in the wider economy.

He also highlighted that the EC will continue to push for coherent supervision and regulation. The Call for Evidence on financial services legislation is a part of this push. It was launched to check whether legislation passed during the crisis works as intended and to see whether it is as growth friendly as possible. EC will continue acting on its analysis based on the Call for Evidence responses. He highlighted the need to consider adjustments to increase funding to the wider economy. It needs to be considered whether legislation can be made more proportionate and whether the compliance burden can be reduced for businesses. By end of the year, EC is expecting to close the gap in the Basel framework and come forward with a proposal on central counterparty (CCP) recovery and resolution. He believes that relying more on CCPs means that there will be a need to have a clear system in place to resolve issues if things go wrong.

Mr. Dombrovskis concluded his speech by saying that EC will remain committed to striking the right balance between supporting reforms at a global level and respecting the diversity of Europe's financial sector. Additionally, it will continue to strive for a financial framework that gives companies enough space to innovate and consumers the certainty they need. EC will follow through on the work to review their legislative framework and make targeted adjustments to support investment and sustainable growth in Europe.

Link: [Speech](#)

Keywords: Basel III, CRD IV, CRR

Consultation on Future Rules for Financial Benchmarks

- ESMA

September 29, 2016

Type of Information:
Regulation

Regulatory Status:
Proposed Rule

ESMA published a consultation paper on the draft regulatory and implementing technical standards (RTS/ITS) for implementing the benchmarks regulation. ESMA is seeking feedback on the proposed RTS/ITS applicable to benchmark contributors, administrators, and national competent authorities. The consultation paper also includes the draft legal text and a preliminary high-level cost-benefit analysis. The key provisions of the draft RTS/ITS cover both benchmark contributors and administrators:

- » Procedures, characteristics, and positioning of the oversight function
- » Appropriateness and verifiability of input data
- » Transparency of methodologies applied
- » Governance and control requirements for supervised contributors
- » Provisions for significant/non-significant benchmarks
- » Provisions for recognition by third country administrators

ESMA will consider the feedback to the consultation before finalizing the draft RTS/ITS to submit them to the EC by April 01, 2017.

Comments Due Date: December 02, 2016

Effective Date: N/A

First Reporting Date: N/A

Links: [News Release](#)

Keywords: Benchmarks Regulation, ITS, RTS

Harmonizing the Definition of Default across European Union

- EBA

September 28, 2016

Type of Information:
Statement

The EBA published its final guidelines specifying the application of the definition of default across the EU and its final draft RTS on the materiality threshold of past due credit obligations. Both the guidelines and the final draft RTS will harmonize the definition of default across the EU, thus contributing to improving consistency and comparability of capital requirements. The EBA also released the results of a quantitative and qualitative impact study (QIS) aimed at assessing the impact on the CRR of selected policy options to harmonize the definition of default used by EU institutions.

The guidelines clarify all aspects related to the application of the definition of default, including the days past due criterion for default identification, indications of unlikelihood to pay, conditions for the return to non-defaulted status, treatment of the definition of default in external data, application of the default definition in a banking group, and specific aspects related to retail exposures. The RTS specify the conditions for setting the materiality threshold for credit obligations that are past due and harmonize the structure and application of the threshold, which will entail an absolute and a relative component. The levels of the threshold will be set by competent authorities and will be subsequently implemented by all institutions in a given jurisdiction. In the case of a relative component of the threshold, the RTS recommend it to be set at 1%.

Both the guidelines and the RTS are part of a broader regulatory review of the Internal Ratings Based (IRB) Approach carried out by the EBA, as outlined in the report (The EBA's Regulatory Review Of The IRB Approach) published on February 04, 2016. The implementation of the guidelines and of the RTS is expected by the end of 2020. However, institutions are encouraged to introduce the necessary changes as soon as possible. For IRB banks, the implementation should be based on individual plans agreed between institutions and their competent authorities, in line with the EBA's opinion on the implementation of the regulatory review of the IRB Approach, published on February 04, 2016

The quantitative and qualitative impact study report presents detailed information about the current practices of institutions with regard to key aspects of the definition of default and provides an estimated impact of selected policy scenarios on the capital requirements and capital adequacy ratios of the institutions. The quantitative and qualitative impact study results are the basis for the impact assessment performed on the guidelines and the RTS.

Links: [Press Release](#), [Final Guidelines](#), [Final Draft RTS](#), [Report on Quantitative and Qualitative Impact Study](#), [Regulatory Review of IRB Approach](#), [Opinion on Implementation of Regulatory Review of IRB Approach](#)

Keywords: CRR, Default Definition

Annual ECON Hearing of Chairpersons of the European Supervisory Authorities

- ESAs

September 26, 2016

Type of Information:
Statement

The Committee on Economic and Monetary Affairs (ECON) held its annual hearing of the chairs of the European Supervisory Authorities (ESAs) in Brussels: EBA Chair Andrea Enria, EIOPA Chair Gabriel Bernardino, and ESMA Chair Steven Maijor. The hearing was organized in accordance with Article 50(1) of the ESA Regulations which provides that the Chairs shall make a statement before Parliament and answer any questions put by its members, whenever requested. At this hearing, the chairs of the ESAs discussed, among other things, the work done by their respective organizations toward their mandates.

Statement by EBA Chair. Mr. Enria, in his introductory statement, spoke about EBA's analyses confirming that the regulatory framework must be adjusted to enhance the reliability and comparability of the outcomes of bank internal models. He highlighted that EBA is working to identify possible avenues to increase proportionality in banking regulation. Although, EBA is convinced that the Single Rulebook already incorporates the principle of proportionality, it must be acknowledged that the regulatory framework has become very complex. Hence, there is a need to assess whether the compliance burden on banks with simple business models is really warranted. The EBA will soon issue a discussion paper on this topic. Mr. Enria also emphasized the importance of Q&A facilities for supervisory convergence and how these tools represent the only way to achieve consistency across the Single Market and give transparency to the decisions of supervisors. He also spoke about the result of the UK referendum on the participation in the EU and how it raised significant concerns among the staff of the EBA. To contain the uncertainty of the future location of the authority and to ensure a smooth transition for the staff and their families, it would be important that a decision is taken within a relatively short timeframe, while leaving sufficient time for the final movement.

Statement by EIOPA Chair. Mr. Bernardino spoke about EIOPA's work on the future review of the current supervisory framework. He highlighted that EIOPA is specifically looking at the appropriateness of the models, assumptions, and standard parameters used when calculating the Solvency Capital Requirement (SCR); it is also analyzing the impact of the Long-Term Guarantee measures. Mr. Bernardino also spoke about Solvency II review and the opportunity to explore possible macro-prudential tools and their application in a consistent and complementary manner to the existing framework, avoiding potential overlaps. Mr. Bernardino, during his speech, highlighted that the current governance structure of EIOPA has been fit for purpose to fulfil the regulatory mandate. However, a refinement of this structure is necessary to enable EIOPA to also fulfil its supervisory convergence mandate. Some governance adjustments are also necessary to provide the required independence and checks and balances to further reinforce this process. He emphasized that integrated supervision of the EU across all financial services sectors is the key to achieve the aim convergence toward a European supervisory culture and convergence in the interest of the European citizens.

Statement by ESMA Chair. With regard to the Single Rulebook activity, Mr. Maijor highlighted that over 80 draft technical standards, pieces of technical advice, and opinions have been finalized over the last year. He believes these rules have significantly contributed, along with the long-standing efforts of EU co-legislators and the regulatory community in Europe, toward making financial markets safer, more transparent, and deeper and more competitive. ESMA has contributed significantly towards making the EU financial market open to institutions from non-EU jurisdictions. The extensive advice given to the Commission on the third-country passport under the Alternative Investment Fund Managers (AIFMD), the successful recognition process of third-country CCPs, have proven ESMA's technical expertise and capabilities in the area of non-EU market access. With regard to risk assessment, ESMA successfully launched its first CCP stress tests, which, in his opinion, constitutes an example of ESMA's expertise in analyzing systemic risks from a macro-prudential perspective. Progress has also been made in investigating new developments related to Fintech. He also highlighted ESMA's direct supervisory tasks. Mr. Maijor believes that ESMA has not only established an effective supervisory processes but also successfully implemented a robust enforcement process. The most recent enforcement case against Fitch Ratings Ltd resulted in a EUR 1.4 million fine, following another case earlier in 2016 where ESMA took its first enforcement action against a trade repository by fining DTCC Derivatives Repository Ltd EUR 64 thousand for data access failures. As per Mr. Maijor, ESMA's ability to impose sanctions is an important deterrent tool in combatting misbehavior by regulated firms. However, the fines that ESMA can currently impose on credit rating agencies (CRAs) and trade repositories are too low to fully serve this purpose. ESMA believes that the right way forward would be to calculate fines as a minimum percentage of the turnover of the CRA or the trade repository.

Links: [Statement by Andrea Enria](#), [Statement by Gabriel Bernardino](#) Keywords: ECON Hearing

Technical Standards Specifying Information to be Maintained for Financial Contracts

- EC

September 24, 2016

Type of Information: Regulation

Regulatory Status: Final Rule

In the *Official Journal of the European Union*, the EC published the Commission Delegated Regulation (CDR) 2016/1712, which supplements Bank Recovery and Resolution Directive (BRRD; Directive 2014/59/EU), on the RTS specifying a minimum set of the financial contract information that should be contained in the detailed records and the circumstances in which the requirement should be imposed.

The regulation states that an institution or entity referred to in point (b), (c), or (d) of Article 1(1) of BRRD shall be required by the competent authority or resolution authority to maintain detailed records of financial contracts, where the resolution plan or the group resolution plan foresees the taking of resolution actions in relation to the institution or entity concerned in the event the conditions for resolution are met. Additionally, an institution or entity that is required to maintain detailed records of financial contracts under Article 1 of this regulation shall retain on an ongoing basis the minimum set of information listed in the Annex for each financial contract in its records.

Comments Due Date: N/A

Effective Date: October 14, 2016

First Reporting Date: N/A

Link: [Regulation](#)

Keywords: BRRD, CDR 2016/1712, Level 2 Measures

Report Analyzing European Union Data on Over-The-Counter Derivatives

- ESRB

September 23, 2016

Type of Information: Report

The ESRB published a report presenting the first analysis of the EU-wide data on OTC derivatives.

Under the EMIR, EU entities engaging in derivatives transactions, which include all EU counterparties, are required to report these trade: this is intended to facilitate transparency in the derivatives markets. These transactions are reported to the ESMA-authorized trade repositories and ESMA's recent report analyzes this data. Nearly 85 variables are reported for each transaction. By the end of 2015, 27 billion records had been received and processed by the six trading repositories in the EU, averaging nearly 330 million records per week

The report starts by describing the structure of the dataset, drawing comparisons with existing survey-based evidence on derivatives markets. The next sections focus on the three largest derivatives markets: interest rates, credit, and foreign exchange.

- » **Interest rate derivatives.** These represent nearly 75% of the gross notional of all derivatives markets. The market is large because of widespread demand for interest rate risk management: as part of their business model, banks typically borrow at short maturities and lend long, while insurers and pension funds borrow long and lend short. Consistent with this hedging motive, we find that banks' interest rate derivative portfolios increase in value when interest rates rise, while those of insurers and pension funds decrease. A set of dealers, including some large banks, intermediate between end customers; these dealers therefore take small net positions vis-à-vis interest rate risk despite maintaining large gross portfolios.
- » **Credit default swaps (CDS).** Unlike interest rate derivatives, few single-name CDS contracts are centrally cleared, meaning that CDSs transfer counterparty (as well as fundamental) credit risk. Most trades in this market relate to a few reference entities, which in turn account for a large share of gross notional. Dealers occupy the lion's share of transactions and associated net and gross notional. Overall, the dealers have a small net/gross ratio, reflecting their intermediation role. Other financial institutions (including hedge funds and mutual funds), non-financial corporations, and insurance and pension funds are generally the net buyers of protection.
- » **Foreign exchange derivatives.** These mostly comprise forward contracts, are not centrally cleared, in contrast with many interest rate derivatives. Compared with credit derivatives, the foreign exchange derivatives market is relatively decentralized. Most trades involve at least one bank, but many of these trades take place with non-financial counterparties. Foreign exchange derivatives, therefore, allow non-financial corporates to hedge unwanted foreign exchange risk and constitute a closer link between the financial system and the real economy than interest rate or credit derivatives.

Link: [Report](#)

Keywords: EMIR, Reporting, Trade Repository

Consultation on Trading Obligation for Derivatives Under the Markets in Financial Instruments Regulation

- ESMA

September 20, 2016

Type of Information: Regulation

Regulatory Status: Proposed Rule

ESMA published a discussion paper on the trading obligation under the Markets in Financial Instruments Regulation (MiFIR).

The trading obligation will move OTC trading in liquid derivatives onto organized venues, thus increasing market transparency and integrity. MiFIR, which implements parts of the Markets in Financial Instruments Directive (MiFID) II framework, outlines the process for determining which derivatives should be traded on-venue. Therefore, this consultation seeks stakeholder feedback on the options put forward by ESMA on how to calibrate the trading obligation.

The trading obligation under MiFIR is closely linked to the clearing obligation under the EMIR. Once a class of derivatives needs to be centrally cleared under EMIR, ESMA must determine whether these derivatives (or a subset of them) should be traded on-venue, meaning on a regulated market, a multilateral trading facility (MTF), an organized trading facility (OTF), or an equivalent third-country trading venue. MiFIR foresees two tests to determine the trading obligation:

- » **Venue test.** A class of derivatives must be admitted to trading or traded on at least one admissible trading venue
- » **Liquidity test.** At test to determine whether a derivative is "sufficiently liquid" and sufficient third-party buying and selling interest exists

The discussion paper includes options on how to determine the trading obligation by applying both tests, including an initial liquidity assessment on the basis of trading data for the six month to end-2015. ESMA will use the feedback to continue working on implementing MiFIR's trading obligation and, if deemed appropriate, to draft technical standards specifying which derivatives should be subject to the trading obligation.

Comments Due Date: November 21, 2016

Effective Date: N/A

First Reporting Date: N/A

Links: [Overview of Consultation, Discussion Paper](#)

Keywords: MiFIR, OTC Derivatives, Trading Obligation

Updates to Single Rulebook Q&A: Published as Final Q&A in September 2016

- EBA

September 16, 2016

Type of Information: Q&A

The updates for this month include three answers dated September 16, 2016; and 21 answers dated September 09, 2016.

The overall objective of the Questions and Answers (Q&A) tool is to ensure consistent and effective application of the new regulatory framework across the Single Market. Institutions, supervisors, and other stakeholders can use the Single Rulebook Q&A tool for submitting questions on CRD IV, CRR, and the related technical standards developed by the EBA and adopted by the EC.

Link: [Q&A](#)

Keywords: CRD IV, CRR, Single Rulebook

**Technical Standards
for Capital
Requirements
Regulation/Capital
Requirements
Directive IV Reporting**

- EC

September 16, 2016

Type of Information:
Regulation

Regulatory Status: Final
Rule

The final regulation laying down the ITS for templates, definitions, and IT solutions to be used by institutions when reporting to the EBA and to competent authorities was adopted. By early December 2016, this regulation will be published in the *Official Journal of the European Union* (in all official languages).

The regulation states that, for the internal approaches for credit risk, an institution shall submit to its competent authority the following information:

- » The information specified in template 101 of Annex III, for the counterparties referred to in template 101 of Annex I, in accordance with the instructions referred to in tables C 101 of Annex II and Annex IV respectively
- » The information specified in template 102 of Annex III, for the portfolios referred to in template 102 of Annex I, in accordance with the instructions referred to in tables C 102 of Annex II and Annex IV respectively
- » The information specified in template 103 of Annex III, for the portfolios referred to in template 103 of Annex I, in accordance with the instructions referred to in tables C 103 of Annex II and Annex IV respectively
- » The information specified in template 104 of Annexes III, for the hypothetical transactions referred to in template 104 of Annex I, in accordance with the instructions referred to in tables C 104 in Annex II and Annex IV respectively
- » The information specified in template 105 of Annex III in relation to the name and characteristics of the internal approaches used for the computation of the results provided in templates 102 to 104 of Annex III, in accordance with the instructions referred to in table C 105 of Annex IV

Additionally, for internal approaches for market risk, an institution shall submit to its competent authority the information specified in the templates of Annex VII, in accordance with the portfolio definitions and instructions contained in Annexes V and VI, respectively.

Comments Due Date: N/A

Effective Date: [OJ Date +20 Days]

First Reporting Date: N/A

Links: [Final Rule ITS](#), [Annex 1](#), [Annex 2](#), [Annex 3](#), [Annex 4](#), [Annex 5](#), [Annex 6](#), [Annex 7](#), [State of Play of ITS](#)

Keywords: CRD IV, CRR, ITS, Reporting

**Parliament Returns
Draft Law on Packaged
Retail Investment
Products to the
European Commission**

- European Parliament

September 14, 2016

Type of Information:
Statement

The European Parliament's ECON Committee, on September 05, 2016, rejected the EC's proposed RTS on packaged retail and insurance-based investment products (PRIIPs) and issued the motion for resolution, which was approved unanimously. After this, the measure was put to a full plenary vote and the European Parliament backed the ECON Committee's view that the proposed RTS were inadequate. Therefore, the legislation was rejected.

The Members of Parliament (MEP) passed the resolution (602 votes to 4, with 12 abstentions), calling for changes to the legislation on PRIIPs, which specifies standards that investment providers must meet to provide greater transparency and clarity to investors. The EC will now have to propose new RTS for implementing the PRIIPs legislation, which is expected to come into force on December 31, 2016.

Links: [Press Release](#), [Objection to Delegated Act – Text Adopted](#)

Keywords: Customer Protection, PRIIPs, RTS

List of Planned Commission Initiatives

- EC

September 14, 2016

Type of Information:
Statement

The EC published the list of planned initiatives as of September 01, 2016, including the following initiatives:

- » Commission Work Programme (CWP) initiatives (the 23 major new initiatives on which the commission will concentrate its efforts in 2016) as well as items that derive from the strategic agenda launched in the context of the CWP 2015 and CWP 2016
- » Regulatory Fitness and Performance Programme (REFIT) initiatives that were set out in the work programme or the REFIT Scoreboard as well as additional priority items, which reflect the same sense of focus and purpose as those in the CWP.
- » Other legislative initiatives mainly include recasts, technical adaptations, revisions, or extensions of the existing framework, along with measures necessary for continued implementation of the existing policies.

Initiatives with Directorate-General for Financial Stability, Financial Services and Capital Markets Union (FISMA) references are of special importance and these are:

- » Potential initiative on an integrated covered bond framework (2015/FISMA/030)
- » Report from the Commission to the European Parliament and the Council on national barriers to free movement of capital which prevent a fully integrated Capital Markets Union (CMU) and roadmap for their removal (2016/FISMA/001)
- » Possible legislative proposal amending the CRR to incorporate modifications to the BASEL framework and findings from various reviews required under CRR (2016/FISMA/014)
- » Comprehensive revision of the EU macro-prudential policy framework (2016/FISMA/072)
- » Initiative on EU personal pension framework (2017/FISMA/001)

Link: [Planned Initiative List](#)

Keyword: Roadmap

Regulation on Main Indices and Recognized Exchanges

- EC

September 14, 2016

Type of Information:
RegulationRegulatory Status: Final
Rule

The EC published in the *Official Journal of the European Union*, CIR 2016/1646, which lays down ITS on main indices and recognized exchanges, in accordance with the CRR (EU Regulation No. 575/2013). Annex 1 of this regulation specifies the main indices for the purposes of Article 197(8)(a) of CRR, while Annex II specifies the recognized exchanges for the purposes of Article 197(8)(b) of CRR.

Comments Due Date: N/A

Effective Date: October 04, 2016

First Reporting Date: N/A

Link: [CIR 2016/1646](#)

Keywords: CIR 2016/1646, CRR

Capital Requirements Directive IV-Capital Requirements Regulation/Basel III Monitoring Exercise Results

- EBA

September 13, 2016

Type of Information: Report

The EBA published its tenth report of the CRD IV-CRR/Basel III monitoring exercise on the European banking system. This exercise is run in parallel with the one conducted by the Basel Committee at a global level. The current monitoring exercise summarizes the results using data as of December 31, 2015 and presents aggregate data on capital ratios (risk-based and non-risk-based) and liquidity ratios, the liquidity coverage ration (LCR), and net stable funding ratio (NSFR) for banks across the EU.

- » **Capital ratios.** The results of this exercise show a further improvement of European banks' capital positions, with a total average CET1 ratio of 12.7% at the end of December 2015, assuming full implementation of the CRD IV/CRR. The shortfall amount to meet the full-implementation minimum CET1 requirement (7%) has been continuously shrinking since mid-2011 and was at its lowest level (EUR 0.4 billion) at end December 2015.
- » **Leverage ratio.** The analysis of the leverage ratio shows that there has been a continuous increase in the last periods. A significant number of institutions in the sample would be constrained by the minimum leverage ratio requirement (3%) rather than by risk-based standards.
- » **LCR.** The LCR analysis is based on data in accordance with the Commission's CDR. The average LCR is at 133.7% at end December 2015, and 91% of the banks in the sample show an LCR above the full implementation minimum requirement applicable since January 2018 (100%). In addition, time-series analyses show that the weighted average LCR has increased since June 2011, mainly due an increase in banks' liquidity buffers.
- » **NSFR.** In the absence of a finalized EU definition, the report monitors the NSFR compliance with the current Basel III standards. The analysis shows an overall average ratio of 107.0%, with an overall shortfall in stable funding of EUR 240.1 billion. Nearly 79% of the participating banks already meet the minimum NSFR requirement of 100%. Compared with previous periods, there has been a continuous increase in banks' NSFR, which is mainly driven by the increasing amount of available stable funding for both groups.

Links: [Press Release](#), [Monitoring Exercise Report](#)

Keywords: CRD IV, CRR, Monitoring, QIS

Consultation on Guidance to Banks on Non-Performing Loans

- ECB

September 12, 2016

Type of Information: Guidance

The European Central Bank (ECB) launched a public consultation on guidance to banks on how they should deal with non-performing loans (NPLs). The ECB, along with eight national supervisory authorities, also conducted a stocktake of national supervisory practices and legal frameworks concerning NPLs. The NPL guidance addresses the main aspects regarding strategy, governance, and operations, which are key to successfully resolving NPLs. The guidance provides recommendations to banks and sets out a number of best practices that ECB Banking Supervision has identified and that will constitute the ECB's supervisory expectations going forward.

The guidance recommends that banks with a high level of NPLs establish a clear strategy aligned with their business plan and risk management framework to effectively manage and ultimately reduce their NPL stock in a credible, feasible, and timely manner. The guidance urges banks to put in place appropriate governance and operations structures to deliver effective NPL workouts. This should be done by closely involving the bank's management, setting up dedicated NPL workout units and establishing clear policies linked to NPL workouts.

The guidance provides short-term and long-term options on viable forbearance solutions with the aim of returning the exposure to a situation of sustainable repayment. It guides banks on how to measure impairment and write-offs in line with international recommendations. The guidance also outlines the policies, procedures, and disclosures banks should adopt when valuing immovable property held as collateral for NPLs.

The guidance will serve the supervisor as a basis for evaluating banks' handling of NPLs, as part of the regular supervisory dialogue. Addressing the high level of NPLs in some banks and euro area countries has been a process that started with the 2014 comprehensive assessment. This exercise marked the first time that banks' assets were evaluated with the same yardstick, and resulted in a more adequate level of provisions, providing supervisors with a solid basis to further address the issue. The guidance follows up on this process to reduce the level of NPLs, recognizing that it will take some time until NPLs have been reduced to reasonable levels, but also gradually putting a stronger focus on the timeliness of provisions and write-offs.

As part of this consultation, the ECB will hold a public hearing on November 07, 2016, at its premises in Frankfurt.

Comments Due Date: November 15, 2016

Effective Date: N/A

First Reporting Date: N/A

Links: [Press Release](#), [Draft ECB Guidance](#), [Guidance: Key Content](#), [Stock-Taking Document](#), [FAQ on NPL Guidance](#)

Keyword: NPLs

Revised List of ITS Validation Rules

- EBA

September 09, 2016

Type of Information:
Statement

The EBA issued a revised list of ITS validation rules on supervisory reporting, highlighting the rules that have been deactivated either for incorrectness or for triggering IT problems. With this, the competent authorities across the EU are being informed that data submitted in accordance with these ITS should not be formally validated against the set of deactivated rules.

Links: [News Release](#), [Documents for ITS on Supervisory Reporting](#)

Keywords: ITS, Reporting, Validation Rules

Rejection of European Commission's Proposed Amendments to Technical Standards on Non-Centrally Cleared Over-the-Counter Derivatives

- ESAs

September 09, 2016

Type of Information:
Statement

The three ESAs (EBA, EIOPA, and ESMA) rejected the EC's proposed amendments to the final draft RTS on risk mitigation techniques for OTC derivatives not cleared by a central counterparty. The proposed amendments were originally submitted for endorsement on March 08, 2016.

The ESAs disagree with the EC's proposal to remove concentration limits on initial margins for pension schemes and emphasize that these are crucial for mitigating potential risks pension funds and their counterparties might be exposed to. The key highlights of the opinion of ESAs follow:

- » The calculation of the threshold against non-netting jurisdictions should consider both legacy and new contracts.
- » With reference to covered bonds, the additional condition included in the EC's proposed amendments would have the effect of ranking derivatives counterparties after bond holders, which is contrary to the reasoning established in EMIR to grant a preferred treatment to cover bonds.
- » The ESAs recommend providing clarity that non-centrally cleared derivatives concluded by CCPs are not covered by this regulation.
- » More clarity should also be brought to the application of the RTS to transactions concluded with third country counterparties, in particular non-financial counterparties.
- » The delayed application to intragroup transactions should be maintained to allow national competent authorities to complete the relevant approval process before the obligation will start applying.
- » Introduction of a number of wording changes proposed by the EC may lead to a different application of the provisions compared to their original text of the RTS and, therefore, it is advised to amend them accordingly.

A version of the draft RTS containing all the corrections in detail is included as an Annex to the Opinion. This Opinion was prepared in accordance with Article 10 of the ESAs Regulations, empowering the three Authorities to consider the amendments and to provide further technical input, if needed.

Links: [News Release](#), [Opinion](#)

Keywords: Clearing, OTC Derivatives

Amendments to Identification Methodology of Global Systemically Important Institutions

- EC

September 08, 2016

Type of Information: Regulation

Regulatory Status: Final Rule

The EC published CDR 2016/1608, which amends Delegated Regulation (EU) No 1222/2014, on the specification of methodology for the identification of global systemically important institutions and for the definition of subcategories of global systemically important institutions.

Article 1 of the revised regulation specifies the amendments to the regulation, with Article 6 being replaced by the following text:

Indicators

1. The category measuring the size of the group shall consist of one indicator equal to the total exposure of the group.
2. The category measuring the interconnectedness of the group with the financial system shall consist of all of the following indicators—(a) intra-financial system assets; (b) intra-financial system liabilities; (c) securities outstanding.
3. The category measuring the substitutability of the services or of the financial infrastructure provided by the group shall consist of all of the following indicators—(a) assets under custody; (b) payments activity; (c) underwritten transactions in debt and equity markets.
4. The category measuring the complexity of the group shall consist of all of the following indicators—(a) notional amount of over-the-counter derivatives; (b) assets included in the level 3 of fair-value measured in accordance with Delegated Regulation (EU) No 1255/2012; (c) trading and available-for-sale securities.
5. The category measuring the cross border activity of the group shall consist of the following indicators—(a) cross-jurisdictional claims; (b) cross-jurisdictional liabilities.
6. For data reported in currencies other than the Euro, the relevant authority shall use an appropriate exchange rate taking into account the reference exchange rate published by the European Central Bank applicable on 31 December and international standards. For the payment activity indicator as referred to in paragraph 3(b), the relevant authority shall use the average exchanges rates for the relevant year.

Comments Due Date:

Effective Date: September 09, 2016

First Reporting Date: N/A

Link: [CDR 2016/1608](#)

Keywords: CDR 2016/1608, Global Systemically Important Institutions

Report on Core Funding Ratio

- EBA

September 08, 2016

Type of Information: Report

The EBA published a report analyzing the core funding ratio (CFR) across the EU. The report is in response to a request from the EC to explore the possibilities of the core stable funding ratio as a potential alternative metric for the assessment of EU banks' funding risk, taking into account proportionality.

The report concludes that, overall, it would be misleading to rely only on the CFR to assess banks' funding needs. This is because, unlike the NSFR, the CFR does not look at the whole balance sheet of a bank and, therefore, cannot fully assess a potential funding gap. This report is based on the same quantitative impact study (QIS) data used for the NSFR report published in December 2015.

Link: [Press Release](#)

Keywords: CFR, NSFR, QIS

Updated Common Equity Tier 1 List

- EBA

September 08, 2016

Type of Information: Statement

The EBA published its third updated list of capital instruments that competent supervisory authorities across the EU have classified as CET1.

The information provided in the list is consistent with the information to be reported according to the ITS on disclosure for own funds. In particular, the list includes the following information:

- » Name of the instrument, in English and in the national language
- » Governing law of the instrument
- » Whether the instrument can be issued in addition to other CET1 instruments
- » Instrument with voting or non-voting rights
- » Whether the instrument is a grandfathered state aid instrument
- » Whether the instrument is a grandfathered non state aid instrument
- » Whether the instrument is fully eligible under Article 28 or Article 29 of the CRR

Since the publication of the previous update in October 2015, some new CET1 instruments have been assessed and evaluated as compliant with the capital requirements regulation (CRR). This revised list will be maintained and updated on a regular basis.

Links: [News Release](#), [Updated CET1 List Q4 2016](#)

Keywords: CET1, CRR

Report on Risks and Vulnerabilities in the European Union Financial System

- ESAs

September 07, 2016

Type of Information: Report

The Joint Committee of the ESAs published a report on risks and vulnerabilities in the EU financial system. The ESAs highlight the main risks to the EU financial system that have persisted over a relatively long period and result from the lasting effects of the 2007 financial crisis.

The report focuses on recent developments concerning the low-growth and low-yield environment and its potential effects on financial institutions' profitability and asset quality. Additionally, the report highlights concerns related to the interconnectedness in the EU financial system. The EU financial system is also vulnerable to more immediate risks such as the result of the UK referendum on EU membership, which has added political and legal uncertainties to the ones already affecting the financial system.

Link: [Press Release](#)

Keywords: Risks and Vulnerabilities

Response to Consultation Paper on the Clearing Obligation for Financial Counterparties with Limited Volume of Activity

- ESRB

September 05, 2016

Type of Information:
Statement

The European Systemic Risk Board (ESRB) published its response to ESMA's consultation paper on clearing obligation for financial counterparties with a limited volume of activity. ESMA had published this consultation on July 13, 2016.

ESMA consulted the interested parties on modifying the phase-in period applicable to category 3 counterparties, by extending the current compliance deadlines related to the clearing obligations by two years. Following are the three CDRs that set out these clearing obligations, along with the revised compliance deadlines:

- » RTS on G4 Interest Rate Derivatives (IRD) transactions (EU 2015/2205)—June 21, 2019
- » RTS on CDS transactions (EU 2016/592)—February 09, 2020
- » RTS on non-G4 IRD transactions (EU 2016/1178)—February 09, 2020

The ESRB acknowledged that the scope of the clearing obligation in EMIR is particularly broad and that some small financial counterparties might face difficulties in gaining access to a CCP. However, the ESRB believes that extending the deadlines might not be an appropriate solution as it would provide ambiguous incentives. The ESRB also considers it inappropriate from a systemic-risk-containment perspective that the clearing obligation might be delayed for all, or the majority of, the volume of OTC derivatives transactions in several EU member states. Therefore, the ESRB encourages ESMA, the national competent authorities of Category 3 counterparties, and the industry to work with these entities to speed up this process, with as little risk as possible, before the deadlines set in the three RTS.

Keeping in mind that the new regulatory framework has been designed to facilitate access for Category 3 counterparties to indirect clearing, it ought to be implemented in the coming months. The ESRB suggests that ESMA can reduce the proposed grace period, particularly for the RTS on CDS and non-G4 IRD transactions. A possible solution could be to adopt the same deadlines for Category 3 counterparties in all three RTS, in line with the new deadline of June 21, 2019 provided in the consultation paper for the first RTS. This could meet ESMA concerns about compliance risks due to the uncertainties surrounding the entry into force of the new RTS on indirect clearing arrangements, while avoiding further delays in the implementation of clearing obligation for the asset classes referred to in the RTS for CDS and non-G4 IRD transactions.

Links: [ESRB Response](#), [CDR 2015/2205](#), [CDR 2016/592](#), [CDR 2016/1178](#)

Keywords: Clearing, EMIR, RTS

Rejection of European Commission's Proposed Standards on Packaged Retail and Insurance-Based Investment Products

- ECON

September 05, 2016

Type of Information:
Statement

The European Parliament's ECON Committee rejected the EC's proposed regulatory technical standards (RTS) on PRIIPs and issued the motion for resolution. The motion was approved unanimously. The proposal was rejected on the grounds of it being misleading and flawed. The vote on the motion for resolution took place after a discussion with the EC and EIOPA in the ECON Committee.

These Standards address the presentation, content, review, and revision of key information documents (KIDs) and the conditions for fulfilling the requirement to provide such documents. The RTS is designed to accompany the PRIIP legislation, which is expected to be effective from December 31, 2016. Investment providers would have to meet these RTS to provide greater transparency about investment products and clearer information to investors.

John Berrigan of the EC said the ideal solution would be to concurrently introduce both the level one legislation and the technical standards. However, as a "second best option," the EC could allow the introduction of the main legislation without the technical standards. Many members of the European Parliament were skeptical about such an arrangement; thus, it was decided to delay the introduction of the main legislation until an agreement was reached on the technical standards. The opposition mainly centered on the KIDs, which are meant to provide consumers with information about the features, risks, and costs of an investment product. There was a doubt about whether the KIDs adequately reflect the risks of investing.

The measure will now be put to a full plenary vote in September and Parliament must now either support or reject the motion.

Links: [Press Release](#), [Motion for Resolution](#)

Keywords: Consumer Protection, PRIIPs, RTS

Commission Delegated Regulation on Technical Standards on Minimum Requirement for Own Funds and Eligible Liabilities

- EC

September 03, 2016

Type of Information: Regulation

Regulatory Status: Final Rule

The EC published the CDR 2016/1450 supplementing Bank Recovery and Resolution Directive (BRRD) with regard to RTS, specifying the criteria related to the methodology for setting the minimum requirement for own funds and eligible liabilities (MREL). This regulation states that the resolution authorities will:

- » Determine the loss absorption amount which the institution or group should be capable of absorbing
- » Determine an amount of recapitalization, which would be necessary to implement the preferred resolution strategy, as identified in the resolution planning process
- » Identify any liabilities that are excluded from bail-in or partial transfer, which is an impediment to resolvability
- » Consider information on business model, funding model, and risk profile
- » Consider size and systemic risk of eligible institutions
- » May reduce the MREL to take account of the amount that a deposit guarantee scheme is expected to contribute to the financing of the preferred resolution strategy
- » Ensure MREL is calculated and expressed as a percentage of total liabilities and own funds of the institution
- » Establish a schedule or process for updating the MREL Determine transitional period to reach the final MREL and post-resolution arrangements

Comments Due Date:

Effective Date: September 23, 2016

First Reporting Date: N/A

Link: [CDR 2016/1450](#)

Keywords: BRRD, CDR 2016/1450, RTS

Updated Q&As on Legislative Acts in Banking and Finance

- EC

September 02, 2016

Type of Information: Q&A

The EC updated Q&As on a number of legislative acts in the areas of banking and finance and these acts are:

- » MiFID
- » CRD
- » Directive on payment services in the internal market (Payment Services Directive)
- » Directive on the taking up, pursuit, and prudential supervision of the business of electronic money institutions (E-Money Directive)
- » Directive on Alternative Investment Fund Managers (AIFMD)

Link: [Q&A on Legislation](#)

Keyword: Q&A

Germany

Key Developments

Speech of Dr. Andreas Dombret on the Consequences of Complex Banking Regulations for Institutions

- Bundesbank

September 15, 2016

Type of Information: Speech

Dr. Andreas Dombret, Member of the Executive Board of the Deutsche Bundesbank, spoke at the 20th Banking Symposium of the European Center for Financial Services in Duisburg, Germany. During his speech, Dr. Dombret highlighted the complexity of banking regulations in recent times and how these complex regulations have made compliance expensive for institutions.

Dr. Dombret highlights that small institutions, owing to their smaller staff sizes, have to either hire additional staff or enlist external aid to meet compliance requirements. This leads to relatively higher burdens on these institutions. He assessed the proportionality of the rules with respect to smaller institutions and recommended ways to reduce the compliance burden on smaller institutions by:

- » ***Incorporating proportionality clauses into EU legislation.*** Dr. Dombret stressed that any expansion of proportionality must begin at the European level and endorsed Wolfgang Schäuble's proposal to review the relevant EU regulations to achieve greater proportionality. This mainly applies to the CRR and CRD IV, but also includes other legal regulations. He recommends a detail-driven approach that involves introducing special exceptions or adjustments for individual rules, along with rewriting the rules from scratch for establishing new legal bases to provide relief to smaller institutions on some or all of the rules. However, the details-driven and the basic approaches are not in any way mutually exclusive.
- » ***Easing reporting and disclosure standards.*** He proposes a systematic approach to check what information supervisors and other recipients really need and compare the findings with the data that institutions are currently required to report. This might impact the ITS on supervisory reporting. If it turns out that a disproportionately large amount of information is being collected, then ways have to be figured out to reduce the burden. Dr. Dombret recommends slimming down smaller banks' reporting requirements to a minimal data package; investigating how often disclosure reports need to be published to supervise smaller regional institutions; and ensuring that the disclosure reforms do not introduce any intra-year disclosure duties. He also recommends discontinuation of disclosure requirements that have been rendered obsolete by the co-existence of European and German rules, along with the elimination of the unnecessary duplications in data collection by amending the German rules. Germany's Liquidity Regulation is expected to be eliminated at the start of 2018, once the LCR has been fully implemented.
- » ***Creating a two-tiered system.*** Dr. Dombret's third suggestion is to create separate regulatory frameworks for smaller institutions and large multinational banks. He believes that this approach will systematically address the excess burden placed on smaller institutions' operational capacities. As per Dr. Dombret, a two-tiered system could be put into practice through a graduated set of Basel standards for institutions that are neither multinationals nor large in size. The system can be similar to the setup that has been up and running in the U.S. ever since the Basel II regime was implemented. However, this would only be possible in Germany with the creation of rules at the European level.

Link: [Speech](#)

Keywords: Basel III, CRD IV, CRR, Proportionality

Ireland

Key Developments

Technical Notes as Part of the Financial Sector Assessment Program

- IMF

September 29, 2016

Type of Information: Report

The IMF published several technical notes as part of the FSAP of Ireland:

- » **Banking Supervision and Update on the Assessment of Observance of the BCPs:** The note highlights the effective implementation of the Single Supervisory Mechanism (SSM) in Ireland. It also includes recommendations to enhance the supervision of the banking activities conducted in Ireland, with a direct bearing on its financial stability.
- » **Stress Testing the Banking System:** The stress tests examined the resilience of the Irish banking system to solvency, liquidity, and contagion risks. This technical note includes suggestions in the area of risk analysis and financial sector policy to further enhance bank stress testing and cross-border network analysis.
- » **Insurance Sector and Update on the Assessment of Observance of the Insurance Core Principles:** The note highlights that the insurance sector in Ireland is well-developed, with insurance penetration in Ireland being almost three times the EU average. It also provides an assessment of the observance of ICPs, highlighting that important advancement has been made toward the observance of ICPs 9 and 23 while for some principles further action is required.
- » **Update on the Assessment of Implementation of the IOSCO Objectives and Principles of Securities Regulation:** The assessment found that Ireland exhibited a high level of implementation of the IOSCO principles. The legal framework was deemed robust and provided the Central Bank with broad supervisory, investigative, and enforcement powers. The Central Bank and the Irish Stock Exchange had developed sound systems for market surveillance.
- » **Asset Management and Financial Stability:** This technical note takes stock of the risks to domestic and international financial stability associated with the asset management industry in Ireland and offers policy recommendations to the Irish authorities to strengthen the industry oversight.
- » **Macro-Prudential Policy Framework:** This technical note evaluates the current macro-prudential policy framework and the need for further policy actions by the Central Bank of Ireland and the ECB. It assesses the systemic risk monitoring framework, macro-prudential policy toolkit, and the institutional arrangement and international collaboration. It also covers the overall stability analysis and maps identified vulnerabilities into specific policy recommendations.
- » **Financial Safety Net, Bank Resolution, and Crisis Management:** This technical note states that the introduction of the single rulebook for financial services regulation within the EU and the establishment of the banking union have transformed the Irish framework for dealing with failing banks. The new regime reflects an EU-wide initiative to strengthen supervision, harmonize prudential rules, establish a uniform bank resolution regime, and build the supporting arrangements for implementation within the banking union (euro area countries). The note also provides recommendations to the Irish authorities to enhance arrangements at the national level to facilitate effective resolution.
- » **Nonbank Sector Stability Analyses:** The technical note states that the cross-border interlinkages via Irish-domiciled funds industry and multinational companies are a key feature of the financial network. Ireland plays a key role in the global funds industry as a significant hub. The tight linkages between the rest of the world and non-financial corporations reflect the large presence of foreign-controlled multinational companies in Ireland. The direct bilateral connection between the rest of the world and Irish households is insignificant, but the household sector is indirectly exposed to global shocks through their balance sheets of insurance companies and pension funds.

Links: [Banking Supervision and Update on the Assessment of Observance of the Basel Core Principles](#), [Stress Testing the Banking System](#), [Insurance Sector and Update on the Assessment of Observance of the Insurance Core Principles](#), [Asset Management and Financial Stability](#), [Financial Safety Net, Bank Resolution, and Crisis Management](#), [Update on the Assessment of Implementation of the IOSCO Objectives and Principles of Securities Regulation](#), [Macro-Prudential Policy Framework](#), [Nonbank Sector Stability Analyses](#)

Keywords: FSAP, Stress Testing, Technical Notes

Switzerland

Key Developments

Consultation on Revised Disclosure Standards for Going Concern and Gone Concern Requirements

- FINMA

September 26, 2016

Type of Information:
Regulation

Regulatory Status:
Proposed Rule

The Swiss Financial Market Supervisory Authority (FINMA) is consulting on its revised circular setting out disclosure standards for the going concern and gone concern requirements under the too-big-to-fail regulations for systemically important banks (SIBs). The circular also addresses how these requirements can be met during and after the transition period. Banks are required to report their data by using the tables provided by FINMA. This ensures that an adequate level of disclosure is maintained across all institutions in terms of the data reported, consistency, and comparability.

The revised too-big-to-fail regulations for SIBs, which are set out in the Capital Adequacy Ordinance (CAO), came into force on July 01, 2016. These now include capital requirements for the continuity of services (going concern requirements) and requirements for additional loss-bearing capital (gone concern requirements). The requirements to be met, which will increase over the transition period up to 2020, are expressed as leverage and capital ratios. The recent revision of the CAO also includes minor adjustments to the disclosure requirement for the extended countercyclical capital buffer (CCB) and capital buffers for non-systemically important banks. Additionally, FINMA had updated the rules for regulatory key indicators, which all institutions must report at least once a year.

Comments Due Date: November 07, 2016

Effective Date: December 31, 2016

First Reporting Date: N/A

Link: [Press Release](#)

Keywords: Basel III, Disclosures

Americas

United States of America

Key Developments

Proposed Changes to Accounting Guidance for Long-Duration Contracts Issued by Insurance Companies

- FASB

September 29, 2016

Type of Information:
Regulation

Regulatory Status:
Proposed Rule

The Financial Accounting Standards Board (FASB) proposed the Accounting Standards Update or ASU (Topic 944) to improve financial reporting for insurance companies that issue long-duration contracts, such as life insurance, disability income, long-term care, and annuities. The Exposure Draft contains proposals for improving insurance accounting by:

- » Improving the timeliness of recognizing changes in the liability for future policy benefits by requiring that updated assumptions be used to measure the liability
- » Eliminating the usage of an asset rate (that is, an insurance company's expected investment yield) to discount liability cash flows, and instead requiring that cash flows be discounted at a high-quality fixed-income instrument yield
- » Simplifying and improving the accounting for certain options or guarantees in variable products (such as guaranteed minimum death, accumulation, income, and withdrawal benefits) by requiring the benefits to be measured at fair value instead of using two different measurement models
- » Simplifying the amortization of deferred acquisition costs
- » Increasing transparency by improving the effectiveness of disclosures

To elicit additional feedback on its proposals, the Board plans to hold public roundtable meetings in the first quarter of 2017. The Board will determine an effective date for the ASU after re-deliberating comments received during the comment period and from the public roundtable meetings.

Comments Due Date: December 15, 2016

Effective Date: N/A

First Reporting Date: N/A

Links: [News Release](#), [Exposure Draft](#)

Keywords: Insurance Contracts, Long Duration Contracts

Final Guidelines Establishing Standards for Recovery Planning

- OCC

September 29, 2016

Type of Information:
Regulation

Regulatory Status: Final
Rule

The OCC published the final guidelines establishing standards for recovery planning by insured national banks, insured Federal savings associations, and insured Federal branches of foreign banks with average consolidated assets of USD 50 billion or more. The OCC is issuing these as an appendix (Appendix E) to its safety and soundness standards (Part 30) regulations. The OCC is also adopting technical changes to the safety and soundness standards regulations that are made necessary by the addition of the final guidelines.

The final guidelines will be enforceable by the terms of the Federal statute that authorizes the OCC to prescribe operational and managerial standards for national banks and Federal savings associations. The number of respondents for information collection as per the final guidelines is expected to be 25 and the frequency of information collection will be "on occasion."

The final guidelines include phased-in compliance dates mentioned below:

- » A covered bank with average consolidated assets, calculated according to paragraph I.E.1. of Appendix E, equal to or greater than USD 750 billion as of January 01, 2017 should comply with Appendix E within 6 months from January 01, 2017.
- » A covered bank with average consolidated assets, calculated according to paragraph I.E.1. of Appendix E, equal to or greater than USD 100 billion but less than USD 750 billion as of January 01, 2017 should comply with Appendix E within 12 months from January 01, 2017.
- » A covered bank with average consolidated assets, calculated according to paragraph I.E.1. of Appendix E, equal to or greater than USD 50 billion but less than USD 100 billion as of January 01, 2017 should comply with Appendix E within 18 months from January 01, 2017.

A bank with average consolidated assets, calculated according to paragraph I.E.1 of Appendix E, of less than USD 50 billion as of January 01, 2017, but which subsequently becomes a covered bank should comply with Appendix E within 18 months of becoming a covered bank.

Comments Due Date: N/A

Effective Date: January 01, 2017

First Reporting Date: N/A

Link: [Final Guidelines](#)

Keywords: Reporting, RRP

Updates to Reporting Forms and Instructions

- FED

September 28, 2016

Type of Information:
Statement

The FED published updates to the proposed rule on draft reporting forms for FR Y-9C and FR Y-9LP and draft reporting instructions for FR Y-9C, FR Y-9LP, FR Y-14A, FRY-14Q, and FR Y-14M on.

The FED also published the updated reporting form and instructions for Banking Organization Systemic Risk Report (FR Y-15). This report collects consolidated systemic risk data from large U.S. bank holding companies (BHCs), covered savings and loan holding companies (SLHCs), and intermediate holding companies (IHCs). The data items collected in this report mirror those developed by the Basel Committee to assess the global systemic importance of banks.

Links: [Reporting Form Updates](#), [Draft FR Y-9C Form](#), [Draft FR Y-9C Instructions](#), [Draft FR Y-9LP Form](#), [Draft FR Y-9LP Instructions](#), [Draft FR Y-14A Instructions](#), [Draft FR Y-14M Instructions](#), [Draft FR Y-14Q Instructions](#), [Updated FR Y-15 Form](#), [Updated FR Y-15 Instructions](#)

Keywords: FR Y-9XX, FR Y-14X, FR Y-15

**Testimony by Chair
Janet L. Yellen on
Supervision and
Regulation**

- FED

September 28, 2016

Type of Information: Speech

The FED Chair Janet Yellen gave testimony before the Committee on Financial Services, U.S. House of Representatives, Washington, D.C. on supervision and regulation of financial institutions. She emphasized that the post-crisis approach to regulation and supervision is forward-looking and is tailored to the level of risk that firms pose to financial stability and the economy.

The FED Chair highlighted that the FED is considering broader regulation or requirements on stress and capital tests. The leading idea that has emerged from the comprehensive CCAR review is to integrate CCAR with the regulatory capital framework. Currently, the regulatory capital rules include a firm-specific, RBC surcharge for each G-SIB and a uniform CCB requirement above the regulatory capital minimum for all firms. Under the new idea, the existing CCB would be replaced with a risk-sensitive, firm-specific buffer that is sized based on stress test results. Each firm's buffer requirement would be set equal to the decline in its CET1 capital ratio in the supervisory stress test. The buffer requirement would be floored at 2.5% of RWAs, (the current level of the CCB) to avoid any reduction in the stringency of regulatory capital rules. This idea is known as stress capital buffer and it would effectively move the stress test to the center of the regulatory capital framework.

For the eight U.S. G-SIBs, the move to the stress loss buffer (which would be similar, in effect, to including the G-SIB capital surcharge in the CCAR post-stress minimum) would result in a significant aggregate increase in capital requirements. Thus, in addition to simplifying the capital framework by integrating CCAR with the regulatory capital rules, the stress loss buffer would advance our macro-prudential goal of making G-SIBs more resilient. In contrast, the move to the stress loss buffer approach generally would not entail a toughening of the requirements for the 25 large banking firms that are subject to CCAR but are not G-SIBs. Nor would the move have any impact on community banks or other firms with less than USD 50 billion in assets.

Under the current CCAR program, a firm's capital adequacy is assessed by assuming that the firm continues to make its baseline capital distributions over the stress test's two-year planning horizon. The FED is considering changing this conservative assumption, in significant part because of the advent of the capital conservation buffer in the regulatory capital rules, which limits the ability of a firm to make capital distributions when its capital ratios are lower than the buffer requirement. The FED proposed that firms simply add one year of planned dividends to their stress capital buffer requirement, as firms generally are more reluctant to reduce dividends than share buybacks. The Chair also highlighted that the FED plans to seek public input before moving to adopt this and other CCAR changes that are being considered.

Link: [Testimony](#)

Keywords: CCAR, Stress Testing

Amendments to the Capital Plan and Stress Test Rules: Regulations Y and YY

- FED

September 26, 2016

Type of Information:
Regulation

Regulatory Status:
Proposed Rule

The FED is inviting comment on the proposed rule to revise the capital plan and stress test rules for bank holding companies with USD 50 billion or more in consolidated assets and U.S. IHCs of foreign banks. The proposal would not apply to BHCs with consolidated assets of less than USD 50 billion or to any state member bank or SLHC. The proposed revisions impact the form numbers FR Y-9C; FR Y-9LP; FR Y-9SP; FR Y-9ES; FR Y-9CS; FR Y-14A/Q/M; and Regulation Y-13. The expected number of respondents for this information collection is 38. Details of the proposed revisions follow:

- » Under the proposal, large and noncomplex firms, would no longer be subject to the provisions of the FED's capital plan rule, whereby the FED may object to a capital plan on the basis of qualitative deficiencies in the firm's capital planning process. In connection with this modification, large and noncomplex firms would no longer be subject to the qualitative assessment in Comprehensive Capital Analysis and Review (CCAR), but would remain subject to a quantitative assessment in CCAR. The qualitative assessment of the capital plans of large and noncomplex firms instead would be conducted outside of CCAR through the supervisory review process. For this purpose, a BHC or U.S. IHC with consolidated assets of USD 50 billion or greater but less than USD 250 billion, on-balance sheet foreign exposure of less than USD 10 billion, and nonbank assets of less than USD 75 billion would be considered a large and noncomplex firm.
- » Modification of reporting requirements for large and noncomplex firms is proposed to reduce burdens by raising materiality thresholds, thus reducing the scope of the data collection on these firms' stress test results and reducing supporting documentation requirements. For all BHCs subject to the capital plan rule, the proposal would simplify the initial applicability provisions for the capital plan and stress test rules, reduce the amount of additional capital distributions that a BHC may make during a capital plan cycle without seeking the FED's prior approval, and extend the range of potential as-of dates for the trading and counterparty scenario component used in the stress test rules.
- » The proposed amendment to the parent company only financial statements for large holding companies (FR Y-9LP) is the inclusion of a new line item 17 of PC-B Memoranda (Total nonbank assets of a holding company that is subject to the FED's capital plan rule) for purpose of identifying the large and noncomplex firms. All other BHCs subject to the capital plan rule that are not large and noncomplex firms would remain subject to objection to their capital plan based on qualitative deficiencies under the rule. The proposed revision would apply to top-tier holding companies subject to the FED's capital plan rule, for a total of 38 of the existing 792 FR Y-9LP respondents.

Comments Due Date: November 25, 2016

Effective Date: N/A

First Reporting Date: N/A

Links: [Notice of Proposed Rulemaking](#), [Regulation Y](#), [Regulation YY](#)

Keywords: CCAR, Regulation Y, Regulation YY, Stress Testing

Consultation on Risk-Based Capital and Other Regulatory Requirements Related to Physical Commodities and Merchant Banking Investments

- FED

September 23, 2016

Type of Information:
Regulation

Regulatory Status:
Proposed Rule

The FED launched a public consultation on the proposal to adopt additional limitations on physical commodity trading activities conducted by financial holding companies under complementary authority granted pursuant to section 4(k) of the Bank Holding Company Act. The proposal also:

- » Clarifies existing limitations on trading activities
- » Amends the FED's risk-based capital (RBC) requirements to better reflect the risks associated with a financial holding company's physical commodity activities
- » Rescinds the findings underlying the FED orders authorizing certain financial holding companies to engage in energy management services and energy tolling
- » Removes copper from the list of metals that bank holding companies are permitted to own and store as an activity closely related to banking
- » Increases transparency regarding physical commodity activities of financial holding companies through more comprehensive regulatory reporting (modifying consolidated financial statements for holding companies or FR Y-9C)

To meet the new financial reporting requirements, FED proposed to modify FR Y-9C to create a new Schedule HC-W, Physical Commodities and Related Activities and add data items to Schedule HC-R, Part II, RWAs. It is expected that 14 out of the 667 current FR Y-9C respondents would file the new reporting requirements.

Comments Due Date: December 22, 2016

Effective Date: N/A

First Reporting Date: N/A

Links: [Press Release](#), [Part 217: Regulation Q](#), [Part 225: Regulation Y](#)

Keywords: RBC, Regulation Q, Regulation Y

Analysis of Results of the Monthly Money Market Fund Monitor

- OFR

September 22, 2016

Type of Information: Report

The Office of Financial Research (OFR) released results of the monthly U.S. Money Market Fund Monitor (MMF Monitor).

According to the Monitor, assets of U.S. prime money market funds have decreased by more than USD 700 billion since the beginning of the year, while assets of government money market funds have increased by about the same amount. This trend accelerated in August. The OFR's Viktoria Baklanova and Daniel Stemp, lead researchers on the Monitor, attribute the shift to the October 14, 2016 deadline for implementing SEC reforms. The reforms are intended to make prime money market funds less vulnerable to runs by investors. They are also intended to limit the potential stress on the financial system if a run occurs.

Prime funds invest in short-term bank securities and corporate debt securities while government funds invest mostly in government securities, cash, and repurchase agreements that are collateralized with government securities or cash. Government fund assets totaled about USD 1.8 trillion at the end of August.

The SEC reforms require prime and tax-exempt money market funds to split their investor base into retail and institutional investors. Funds for institutional investors must let their net asset value float with the value of the underlying portfolio's assets. Both retail and institutional funds also must adopt liquidity fees and restrictions on redemptions called gates. Fees and gates are tools for limiting cash outflows during market stress. Government funds are not required to adopt liquidity fees and gates. They can continue to sell and redeem their shares at a stable net asset value. Ahead of the reforms, some investors are moving their assets from prime funds to government funds. Some fund managers are also converting prime funds to government funds.

The OFR launched the U.S. MMF Monitor in July 2016 to help regulators and other users track money market trends. The data is updated monthly with information that funds submit to the SEC on Form N-MFP.

Links: [Analysis: Results of MMF Monitor](#), [MMF Monitor](#)

Keywords: Asset Management, Form N-MFP, MMF

Revision and Extension of Form FR Y-9C, Along With Extension of Other Reporting Forms of FR Y-9 Family

- FED

September 14, 2016

Type of Information: Regulation

Regulatory Status: Final Rule

The FED adopted a proposal (OMB Control number: 7100-0128) to revise, with extension, the form FR Y-9C for mandatory Consolidated Financial Statements for Holding Companies. The FED proposed to implement a number of revisions to the FR Y-9C, most of which are consistent with proposed changes to the FFIEC 031 and FFIEC 041 reports (OMB No. 7100-0036). The revisions include deletions of existing data items, increases in existing thresholds for certain data items, a number of instructional revisions, and the addition of new and revised data items.

The FED also adopted proposals to extend, without revision, the other forms that are part of this information collection:

- » Parent Company Only Financial Statements for Large Holding Companies (FR Y-9LP)
- » Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP)
- » Financial Statements for Employee Stock Ownership Plan Holding Companies (FR Y-9ES)
- » Supplement to the Consolidated Financial Statements for Holding Companies (FR Y-9CS)

The reporting frequency for these forms is quarterly, monthly, and annual. The expected number of respondents is 654 for FR Y-9C (Non-Advanced Approaches holding companies); 13 for FR Y-9C (Advanced Approaches holding companies); 792 for FR Y-9LP; 4,122 for FR Y-9SP; 88 for FR Y-9ES; and 236 for FR Y-9CS. The respondents comprise BHCs, SLHCs, securities holding companies (SHCs), and IHCs.

Comments Due Date: N/A

Effective Date: September 30, 2016 and March 31, 2017

First Reporting Date: N/A

Links: [Supporting Statement](#), [FR Y-9C Form \(September 2016\)](#), [FR Y-9C Instructions \(September 2016\)](#), [FR Y-9C Form \(March 2017\)](#), [FR Y-9C Instructions \(March 2017\)](#), [FR Y-9LP Form \(September 2016\)](#), [FR Y-9LP Instructions \(September 2016\)](#)

Keywords: FR Y-9XX, Reporting

Study on Banking Activities and Investments

- U.S. Agencies

September 08, 2016

Type of Information: Report

The U.S. agencies—the Federal Reserve Board (FED), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) published a report to the Congress and the Financial Stability Oversight Council (FSOC) on the activities and investments that banking entities may engage in under applicable law. Each agency prepared the section of the report relative to the banking entities that it supervises. Each of the three sections includes a discussion of permissible activities, risk mitigation, legal limitations, and specific recommendations as required by the Dodd-Frank Act.

Section 620 of the Dodd-Frank Act requires the federal banking agencies to conduct the study and report to Congress on the types of activities and investments permissible for banking entities, the associated risks, and how banking entities mitigate those risks. For the purpose of this study, banking entities include insured depository institutions and any company that controls an insured depository institution or is treated as a bank holding company under the International Banking Act of 1978. The study also covers any affiliate or subsidiary of such companies.

Links: [Press Release](#), [Report](#)

Keywords: Dodd-Frank Act, Section 620

Regulatory Capital Rules: The Framework for Implementing the U.S. Basel III Countercyclical Capital Buffer

- FED

September 08, 2016

Type of Information:
Statement

The FED released a final policy statement detailing the framework to be followed in setting the countercyclical capital buffer (CCyB) for private-sector credit exposures located in the U.S. The CCyB applies to banking organizations subject to the advanced approaches capital rules, generally those with more than USD 250 billion in assets or USD 10 billion in on-balance-sheet foreign exposures and to any depository institution subsidiary of such banking organizations.

The CCyB is to be activated when systemic vulnerabilities are meaningfully above normal and is intended to be increased gradually. The FED expects to remove or reduce the CCyB when the conditions that led to its activation abate or lessen and when the release of CCyB capital would promote financial stability. The FED would also expect to provide notice to the public and seek comment on the proposed level of the CCyB as part of making any final determination to change the CCyB.

This policy statement provides background on the range of financial-system vulnerabilities and other factors the FED may take into account as it evaluates settings for the buffer, including but not limited to, leverage in the nonfinancial sector, leverage in the financial sector, maturity and liquidity transformation in the financial sector, and asset valuation pressures. The CCyB will be available to help banking organizations absorb shocks associated with declining credit conditions. Implementation of the buffer could also help moderate fluctuations in the supply of credit.

This policy statement will be effective from October 14, 2016.

Links: [Press Release](#), [Statement](#)

Keywords: Basel III, CCyB

Proposed Changes to Hedge Accounting Guidance

- FASB

September 08, 2016

Type of Information:
Regulation

Regulatory Status:
Proposed Rule

The FASB issued a proposed Accounting Standards Update (ASU) to make targeted improvements to the accounting guidance for hedging activities. The proposed ASU sets forth the Board's recommendations for improving this area of financial reporting and for simplifying the application of hedge accounting guidance, without compromising the quality of financial reporting information provided to investors.

The FASB proposes to improve how the economic results of an institution's risk management activities are portrayed by:

- » Expanding the use of component hedging for both nonfinancial and financial risks
- » Refining the measurement techniques for hedged items in fair value hedges of benchmark interest rate risk
- » Eliminating the separate measurement and reporting of hedge ineffectiveness
- » Requiring for cash flow and net investment hedges that all changes in fair value of the hedging instrument included in the hedging relationship be deferred in other comprehensive income and released to the income statement in the period(s) when the hedged item affects earnings
- » Requiring that changes in the fair value of hedging instruments be recorded in the same income statement line item as the earnings effect of the hedged item
- » Requiring enhanced disclosures to highlight the effect of hedge accounting on individual income statement line items

Additionally, the FASB proposed to simplify the application of hedge accounting by providing more time for the completion of initial quantitative assessments of hedge effectiveness and by allowing subsequent assessments of hedge effectiveness to be performed on a qualitative basis, when an initial quantitative test is required. It also proposes to clarify the application of the critical terms match method for a group of forecasted transactions. The FASB also proposes to allow an institution that elects the shortcut method to continue hedge accounting by using a "long-haul" method to assess hedge effectiveness, if use of the shortcut method was not or is no longer appropriate after hedge inception.

Comments Due Date: November 22, 2016

Effective Date: N/A

First Reporting Date: N/A

Link: [News Release](#)

Keywords: ASU, Hedge Accounting

Argentina

Key Developments

Report on Assessment of Basel III Implementation The Basel Committee published a report assessing the implementation of the Basel risk-based capital framework and the LCR for Argentina. This report forms part of a series of reports on Basel Committee members' implementation of Basel standards under the Committee's Regulatory Consistency Assessment Programme (RCAP).

- Basel Committee

September 21, 2016

Type of Information: Report

The assessment report states that the domestic implementation of the risk-based capital framework is "Compliant" with the Basel standards. Ten of the 11 assessed components of the framework have been assessed as "Compliant" while one (the scope of application) has been assessed as "Largely Compliant." Argentina has been also assessed as "compliant" with the Basel LCR standards, including the LCR regulation and the LCR disclosure standards. The assessment grade of "Compliant" is the highest of the four possible grades.

A key component of the Committee's Regulatory Consistency Assessment Programme (RCAP), is to assess the consistency and completeness of a jurisdiction's adopted standards and the significance of any deviations from the regulatory framework. The RCAP does not consider a jurisdiction's bank supervision practices nor does it evaluate the adequacy of regulatory capital and high-quality liquid assets (HQLA) for individual banks or the banking system as a whole.

Link: [Press Release](#)

Keywords: Basel III, LCR, RCAP

Canada

Key Developments

2016 Annual Updates to the Manual of Reporting Forms and Instructions for Deposit-Taking Institutions The Office of the Superintendent of Financial Institutions (OSFI) published changes to the Financial Information Committee (FIC) regulatory forms and instructions. The changes were made to the following regulatory reporting forms and instructions, which are effective for the 2017 filing:

- OSFI

September 21, 2016

Type of Information: Regulation

Regulatory Status: Final Rule

- » Consolidated Monthly Balance Sheet (M4)
- » Supplementary Return for Foreign Bank Branches (K3)
- » Non-Mortgage and Mortgage Loans in Arrears (N3)
- » Mortgage Loans Report (E2)
- » Report on New and Existing Lending (A4)
- » Non-Mortgage Loans Report (A2)
- » Regional Distribution of Selected Assets and Liabilities (R2)
- » Canadian Basel Regulatory Reports or BCAR (BA)

Comments Due Date: N/A

Effective Date: January 01, 2017

First Reporting Date: N/A

Links: [Notification of Changes](#), [M4](#), [K3](#), [N3](#), [E2](#), [A4](#), [A2](#), [R2](#), [BA](#)

Keywords: Basel III, BCAR, Reporting

Report on Assessment of Measures to Combat Money Laundering and Terrorist Financing

- IMF

September 15, 2016

Type of Information: Report

The IMF published a report on the observance of standards and codes (ROSC) for the Financial Action Task Force (FATF) recommendations for AML/CFT in Canada. The report assesses the compliance level and effectiveness with respect to the 40 FATF recommendations and recommends how the AML/CFT framework could be strengthened. The assessment was conducted using the FATF 2013 assessment methodology. The detailed assessment report (DAR), on which this document is based, was adopted by the FATF Plenary on June 23, 2016.

The assessment highlights that the Canadian authorities have a good understanding of most of the country's money laundering and terrorist financing risks. The AML/CFT cooperation and coordination are generally good at the policy and operational levels. Canada was found Compliant with 11 FATF recommendations, Largely Compliant with 18 recommendations, Partially Compliant with 6 recommendations, and Non-Compliant with 5 recommendations. Furthermore, out of the 11 Immediate Outcomes, the effectiveness of only one was found to be low. All high-risk areas are covered by AML/CFT measures, except legal counsels, legal firms, and Quebec notaries. This constitutes a significant loophole in the country's AML/CFT framework.

The four possible levels of compliance are Compliant, Largely Compliant, Partially Compliant, and Non-Compliant. The FATF assesses effectiveness primarily on the basis of eleven Immediate Outcomes, with each of these representing one of the key goals that an effective AML/CFT system should achieve. Additionally, the four possible ratings for effectiveness are High, Substantial, Moderate, and Low.

Links: [ROSC](#), [DAR](#), [FATF 2013 Assessment Methodology](#)

Keywords: AML/CFT, DAR, ROSC

Consultation on Revisions to the Capital Adequacy Requirements Guidelines

- OSFI

September 09, 2016

Type of Information: Regulation

Regulatory Status: Proposed Rule

The OSFI released for public consultation revisions to its Capital Adequacy Requirements (CAR) guideline.

The CAR guideline offers a framework for assessing the capital adequacy of federally regulated deposit-taking institutions and is updated periodically to ensure that capital requirements continue to reflect underlying risks and developments in the financial industry. OSFI revised the draft guideline to clarify how this capital framework will apply to federal credit unions. The current revisions also include OSFI's expectations on the domestic implementation of the two global capital adequacy standards issued by the Basel Committee in recent years. In the revised guideline, OSFI:

- » Outlines its discretionary approach to the implementation of the Basel III countercyclical buffer regime in Canada
- » Provides guidance on the application of Basel's equity investment in funds rules, which require institutions to hold adequate capital against equity investments in funds
- » Offers updates to include planned revisions to the treatment of insured residential mortgages and clarifies the conditions under which risk mitigation benefits of mortgage insurance are recognized for regulatory capital purposes

Comments Due Date: October 18, 2016

Effective Date: November 01, 2016 (October year-end) and January 01, 2017 (December year-end)

First Reporting Date: N/A

Link: [Media Release](#)

Keywords: Basel III, CCyB, Equity

Latin America

Key Developments

The Way Forward for Central Banking in Latin America

- IMF

September 30, 2016

Type of Information: Report

The IMF published a working paper that reviews the progress of central banks and discusses the remaining challenges facing central banks in Latin America, especially with respect to the macro-prudential policy.

The report highlights that Latin America's central banks have made substantial progress toward delivering an environment of price stability that is supportive of sustainable economic growth. However, where inflation remains high and volatile, achieving durable price stability will require making central banks more independent. Where inflation targeting regimes are well-established, the remaining challenges surround assessments of economic slack, the communication of monetary policy, and clarifying the role of the exchange rate. The authors suggest that the macro-prudential policies must be coordinated with existing objectives and care taken to preserve the primacy of price stability.

Latin America has taken a cautious approach with respect to macro-prudential policy. The countries have made progress, although at a slower pace than in the advanced economies. Chile, Mexico, and Uruguay have formally established financial stability committees, which differ in some ways across countries. Brazil has also created a similar arrangement within the central bank as well as other committees with a view toward coordinating information with other regulatory agencies in the financial industry.

The toolkit for macro-prudential policy comprises primarily of the same regulatory instruments that existed before the global financial crisis. Dynamic provisioning had already been in place in Bolivia, Colombia, Peru, and Uruguay. The most active country in the implementation of macro-prudential instruments is Brazil, where changes in loan-to-value ratios and risk-weight factors, and sometimes both, have also been used to cope with financial vulnerabilities. Interestingly, imposing extraordinary capital requirements on systemic financial institutions is not common in Latin America, although in most countries the two largest banks have a combined market share that exceeds 40%.

Link: [Working Paper](#)

Keywords: Central Banking, Macro-Prudential Policy

Asia Pacific

Australia

Key Developments

Consultation Package on Net Stable Funding Ratio

- APRA

September 29, 2016

Type of Information:
Regulation

Regulatory Status:
Proposed Rule

The Australian Prudential Regulation Authority (APRA) released for consultation, a paper setting out its response to issues raised in submissions on the discussion paper *Basel III liquidity – the Net Stable Funding Ratio and the liquid assets requirement for foreign ADIs* (March 2016 discussion paper). APRA is also releasing a draft revised *Prudential Standard APS 210 Liquidity (APS 210)* and *Prudential Practice Guide APG 210 Liquidity (APG 210)*, which incorporate the NSFR requirements for authorized deposit-taking institutions (ADIs). APRA expects to release its final position on these three documents in late 2016.

APRA's response paper outlines modifications to some aspects of the proposed application of the NSFR in Australia in response to issues raised in submissions on the March discussion paper. In particular, APRA has modified its proposed required stable funding for certain self-securitized assets and certain higher quality liquid assets in offshore jurisdictions. In addition, the response paper provides clarification on a range of other matters raised in submissions. In the coming months, APRA will separately consult on revised reporting requirements for ADIs related to the introduction of the NSFR and other amendments.

Comments Due Date: October 28, 2016

Effective Date: January 01, 2018

First Reporting Date: N/A

Links: [Press Release](#), [Response to Submissions on March 2016 Discussion Paper](#), [March 2016 Discussion Paper](#), [Draft Revised APS 210](#), [Draft Revised APG 210](#)

Keywords: Basel III, NSFR

Proposed Revisions to Counterparty Credit Risk Framework

- APRA

September 15, 2016

Type of Information:
Regulation

Regulatory Status:
Proposed Rule

APRA is proposing revisions to its CCR framework for ADIs. The proposed revisions incorporate the recent amendments to the Basel Committee's CCR framework. The Basel Committee's amendments to the standardized approach for counterparty credit risk (SA-CCR) were released in March 2014 while its final standard on the capital requirements for bank exposures to CCPs was released in April 2014. As part of the proposal, APRA also released:

- » Prudential Standard APS 180 Capital Adequacy: Counterparty Credit Risk (APS 180), which contains APRA's proposed new requirements for the SA-CCR and exposures to CCPs
- » Revised Prudential Standard APS 112 Capital Adequacy: Standardized Approach to Credit Risk (APS 112), which rectifies minor deviations from the Basel framework that were identified during the Basel Committee's RCAP review of Australia while also addressing other minor omissions and errors

APRA proposed to require all ADIs to use the SA-CCR methodology to measure CCR exposures arising from OTC derivatives, exchange-traded derivatives, and long-settlement transactions. However, APRA does not propose to introduce the Basel Committee's internal model method for CCR into its framework. Additionally, all ADIs will be required to hold capital for exposures to CCPs, in a manner consistent with the Basel Committee's final standard. APRA also proposes that ADIs meeting certain criteria (including immaterial CCR exposures) may apply for approval to further extend its implementation date for SA-CCR until January 01, 2019.

Comments Due Date: November 11, 2016

Effective Date: January 01, 2018

First Reporting Date: N/A

Links: [Press Release](#), [Consultation Paper on CCR, APS 180, Revised APS 112](#)

Keywords: Basel III, SA-CCR, CCP

Hong Kong

Key Developments

Consultation on Revised Pillar 3 Disclosure Requirements: Standard Templates and Tables

- HKMA
September 18, 2016

Type of Information:
Regulation

Regulatory Status:
Proposed Rule

The Hong Kong Monetary Authority (HKMA) updated the standard templates and tables for the revised Pillar 3 disclosure requirements. The HKMA had issued a letter dated August 18, 2016 to consult the banking industry on the draft set of disclosure templates and tables that authorized institutions are required to use for disclosure under the revised Pillar 3 disclosure requirements released by the Basel Committee in January 2015. This relates to the HKMA's consultation paper (CP 15.03) of December 17, 2015 on the policy proposals for implementing the 2015 package.

Comments Due Date: October 18, 2016

Effective Date: N/A

First Reporting Date: N/A

Links: [Notification \(hkma.gov.hk/eng/key-functions/banking-stability/basel-3/consultation_on_implementation_of_revised_pillar_3_disclosure_requirements.shtml\)](http://hkma.gov.hk/eng/key-functions/banking-stability/basel-3/consultation_on_implementation_of_revised_pillar_3_disclosure_requirements.shtml), [Disclosure Templates and Tables \(hkma.gov.hk/media/eng/doc/key-functions/banking-stability/basel-3/Revised_Pillar_3_disclosure_requirements.pdf\)](http://hkma.gov.hk/media/eng/doc/key-functions/banking-stability/basel-3/Revised_Pillar_3_disclosure_requirements.pdf)

Keywords: Basel III, Disclosures, Pillar 3

Letter on De-risking and Financial Inclusion

- HKMA
September 08, 2016

Type of Information:
Statement

The HKMA issued a letter to all Authorized Institutions (AIs) setting out the guiding principles for the implementation of risk-based approach in relation to customer due diligence (CDD). The HKMA also provides guidelines on fair treatment of customers while applying CDD measures. In this recent letter, the HKMA also highlighted the concerns about financial inclusion that have arisen from the recent actions of some AIs engaged in the process of de-risking. Here, de-risking refers to the phenomenon of banks declining or discontinuing business relationships with customers or categories of customers to avoid, rather than manage, the risk involved.

The progressive tightening of international standards in combating money laundering and terrorist financing in the past few years has led to extensive enhancement of AIs' AML/CFT controls, including CDD processes for existing and new customers. Apart from the local requirements, some AIs need to also comply with requirements or standards mandated by their head offices or overseas authorities. While it is important to ensure that AML/CFT controls are sufficiently robust and comply with all the relevant regulatory requirements, the HKMA expects AIs to adopt a risk-based approach and refrain from adopting practices that would result in financial exclusion, particularly in respect of the need for bona fide businesses to have access to basic banking services.

Link: [Letter \(hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2016/20160908e1.pdf\)](http://hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2016/20160908e1.pdf)

Keywords: AML/CFT, Risk-Based Approach

Frequently Asked Questions on the Implementation and Operation of Mandatory Clearing Regime

- HKMA
September 01, 2016

Type of Information: FAQ

The HKMA published FAQ on the implementation and operation of the mandatory clearing regime for OTC derivatives. The FAQ, which were prepared by the HKMA in conjunction with the Securities and Futures Commission of Hong Kong, provide clarifications on the workings of the clearing rules. These FAQ aim to help market participants better understand their obligations and responsibilities under the clearing rules to enable them to better prepare for implementation of the new regime and ensure compliance going forward.

Link: [FAQ \(hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2016/20160901e1.pdf\)](http://hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2016/20160901e1.pdf)

Keywords: Clearing, OTC Derivatives

Japan

Key Developments

<p>Amendments Decided at the Monetary Policy Meeting this Month</p> <p>- BOJ</p> <p>September 21, 2016</p> <p>Type of Information: Statement</p>	<p>The Bank of Japan (BOJ) published the decisions made by the Policy Board of the BOJ at the Monetary Policy Meeting held on September 20-21, 2016. These decisions were based on review of the appropriateness of collateral prices and margin ratios in light of the recent financial market developments. As per decisions made, BOJ shall amend the following:</p> <ul style="list-style-type: none"> » Guidelines on Eligible Collateral (Attachment 1) » Principal Terms and Conditions for the Purchase/Sale of Japanese Government Securities with Repurchase Agreements (Attachment 2) » Principal Terms and Conditions for the Sale of Japanese Government Securities with Repurchase Agreements to Provide the Markets with a Secondary Source of Japanese Government Securities (Attachment 3) » Collateral Guidelines on Eligible Foreign Bonds (Attachment 4) » Temporary Rules regarding Eligibility Standards for Debt of Companies in Disaster Areas (Attachment 5) » Temporary Rules regarding the Eligibility Standards for Debt of Companies in Disaster Areas of the 2016 Kumamoto Earthquake (Attachment 6) <p>Link: Montary Policy Releases 2016</p> <p>Keywords: Collateral, Eligibility</p>
---	---

Korea

Key Developments

<p>Report on Assessment of Basel III Implementation</p> <p>- Basel Committee</p> <p>September 21, 2016</p> <p>Type of Information: Report</p>	<p>The Basel Committee published a report assessing the implementation of the Basel risk-based capital framework and the LCR for Korea. This report forms part of a series of reports on Basel Committee members' implementation of Basel standards under the Committee's Regulatory Consistency Assessment Programme (RCAP).</p> <p>The assessment report states that the domestic implementation of the risk-based capital framework was found to be "Largely Compliant" with the Basel standards, as most but not all provisions of the Basel standards are satisfied. Specifically, 12 of the 14 components of the framework have been assessed as compliant while two components (the definition of capital and the transitional arrangements) have been assessed as "Largely Compliant" and "Materially Non-Compliant," respectively. A "Largely Compliant" assessment grade is one notch below the highest possible grade of "Compliant." Regarding the LCR, Korea has been assessed as "Compliant" with the Basel LCR standards, including the LCR regulation and the LCR disclosure standards.</p> <p>A key component of the RCAP is to assess the consistency and completeness of a jurisdiction's adopted standards and the significance of any deviations from the regulatory framework. The RCAP does not consider a jurisdiction's bank supervision practices nor does it evaluate the adequacy of regulatory capital and HQLA for individual banks or the banking system as a whole.</p> <p>Link: Press Release</p> <p>Keywords: Basel III, LCR, RCAP</p>
--	--

Glossary

AML/CFT	Anti-Money Laundering and Counter-Terrorist Financing	FSAP	Financial Sector Assessment Program
APRA	Australian Prudential Regulation Authority	FSB	Financial Stability Board
ASU	Accounting Standards Update	FSI	Financial Stability Institute
BCAR	Basel Capital Adequacy Reporting	FpML	Financial products Markup Language
BCP	Basel Core Principles	FSOC	Financial Stability Oversight Council
BIS	Bank for International Settlements	GLEIF	Global Legal Entity Identifier Foundation
BOJ	Bank of Japan	GFSR	Global Financial Stability Report
BRRD	Bank Recovery and Resolution Directive	GHOS	Group of Central Bank Governors and Heads of Supervision
CBRT	Central Bank of the Republic of Turkey	HKMA	Hong Kong Monetary Authority
CCAR	U.S. Comprehensive Capital Analysis and Review	IASB	International Accounting Standards Board
CCP	Central Counterparty	IFRS	International Financial Reporting Standards
CCyB	Countercyclical Capital Buffer	IMF	International Monetary Fund
CDR	Commission Delegated Regulation	IOSCO	International Organization of Securities Commissions
CET1	Common Equity Tier 1	IRRBB	Interest Rate Risk in Banking Book
CFTC	Commodity Futures Trading Commission	ISDA	International Swaps and Derivatives Association
CFR	Core Funding Ratio	ITS	Implementing Technical Standards
CIR	Commission Implementing Regulation	LCR	Liquidity Coverage Ratio
CPMI	Committee on Payments and Market Infrastructures	LEI	Legal Entity Identifier
CRD IV	EU Capital Requirements Directive IV	MMF	U.S. Money Market Fund
CRR	Capital Requirements Regulation EU	NPLs	Non-Performing Loans
DAR	Detailed Assessment Report	NSFR	Net Stable Funding Ratio
DGI	Data Gaps Initiative	OCC	Office of the Comptroller of the Currency
EBA	European Banking Authority	OFR	Office of Financial Research
EC	European Commission	OMB	Office of Management and Budget
ECB	European Central Bank	OSFI	Office of the Superintendent of Financial Institutions
ECON	Economic and Monetary Affairs	PRIIPs	Packaged Retail And Insurance-Based Investment Products
EIOPA	European Insurance and Occupational Pensions Authority	Q&A	Questions and Answers
EMIR	European Market Infrastructure Regulation	QCCP	Qualifying Central Counterparties
ESAs	European Supervisory Agencies	QIS	Quantitative Impact Study
ESMA	European Securities and Monetary Authority	RBC	Risk-Based Capital
ESRB	European Systemic Risk Board	RCAP	Regulatory Consistency Assessment Programme
EU	European Union	ROSC	Report On The Observance Of Standards And Codes
FAQ	Frequently Asked Questions	RRP	Recovery and Resolution Plan
FASB	Financial Accounting Standards Board	RTS	Regulatory Technical Standards
FSB	Financial Stability Board	RWA	Risk-Weighted Asset
FDIC	Federal Deposit Insurance Corporation	SA-CCR	Standardized Approach For Counterparty Credit Risk
FED	Board of Governors of the Federal Reserve System	SEC	U.S. Securities and Exchange Commission
FFIEC	Federal Financial Institutions Examination Council	SFT	Securities Financing Transaction
FINMA	Swiss Financial Market Supervisory Authority		

© 2016 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.