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Banking Law Update

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REGULATORY DEVELOPMENTS

Financial Conduct Authority (FCA)

CRD IV

The Financial Conduct Authority (FCA) has produced a statement on EU Capital Requirements Directive (CRD) IV. The European Banking Authority (EBA) had published its implementing technical standard on 26 July 2013 with which firms are required to comply as an EU regulation. CRD IV was produced on 27.6.2013 which contains the new prudential rules for banks, building societies and investment firms and will come into effect on 1 January 2014. The EBA has started its further consultation on its XBRL Taxonomy which covers data items, business concepts and relations and validation rules. The taxonomy will be used to collect COREP and FINREP reports through the FCA GABRIEL system which data will be shared with the Prudential Regulatory Authority (PRA). The objective is to ensure that all information collected by national authorities from credit institutions and investment firms is transmitted to the EBA in a uniform and consistent manner.

FCA, 20.9 2013

JPMorgan Fine

JPMorgan Chase Bank NA has been fined £137,610,000 ($220 million) for serious failings in its Chief Investment Office (CIO) following the $6.2 billion in trading losses generated by the activities of the "London Whale" trades. These arose from the pursuit of a high risk trading strategy, weak management of the trading and an inadequate response to important information which should have notified the firm of the risks present within the CIO's Synthetic Credit Portfolio (SCP). JPMorgan had breached Principles 2, 3, 5 and 11 of the FCA's Principles for Businesses.

FCA, 19.9 2013

Inducements and Conflicts of Interest

The FCA has produced guidance on supervising retail investment advice and inducements and conflicts of interest. These specifically cover Principle 8 (conflicts of interest) inducements (COBS 2.3) and SYSC 3, 6 and 10. The guidance is relevant to providers manufacturing retail investment products for advisers and advisory firms providing personal recommendations in relation to retail investment products. The purpose is to assist providers and advisory firms understand FCA expectations in connection with service and distribution agreements relating to retail investment products.

FCA, 18.9 2013

Retail Distribution Review

The FCA has published the results of a review into the effects of inducements used by product providers following the coming into effect of the Retail Distribution Review (RDR) in January 2013. The review confirmed that certain life insurance companies had arrangements that could influence

advisers contrary to the RDR's removal of commission bias in financial advice. The firms concerned had revised their practices with two companies being referred to for enforcement action.

FCA, 18.9 2013

Mortgage Lenders and Administrators

The Bank of England and the Financial Conduct Authority (FCA) have published their latest Mortgage Lenders and Administrators Statistics for the UK for the second quarter of 2013. Overall loan amounts outstanding reached £1.33 trillion which was up 0.1% on the previous quarter. Gross advances increased 23% to £41.6 billion. New advances rose 8.6% to £5.1 billion with a 19.3% increase in the value of new commitments to £47.5 billion. Overall average interest rate on gross advances fell by 3.65% to 3.47%. Buy to let (BTL) purchases rose from £3.9 billion to £5 billion with the proportion of high loan to value (LTV) advances of over 90% increasing 2.1% to 2.5%. New arrears were 12% lower and possessions 10% reduced.

FCA, 10.9 2013

Cash Savings

The FCA is to carry out a market study into the UK cash savings market which is estimated to be worth around £1 trillion the objective is to determine whether competition is working effectively in the best interest of consumers within the market. Over 80% of UK adults had a cash savings account of some form. This includes the effects of "teaser rates" offered to new customers to entice switching. The objective is to attempt to understand better how markets are working and the dynamics that drive markets and the decisions that consumers take.

FCA, 9.9 2013

Interest Rate Hedging Products

The FCA has published an update on banks' reviews of their sales of Interest Rate Hedging Products (IRHPs). The FCA had identified a number of failings in summer 2012 in the manner in which banks had sold IRHPs with banks having agreed to review relevant sales since 2001. A pilot exercise was conducted in early 2013. Banks had since taken on 2,800 staff to examine 30,000 cases since the full review came into effect in May 2013. Eighty five percent of sales were being assessed. Ten offers of redress had been made before end August amounting to £500,000 with 210 other offers having been sent out and a further 1,700 to follow in early course.

FCA, 4.9 2013

Consumer Credit

The FCA has published a policy statement on consumer credit regulation which it will assume responsibility for from the Office of Fair Trading (OFT) on 1 April 2014. The policy statement includes relevant Consumer Credit Act (CCA) secondary legislation which will be carried over into FCA rules

following Parliamentary allowance. The contents of the designation instrument are set out in Annexe 1 and the made rules in Appendix 1. The FCA issued a separate policy statement on consumer credit interim permission fees. This covers charges for firms that register with the FCA for interim permission and exempt firms.

FCA, 30.8 2013

Interest-Only Mortgages

The FCA has issued guidance on dealing with interest-only mortgage customers who may become unable to repay their loans (FG 13/7). This follows earlier consultation by the FCA in May 2013. The guidance explains what is expected of firms to ensure the fair treatment of customers who are unable to repay the capital sum at the end of their term and to minimise the risk of non-repayment through early and effective consumer engagement over the mortgage term.

FCA, 29.8 2013

Disclosure of Regulated Information

The FCA has produced a consultation paper on arrangements for the disclosure of regulated information including feedback on its earlier consultation papers CP 12/37, CP 13/5 and CP 13/6 (CP 13/8). The measures apply with regard to Primary Information Providers (PIPs) following the replacement of the earlier informal framework for Regulatory Information Services (RIS) maintained under the FSMA being replaced by a formal statutory regime under the Financial Services Act 2012. The FCA is required to approve and supervise PIPs including fees. RISs were previously assessed under the Criteria for RIS.

FCA, 28.8 2013

Listing Rules

The FCA has issued a consultation paper on changes to the Listing Rules following the implementation of new regulations by the Department for Business, Innovation and Skills (BIS) on Directors' Remuneration Reporting and Narrative Reporting. The FCA does not consider that the regulations impose substantially different requirements to those set out in the Listing Rules. Overlapping provisions will nevertheless be removed on directors' remuneration. Premium listed companies will generally only have to require with the new regulations although existing requirements will be retained for premium listed overseas incorporated issuers. Consequential amendments are made to implement the Narrative Reporting Regulations.

FCA, 28.8 2013

Market Operators' Oversight

The FCA has issued financial guidance for market operators' oversight of member firm compliance with its rules. The FCA had earlier consulted on recommendations for firms and recognised investment exchanges to comply

with its requirements for market operators. The final guidance sets out the approach it expects to recognise investment exchanges (RIEs) and firms operating multilateral trading facilities (MTFs) to take to ensure ongoing oversight of the systems and controls that their member firms operate to comply with their operator's rulebooks including specifically the obligation set out in REC 2.6, 2.10 and 2.15 for RIEs and MAR 5 for MTF operators. The guidance includes 13 provisions on contents, background, risk-based approach, proactive approach and meaning.

FCA, 22.8 2013

CREST Regulated Activities

The FCA has issued financial guidance on the availability of the group exclusion for the CREST regulated activity set out in Article 45 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001/544 (RAO). Article 45 covers the sending or causing of dematerialised instructions to be sent relating to certain types of investment. A group exclusion is provided for under Article 69 (7) where the instruction is sent on behalf of another member of the same group and the investment is one for which the member is registered as holder in the appropriate register of securities.

FCA, 28.8 2013

Money Laundering Fine

Guaranty Trust Bank (UK) Ltd has been fined £525,000 for anti-money laundering control failures between May 2008 and June 2010. The company is a subsidiary of Nigerian Guaranty Trust Bank plc which began offering retain and wholesale banking products and services to private, corporate and institutional clients in London in May 2008. The bank's systems and controls had been subject a thematic review by the FSA in 2010 which revealed significant concerns. These included failure to assess or document potential money laundering risks created by higher risk customers, screen protected customers against sanction lists or databases of politically exposed persons (PEPs), obtain senior management approval to establish a business relationship with PEPs, confirm the purpose or intended nature of the prospective accounts and review the activity of high risk customers' accounts.

FCA, 9.8 2013

Market Abuse Fines

The Financial Conduct Authority (FCA) has fined senior partner and compliance officer at Paul E Schweder Miller & Co, David Davis, £70,258 and broker, Vandana Parikh, £45,673 for failing to act with due skill, care and diligence in the period before Dubai based private investor, Ramesh Kumar Goenka, illegally manipulated the closing price of securities traded on the London Stock Exchange (LSE) in October 2010. Goenka had been fined $9, 621,240 by the FCA on 11 November 2011 for market abuse having illegally manipulated the closing price of Reliance Securities and avoid a $3.1

million loss on a related structured product. Davis had not been aware of the intention to manipulate the price nor the link structured product although he was aware of sufficient information to constitute clear warnings signals and had failed to take preventative steps before authorising the trades. The FCA had also decided to fine Tariq Carrimjee, £89,004 and ban him from working in the financial services area for recklessly assisting Goenka.

FCA, 8.8.2013

Supervision Appointments

The FCA has appointed four directors within its Supervision Division. Karina McTeague was appointed director of retail banking. Linda Woodall has been appointed director of mortgages & consumer lending. Nick Poyntz-Wright was appointed director of long-term savings & pensions and William Amos director for wholesale banking & investment management. The purpose was to complete the senior appointments within the Supervision Division.

FCA, 7.8.2013

Transparency Framework

The FCA has published a feedback statement FS13/1 on its earlier discussion paper on *Transparency* (March 2013) DP13/01 which sets out its proposed approach to transparency on organisation and regulatory activities within the FCA and on firm product and performance transparency. The paper summarises the feedback received, new recommendations and an implementation framework. FCA transparency was based improved whistleblowing, enforcement activity and supervisory activity information. Firm, individual and market information could be strengthened through transparency on authorisation processes, thematic reviews and early intervention and redress. Firm transparency could be improved through annuity market disclosure, claims data on insurance product publication and a contextualisation of complaints data.

FCA, 5.8.2013

Referral Fee Ban

The FCA has established a working relationship with its regulatory counterpart, the Solicitors Regulation Authority and Claims Management Regulator on coordination under the Legal Aid Sentencing and Punishment of Offenders (LSPO) Act 2012. This is supported by memoranda of understanding (MOUs) and working documents to facilitate information sharing, evidence gathering and enforcement action intended to strengthen the effective regulation of all firms and markets.

FCA, 1.8.2013

Capital Requirements Directive

The FCA has published a consultation paper on implementation of the European Capital Requirements Directive (CRD IV) *CRD IV for Investment*

Firms (July 2013) CP13/6. This includes specific provisions on the application of the new regime to investment firms, content of the Capital Requirements Directive and Capital Requirements Regulation (CRR), definition of significant institution, prudential requirements for BIPRU and the treatment of FCA rule waivers under the CRR. The provisions will affect investment firms subject to the CRD including firms benefiting from exemptions on capital requirements and large exposures for certain commodities derivatives firms, firms only executing orders or managing portfolios without holding client money or assets and other investment sector firms (including exempt-CAD firms and collective portfolio management investment firms (subject to specific CRD IV provisions). Banks, building societies and larger investment firms are subject to the separate consultation document issued by the Prudential Regulation Authority (PRA) referred to below. The European Banking Authority (EBA) published an implementing technical standard on harmonised reporting following publication of the CRD IV in the Official Journal of the European Union on 27 June 2013.

FCA, 31.7.2013

Retail Distribution Review

The FCA has published the result of its Thematic Review on the Retail Distribution Review (RDR) (FCA, *Supervising retail investment advice: how firms are implementing the RDR* (July 2013) TR13/5). The review was conducted six months after the introduction of the RDR on 31 December 2012 to ensure that financial advice was provided by appropriately qualified financial advisors without bias and with the cost of advice being made clear to customers. The findings represent the first part of a three stage thematic review with 55 firms having been approached. The results confirm that substantial progress had been achieved although some difficulties arose with regard to charging information and ongoing services. The paper discusses key findings on advisor charging, services, control and documentation clarity.

FCA, 25.7.2013

Anti-Money Laundering

The FCA has published its *Anti-money laundering Annual Report 2012/13* (July 2013). This reviews sources of money laundering risk. Financial crime risks arose from money laundering, breaches of UK and other country financial sanctions, terrorist financing, investment fraud (including boiler rooms) and bribery and corruption with the report focussing on money laundering, sanctions breaches and terrorist financing. The Home Office estimated that domestic organised criminal gangs generated £20–40 billion a year in narcotics sales, people smuggling and trafficking and other illicit activities in 2012 with the Treasury estimating in 2007 that £10 billion of illicit funds have passed through the regulated sector. The paper summarises the FCA's responsibilities on anti-money laundering, its approach, agency cooperation, compliance levels and current trends and future work. Direct risks included e-money issuers and cybercrime with indirect risks involving the Money Service Business (MSB) sector, digital currencies and alternative

banking platforms. FCA work would be extended to cover consumer credit from 1 April 2014 with the European Commission publishing proposals for a Fourth Money Laundering Directive and a Wire Transfer Regulation.

FCA, 25.7.2013

RBS Fine

RBS has been fined £5.6 million for failing properly to report transactions in wholesale markets or for failing to make any reports. RBS failed to report 804,000 transactions between November 2007 and February 2012 and properly to report 44.8 million transactions between November 2007 and February 2013 which represented around 37% of relevant transactions. Difficulties had arisen with RBS's systems and in integrated ABN AMRO Bank NV systems since October 2007. An original fine of £8,029,100 was reduced on early settlement.

FCA, 24.7.2013

FCA Objectives

The FCA has published guidance on firm and consumer expectation on how it would discharge its statutory responsibilities with three key operational objectives on protecting consumers, ensuring market integrity and promoting effective competition. This is set out in FCA, *The FCA's approach to advancing its objectives* (July 2013). The paper explains that the FCA considers regulating conduct as involving the regulation of the way that financial organisations behave towards the consumer including providing sufficient information on product sales. Prudence involved an assessment of how organisations managed their risks and how safe or sound they were with appropriate systems and controls being in place to manage risks or absorb losses through appropriate financial resources. Consumers referred to retail consumers buying financial products or services for their own use or benefit, retail investors in financial instruments and wholesale consumers. The FCA adopted a risk based approach to detect and act on risks in the market place to secure its objectives. Consumer protection initiatives included Treating Customers Fairly (TCF), firm supervision involved three pillars with a Firm Systematic Framework (FSF), Event Supervision and Issues and Products Supervision. Firms were grouped into four separate categories (P1, P2, P3 and P4) of potential impact and resource demand. The paper includes a review of the FCA's activities in each of its three areas of statutory objectives.

FCA, 24.7.2013

Alternative Investment Fund Managers

The European Alternative Investment Fund Managers Directive (AIFMD) came into force on 22 July 2013. The directive applies to the management, administration and marketing of alternative investments funds (AIFs) including hedge funds, private equity funds, retail investment funds, investment companies and real estate funds. The directive nevertheless principally regulates the fund manager rather than the fund itself. It establishes an EU wide

framework for the monitoring and supervising of risks created by AIFs with new requirements being introduced for depositaries of funds. Specific requirements are imposed on manager authorisation, conduct of business, regulatory capital, investment safekeeping, delegation, marketing and leverage.

FCA, 22.7.2013

Client Assets

The FCA has issued a consultation paper on *Review of the client assets regime for investment business* (July 2013) CP13/5. The FCA had proposed a number of significant changes to the rules governing client money, custody assets and mandates. The FCA regulated 1,500 firms which were permitted to safeguard and administer assets or hold client money with over £10 trillion in custody assets being held and over £100 billion in client money. Firms submitted monthly Client Money and Assets Returns (CMARs) to the FCA with a new controlled function of client assets oversight (CF10a) being set up to enhance governance and oversight. The paper contains specific proposals on client money distribution rules (CASS 7A), multiple client money pools, client money rules (CASS 7), custody rules (CASS 6), client reporting and information (CASS 9), mandates (CASS 8) and indirect client clearing (under EMIR).

FCA, 12.7.2013

External Auditor and Supervisor

The FCA has published a *Code of Practice for the relationship between the external auditor and Supervisor* (July 2013) FG13/3. This sets out principles establishing the nature of the relationship between the supervisor and auditor, form and frequency of communication and responsibilities and scope for sharing information. The Code consists of five specific principles on the auditor's duty to report, supervisors and auditors sharing information relevant to carrying out their respective statutory duties in a timely fashion, developing an open, cooperative and constructive relationship, engaging in regular dialogue and treating information shared between them or received from firms confidentially. Additional guidance is provided in the Annexe on bilateral meetings with dual-regulated entities (Conduct Supervision Category C1) and FCA only regulated entities (Prudentially Critical P1).

FCA, 12.7.2013

FSA Annual Report

The Financial Services Authority (FSA) final *FSA Annual Report 2012–13* was published in July 2013. Lord Adair Turner, former Chairman of the FSA, referred to the financial crisis beginning in September 2008 as having revealed significant deficiencies in the prudential regulatory approach set up in the UK and elsewhere. The FSA has been radically reformed over the four and a half years since Lord Turner's arrival in September 2008 and the replacement of the FSA by the PRA and FCA. The FSA strengthened

prudential supervision, enhanced capital and liquidity standards, introduced new conduct regulation, dealt with payment protection insurance (PPI) mis-selling and adopted a credible deterrence enforcement policy. The FSA's success of bodies would build on these achievements. The FSA had been restructured internally in advance of the transfer of functions with a Prudential Business Unit (PBU) and Conduct Business Unit (CBU). This internal "twin peaks" structure had allowed the FSA to test, improve and implement the design of the PRA and FCA operating models and to allow staff to focus on their new specific responsibilities and confirm coordination arrangements. The FSA had also worked closely with the Bank of England to allow a smooth transfer of personnel, data and assets to the Bank and PRA with over 1,000 staff moving between January and March 2013. Twenty four technology systems had to be transferred to the PRA from the FSA with four systems requiring data sharing and continued use by the FCA and PRA with an appropriate link being set up to manage access. The FSA concluded a statutory MoU governing the activities of the Bank, FCA and PRA with a separate FCA/PRA MoU and With-Profits MoU with supporting documentation including operating manuals and service level agreements. Specific new regimes had to be set up for dual regulated firms and approved persons. The FSA and Bank published a joint report on 25 March 2013 following their review of requirements for firms entering or expanding in the banking sector. The FSA also supported the work of the Independent Committee on Banking and the Parliamentary Commission on Banking Standards. The report contains additional sections on financial stability, market confidence and consumer protection as well as reduction of financial crime, international activities, delivering the operational platform and final review with a directors' report and corporate governance statement and report of the independent auditor and financial statements for the final period to end March 2013. The FSA held its final public meeting on 16 July 2013.

FSA, 10.7.2013

Retail Investments

The FCA has issued a consultation paper on *Distribution of retail investments: referrals to discretionary investment managers and advisor complaints reporting* (July 2013) CP13/4. The document was issued in response to questions raised on the application of the Retail Distribution Review (RDR) rules. This applies to payments to advisors for referrals to discretionary investment managers (DIMs) which are banned for new business under the RDR, banning referral payments where an advisor firm does not provide personal recommendations and amendment to complaints handling rules against individual advisors to be reported to the FCA. A further policy statement would follow end 2013.

FCA, 4.7.2013

Continuous Payment Obligations

The FCA has reviewed processes and procedures for the cancelling of Continuous Payment Authorities (CPAs). These were considered easy to set

up but difficult to cancel, such as with payday loans causing consumers difficulty in managing finances. The largest banks and mutual firms had agreed that they would ensure that CPAs would be cancelled on request by a customer to them without further action. Customers would be refunded where payments were subsequently still made after cancellation. Firms had also agreed to review complaints received on non-cancellation of CPAs and to provide redress where appropriate.

FCA, 28.6. 2013

Prudential Regulation Authority (PRA)

Bank Capital and Leverage Ratios

The PRA has issued statements on bank capital and leverage ratios for four UK banks. The PRA estimated that the Cooperative Bank had a capital shortfall of £1.5 billion with 7% core equity capital after adjustments. The PRA would continue to work with the Cooperative Bank to cover its shortfall following the release of its interim results for the first half of 2013 in August 2013. The Cooperative had to raise £1.5 billion in Common Equity Tier One capital. The PRA had approved Barclay's capital plan which included new capital issuance, planned dividends and management action to secure a leverage ratio of 3% following adjustments with the coming into effect of the Capital Requirements Regulation on 1 January 2014. The Nationwide was required to increase its leverage ratio to 3% by end 2015 with its plan having been approved by the PRA. The PRA was discussing capital increases with Lloyds Banking Group (LBG) and Royal Bank of Scotland (RBS) following the Financial Policy Committee (FPC) recommendations on expected future losses, conduct costs and prudent risk weighting.

PRA, 29.8 2013

Liquidity

Governor of the Bank of England, Mark Carney, has confirmed that the PRA will implement the FPC June 2013 recommendation on liquidity compliance. Major banks and building societies complying with the minimum 7% capital requirement, would be allowed to reduce their level of required liquid asset holdings which represented a total of £90 billion across the eight major banks and building societies. Financial institutions had built up substantial liquidity reserves since the crisis with the FPC in June 2013 concluding that liquid asset holding requirements could be reduced. The PRA currently require financial institutions to hold 80% liquid assets within their Liquidity Coverage Ratio (LCR) from 1 January 2015 which would increase to 100% by 1 January 2018. Equivalent EU requirements would be imposed under the finalised Capital Requirements Directive (CRD IV) in due course. The PRA would allow banks to meet up to 40% of their 80% requirement using haircutted value assets pre-positioned with the Bank of England's Discount Window Facility (DWF) or other assets specified by the PRA as Level 2 assets with the remainder being made up of other qualifying liquid assets. A definition of Level 2 assets would be produced to operate on

a transitional basis until the EU CRD IV came into effect. Banks and building societies complying with the 7% core equity capital standard would be able to benefit from the reduced liquidity rules. An equivalent relaxation of the liquidity rules would be brought into effect for smaller institutions.

PRA, 28.8 2013

Internal Audit Guidance

The Chartered Institute of Internal Auditors have produced guidance on "Effective Internal Audit in the Financial Services Sector" (July 2013) which has been welcomed by the PRA and the FCA. Implementation should enhance the effectiveness of internal audit functions and the impact and influence on organisations. The PRA and FCA would consider the nature and extent of compliance with the guidance in assessing internal audit effectiveness within regulated firms. The guidance accepts that the primary role of internal auditors is to assist protect the assets, reputation and sustainability of the organisation. Implementation would nevertheless require strong support from audit committees and executive management.

PRA, 8.7.2013

Bank Capital and Leverage Ratios

The PRA has confirmed that it has been in discussion with major UK banks with regard to the revised capital positions recommended by the Financial Policy Committee (FPC) covering expected future losses, conduct costs and prudent risk weighting. The FPC had recommended at its March 2013 meeting that the PRA assess the current capital adequacy positions of the banks using the Basel III definition of equity capital after appropriate deductions and adjustment for risk weight calculation. The PRA should also ensure that major UK banks and building societies hold by end 2013 capital resources equivalent to, at least, 7% of risk weighted assets. The PRA has been in discussion with Barclays, Cooperative Bank, HSBC, Lloyds Banking Group, Nationwide, Royal Bank of Scotland, Santander UK and Standard Chartered. The PRA has specifically confirmed that the Cooperative Bank needs to generate an additional £1.5 billion in Common Equity Tier One capital to absorb potential losses in coming years. The Nationwide has been required to increase its leverage ratio to 3% by end 2015. The PRA has also confirmed satisfaction with Barclays' proposed capital plan which would secure a leverage ratio of 3% after adjustments by June 2014 without reducing lending to the real economy. Banks will have to comply with the EU Capital Requirements Regulation (CRR) from 1 January 2014. Firms are to determine a CET1 capital trigger for the write-down or conversion of Additional Tier1 (AT1) capital that is 5.125% or higher.

PRA, 30.7.2013

Capital Requirements Directive

The PRA and FCA have published consultation papers on the implementation of the EU Capital Requirements Directive (CRD IV) in the UK (Bank

of England PRA, *Strengthening capital standards: implementing CRD IV* (August 2013) CP5/13 and FCA, *CRD IV for Investment Firms* (July 2013) CP13/6. The objective is to increase the level and quality of capital held by banks and investment firms, enhance risk coverage, expand disclosure requirements and reduce procyclicality. The directive also creates a new basis for liquidity standards and introduces a leverage disclosure requirement for the first time. The PRA has confirmed that the UK regime should remain generally of the same following the higher standards implemented in November 2013 on recommendation of the FPC although certain changes will affect UK firms. Pillar 1 Common Equity Tier 1 (CET1) capital is to be increased to 4% between 1 January 2014 and 31 December 2014 and 4.5% from 1 January 2015 onwards. Total Tier 1 (CET1 plus Additional Tier 1) will be 5.5% in 2014 and 6% from 2015 with total capital (Tier 1 plug Tier 2) being 8% from 2014 onwards. Enhancements are made to Pillar 2 which covers firms' internal capital assessment and supervisory review including capital against risks not captured nor fully captured by the regulations (Pillar 2A) and risks that the firm may become exposed to longer term (Pillar 2B). While Pillar 2A may be complied with using any regulatory capital, the PRA proposes that this should be made up of, at least, 56% CET1 by 1 January 2015 and possible by CET1 only from 2016. Firms' combined capital buffer will also consist of a capital conservation buffer, a countercyclical capital buffer and systemic risk buffers where appropriate which will again be covered by CET1 capital. Other requirements contained in the CRD IV, such as on remuneration, have been covered by the Parliamentary Commission on Banking Standards (PCBS) and proposed UK implementation measures.

PRA, 2.8.2013

Bank for International Settlements (BIS)

Sovereign Risk

The Bank for International Settlements (BIS) has published the papers from a seminar on sovereign risk in January 2013 attended by senior central bankers, sovereign ratings analysts, fund managers and other market participants, legal specialists, risk managers and academics. The event included three panels on policy, rating agencies and sovereign risk and financial markets without a risk-free sovereign with additional sessions on legal perspectives and risk managers. BIS General Manager, Jaime Caruana referred to the potentially dire consequences for financial markets if sovereign borrowers cannot restore their finances to a stable medium-term footing with compelling macroeconomic arguments for fiscal consolidation. Caruana separately quoted John Maynard Keynes referring in 1943 to credit as involving the ″miracle …of turning a stone into bread″.

BIS, 8.8.2013

International Banking Statistics

The BIS has published its preliminary *International Banking Statistics* (for end March 2013). Claims on advanced economies had contracted by $342

billion in the previous quarter due to reduced claims on banks and related offices following five previous quarterly declines. Claims on borrowers and emerging economies had increased by $265 billion driven principally by credit in Asia and especially China. Total claims against all countries were $32.947 trillion.

BIS, 23.7.2013

Liquidity Coverage Ratio

The Basel Committee on Banking Supervision has published a consultation paper on *Liquidity coverage ratio disclosure standards* (July 2013) (see Basel Committee, *Liquidity coverage ratio disclosure standards* (19 July 2013)). The liquidity coverage ratio (LCR) was issued in January 2013 with the disclosure standards intended to improve transparency, reduce uncertainty in markets and strengthen market discipline. Banks had to adopt a common disclosure framework to assist participants assess liquidity risk position in a consistent manner with banks in member jurisdictions to be required to publish their LCR in the form of a common template. Some flexibility will be exercised in allowing banks to use their stock of high-quality liquid assets (HQLA) in times of stress. The LCR will come into effect on 1 January 2015 with a minimum 60% requirement increasing in stages to 100% by January 2019.

BIS, 19.7.2013

Debt and Global Liquidity

General Manager, Jaime Caruana, has given an address on ″Debt, global liquidity and the challenges of exit″ before the 8th FLAR-CAF International Conference on ″External liquidity, economic policy and macroeconomic stability in the emerging and developing world″ Columbia, July 2013. Recent market volatility had confirmed that full normality had not returned to markets with fragilities persisting notwithstanding official efforts to support growth over the last six years. Caruana commented on the sources and implications of these fragilities including on rising indebtedness and rapid credit growth and the role of monetary accommodation. G20 countries had experienced total debt increasing by over 30% since the beginning of the crisis with private sector indebtedness falling less than expected. Central bank balance sheet assets had grown from $4 trillion to $10 trillion. Four specific types of interconnected risks were identified in terms of slow balance sheet repair, excessive risk-taking, late cycle financial risks and exit challenges. Caruana concluded that private sector deleveraging was not complete. Monetary accommodation had pushed yields down which had contributed to balance sheet repair and possibly credit booms and late financial cycle risks. Authorities had to recognise the challenges inherent in an inevitable and desirable normalisation of interest rates while private section deleveraging and balance sheet repair had to continue and critical financial cycles in certain economies carefully managed.

BIS, 8.7.2013

Risk Sensitivity

The Basel Committee has published a discussion document on *The regulatory framework: balancing risk sensitivity, simplicity and comparability* (July 2013). A Task Force on Simplicity and Comparability had been set up in 2012 to review the Basel capital framework to identify opportunities to reduce undue

complexity and improve outcome comparability. The background and advantages and disadvantages of the current framework are outlined in the paper with options for further reform identified. The Committee would consider the matter further following comment.

BIS, 8.7.2013

Regulatory Consistency

The Basel Committee has published a paper on *Analysis of risk-weighted assets for credit risk in the banking book* (July 2013) as part of its Regulatory Consistency Assessment Programme (RCAP). The paper examined variation in banks' average RWAs due to differences in asset composition which reflected differences in risk preferences as intended although with further significant variation due to diversity in bank and supervisory practices. Banks were consistent in their assessment of relative obligor riskiness and borrower portfolios although differences arose in estimated risk, in particular, in the probability of default (PD) and loss-given default (LGD) assessments. Consequent ratios could vary by as much as 2% from a 10% benchmark in either direction. Greatest variation arose in sovereign asset classes with least variation in corporate asset classes. The paper outlined possible policy options to retain risk sensitivity but improve comparability and consistency.

BIS, 5.7.2013

Equity Investments

The Basel Committee has published a paper on *Capital requirements for banks' equity investments in funds* (July 2013). The purpose is to clarify the treatment of equity investments under the Standardised Approach and Internal Ratings Base (IRB) approaches. Banks were to apply a look-through approach to identify underlying assets in investing in schemes with underlying exposures such as investment funds with a staged approach with different degrees of granularity or division in certain cases. Three approaches were adopted with different degrees of risk sensitivity consisting of a full look-through approach (LTA) mandate based approach (MBA) and fall-back approach (FBA).

BIS, 5.7.2013

Working Papers

The BIS has published a number of recent working papers. These include Philip Turner, ″Caveat creditor″ (July 2013) no 419, Patrick Bolton et al ″Relationship and Transaction Lending in a Crisis″ (July 2013) no 417, Leonardo Gambacorta and Federico M Signoretti ″Should monetary policy lean against the wind? – an analysis based on a DSGE model with banking″ (July 2013) no 418 and Elod Takats and Christian Upper, ″Credit and growth after financial crises″ (July 2013) no 416. The last paper confirms that declining bank credit to the private sector did not necessarily constrain economic recovery after output had decreased following a crisis from the data examined in 39 previous financial crises. Private sector deleveraging was not

necessarily harmful for growth with increasing competitiveness through exchange rate depreciations being statistically and economically associated with faster recoveries. The Irving Fisher Committee on Central Bank Statistics published a separate working paper on ″Optimizing Checking of Statistical Reports″ (July 2013) no 11.

July 2013

Financial Stability Board (FSB)

Emerging Market and Developing Economies

The Financial Stability Board (FSB) has issued a monitoring statement on the effects of agreed regulatory reforms on emerging market and developing economies (EMDEs). This follows a joint study with the International Monetary Fund (IMF) and World Bank in June 2012. The G20 Leaders had called for further monitoring at the Los Cabos Summit in 2012. The FSB had since attempted to embed the monitoring, analysis and reporting of EMDE effects into existing mechanisms and consultation channels with standard setting bodies (SSBs) and international financial institutions (IFIs) following discussion with FSB Regional Consultative Groups (RCGs). The principal reforms covered including Basel III capital and liquidity, over the counter (OTC) derivatives and global systemically important financial institution (G-SIFI) revisions including on resolution. The FSB has provided an update on recent developments in each of these areas with regard to EMDE practice.

FSB, 12.9 2013

UK Peer Review

The FSB has concluded its *Peer Review of the United Kingdom* (10 September 2013). FSB member countries have undertaken to undergo periodic peer reviews under the FSB Charter and FSB *Framework for Strengthening Adherence to International Standards* (9 January 2010). IMF/World Bank Financial Sector Assessment Programme (FSAP) assessments are to be conducted every 5 years and peer reviews 2–3 years following the FSAP. Recommendations on financial regulation and supervision are also made under the IMF/World Bank Reports on the Observance of Standards and Codes (ROSCs). The UK peer review was examined by the FSB's Standing Committee on Standards Implementation (SCSI) on 15 July 2013. The review was conducted under the revised objectives and guidelines set out in the FSB, *Handbook for FSB Peer Reviews* (December 2011). The UK review specifically examines its macro-prudential policy framework, micro-prudential supervisory approach and the supervision and oversight of central counterparties (CCPs) which were covered in the IMF FSAP. The report concludes that good progress had been made in addressing the recommendations set out in the FSAP following the institutional revisions brought into effect in the UK in April 2013 although much of this work was ongoing. The challenge for the authorities was to continue to roll out and integrate these reforms, deal with execution risks and take necessary action to ensure the effectiveness of the reforms over the long term. The need to promote strong relationships

between staff at all levels within the new institutions and Bank of England was specifically highlighted as an important prerequisite for success of the reforms. Specific issues referred to with regard to the FPC included mandate and governors, analysis and tools, inter-agency (and intra-agency) relationships and subject matter expertise and FPC involvement in the prudential framework. Micro-prudential issues included cooperation between the FCA and PRA, supervisory effectiveness, disclosure of PIF ratings, data collection and analysis and insurance supervision. The review recommended that the FPC build upon the technical expertise of the PRA and FCA in identifying and implementing policies to promote financial stability. The FPC had to develop its relationship with the FCA by deepening FCA involvement in FPC meeting preparations and by jointly undertaking systemic risk analysis work. Authorities had to clarify the appropriate level of detail within FPC comply-or-explain recommendations and FPC influence on the wider prudential framework. The PRA had continually to assess the adequacy of front-line supervisors in terms of numbers and skill sets and the application of supervisory tools and their contribution to supervisory outputs and judgement, formalise the sign-off of individual firms' risk assessments and supervisory strategies by risk specialists, ensure an appropriate degree of coverage of smaller firms through flexible resourcing models and consider designating country risk specialists to develop specialist knowledge for material jurisdictions. The PRA had also to ensure that supervised firms were aware of any heightened concerns and accompanying intervention activity and consider PIF rating disclosure without public access. The Bank of England had actively to promote the alignment of micro and macro prudential objectives of CCP supervision and oversight by elevating these on FPC issue agenda and PRA and FCA attention.

FSB, 10.9 2013

Financial Regulatory Reform Progress

The FSB has published a letter from its Chairman, Mark Carney, a progress report and scoreboard status report by way of summary of the financial regulatory reform progress achieved in advance of the G20 Leaders Summit in St Petersburg. FSB members had made major progress correcting the fault lines that had caused the financial crisis and were building more resilient financial institutions and markets through substantially strengthened international standards. This work was not yet completed with further G20 implementation work required especially in connection with ending "too-big-to-fail" shadow and derivatives market safety. The G20 response would ultimately dictate the openness of the global financial system and the strength and sustainability of global growth.

FSB, 5.9 2013

Financial Derivatives

The FSB has published a report by its Chairman on *OTC Derivatives Reforms Progress* (September 2013) with a sixth FSB, *OTC Derivatives*

Market Reforms (September 2013) implementation report). The FSB confirmed that substantial progress had been made by standard setting bodies, national and regional authorities and market participants in securing the G20 commitments on financial derivatives through a combination of international policy development, legislative and regulatory adoption and infrastructure expansion. The G20 had agreed that by end 2012, all OTC derivatives contracts should be reported to trade repositories (TRs), all standardised contracts should be traded on exchanges or electronic trading platforms and cleared through central counterparties (CCPs) and non-centrally cleared contracts should be subject to higher capital requirements and minimum margining requirements should developed. Three quarters of FSB members would have TR reporting systems in place by the beginning of 2014 with minimum standards already having been agreed for the sound management of Financial Market Infrastructures (FMIs) including CCPs. A regulatory group from a number of large OTC derivatives markets had agreed to improve cross-border implementation with a macroeconomic assessment confirming the long-run net benefits of the reforms. Market participants had made good progress in preparations with increased use of centralised infrastructure. Further work was required on central clearing, FMI resolution, cross-border cooperation, regulatory clarity on cross-border transaction effects and timetables and ensuring full use of trade repository data.

FSB, 2.9 2013

Too-Big-To-Fail

The FSB has published a report on, *Progress and Next Steps Towards Ending "Too-Big-To-Fail"* (*TBTF*) (2 September 2013). Progress had been achieved in developing an appropriate international policy framework with firms and markets beginning to adjust to authorities' intended end to TBTF. The paper reviews the FSB SIFI framework, assessment and designation of G-SIFIs, effective resolution regimes, impediments to resolvability, implementing policy measures for D-SIBs and G-SIIs, global systemically important NBNI G-SIFIs, more intense and effective supervision, strengthening core financial market infrastructures, review of bank structural measures and overall progress. Member countries had to undertake necessary legislative reforms to implement the FSB *Key Attributes of Effective Resolution Regimes* by 2015, allow domestic authorities to share information and cooperate fully, make resolution effective on a cross-border basis, remove impediments to resolvability especially through firm legal, financial and operational structure complexity, develop complementary domestic structural measures to support resolvability, implement necessary measures for D-SIBs and ensure that authorities had the capacity to resource themselves effectively with proper independence to secure their mandates. The FSB, SSBs and IFIs had to ensure the development of appropriate information sharing mechanisms within crisis management groups and core supervisory colleges for G-SIFIs, ensure effective loss absorbing capacity to avoid public fund bail-outs, regulate G-SIIs and prevent large-scale early termination of financial contracts in resolution through appropriate contractual and statutory adjustments.

FSB, 2.9 2013

Shadow Banking

The FSB has produced a series of documents on Shadow Banking. The FSB had specifically examined the five areas of the relationship between the regular banking system and shadow banking, the possibility of money market fund (MMF) runs, securitisation, securities financing including repos and securities lending and other systemic shadow banking exposures. These include FSB, *Strengthening Oversight and Regulation of Shadow Banking – An Overview of Policy Recommendations* (29 August 2013), *Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos* (29 August 2013) and *Policy Framework for Strengthening Oversight and Regulation of Shadow Banking Entities* (29 August 2013) with separate papers being produced by the International Organisation of Securities Commissions (IOSCO) on *Policy Recommendations for Money Market Funds* and *Global Developments in Securitisation Markets*. These follow earlier draft documents which had since been finalised. Further work was still required on methodologies to calculate haircuts of non-centrally cleared securities financing transactions with a framework of numerical haircut floors following further assessments. The FSB would monitor implementation of the final policy recommendations in shadow banking in cooperation with the SSBs. The objective was to allow shadow banking to facilitate the provision of market based financing on a sound basis with exposures from maturity transformation and leverage within the shadow banking area being appropriately limited. The policy paper specifically focused on the need to establish a system wide monitoring framework, strengthen the oversight and regulation of shadow banking including limiting banks' interactions with shadow banking entities, reducing the susceptibility of MMF runs, improving transparency and aligning securitisation incentives, reducing procyclicality in financing transactions and assessing other systemic risks.

FSB, 2.9 2013

Credit Rating Agencies

The FSB has issued a progress report on ″Credit Rating Agencies – Reducing reliance and strengthening oversight″ (29 August 2013). The FSB confirmed that authorities had to accelerate work to end the mechanistic reliance of regulatory regimes and market participants on external CRAs. The FSB had brought forward a roadmap to reduce reliance on CRA ratings with a thematic peer review of national authorities' actions to reduce reliance. An interim peer review report had been published with the US taking the most significant action in removing the ″hard-wiring″ of ratings with further progress also being achieved in the EU. The Basel Committee was examining the issue of reducing reliance on CRAs within its measures. Market participants had also to improve their own capacity to produce appropriate credit assessments. FSB members had to disclose action plans to identify and prioritise further areas for changes in laws and regulations.

FSB, 29.8 2013

Financial Benchmarks

The FSB has produced a ″Progress report on the oversight and governance framework for financial benchmark reform″ (29 August 2013). The G20 had asked the FSB to promote consistency in the various assessments conducted on benchmark setting revision and to ensure that national and regional authorities adopted a coordinated approach in this regard. Separate reports on benchmarking had been produced by the Wheatley Review of LIBOR with other reports being produced by the European Banking Authority (EBA), IOSCO and the ECC Governors and others. The FSB had set up a high-level Official Sector Steering Group (OSSG) to monitor coordination and consistency and to support a Market Participants Group which would examine the feasibility and viability of adopting additional reference rates and appropriate transitional issues. The OSSG would specifically produce recommendations on the conduct of assessments of governance and processes within existing interest rate benchmarks using endorsed IOSCO Principles and encourage the private sector to identify additional benchmark rates.

FSB, 29.8 2013

Long-Term Investment Finance

The FSB has produced an ″Update on financial regulatory factors affecting the supply of long-term investment finance″ (29 August 2013). The FSB had been commissioned to undertake diagnostic work with other relevant international organisations (IOs) to examine factors affecting long-term investment financing with initial findings being produced in February 2013. A separate Study Group on Financing for Investment was set up under the G20 with the FSB organising a workshop in June 2013 to identify specific regulatory factors impeding the provision of long-term investment finance. Financial regulation should promote a safe, sound and resilient financial system within which investment finance could be provided. A number of issues were examined at the FSB workshops and potential ″pressure points″ identified including difficulties with pullback and the shortening of maturities, the provision of additional long-duration finance, the importance of transparency and need to develop a market for the hedging of long-term risks. It was considered too early to observe the detailed effects of regulatory reform on the provision of such finance as much of this was still in the process of development or at an early stage implementation. The FSB would coordinate activities with other SSBs and IFIs, examine the issue as part of its Regional Consultative Group work agenda and continue engagement with market practitioners.

FSB, 29.8 2013

Resolution Assessment Methodology

The FSB has issued a consultative paper on an ″Assessment Methodology for the Key Attributes of Effective Resolution Regimes″ (August 2013). The FSB has produced a draft methodology with the IMF and World Bank and SSBs the purpose is to develop objective and consistent assessments of country

compliance with the new international standards set out in the FSB Key Attributes and to secure appropriate domestic implementation. The methodology includes a set of assessment criteria for each Key Attribute with further examples and explanations to guide interpretation. The detailed provisions are set out in FSB, *Assessment Methodology for the Key Attributes of Effective Resolution Regimes for Financial Institutions* (28 August 2013). This is in 7 sections with 12 subsections based on the original FSB Key Attributes.

FSB, 28.8 2013

United States Peer Review

The FSB has produced its peer review of the United States (FSB, *Peer Review of the United States* (27 August 2013). This examines the progress made by the US on systemic risk oversight arrangements, the supervision and oversight of financial market infrastructures (FMIs) and insurance supervision. Good overall progress had been secured following the recommendations made by the IMF under the 2010 FSAP on the three subjects covered. Specific progress had been possible under the Dodd Frank Wall Street Reform and Consumer Protection Act which inter alia covered the systemic risk oversight gap in the US with the establishment of the Financial Stability Oversight Council (FSOC). Substantial work had also been taken by other US regulatory agencies including on FMIs and the insurance sector. Significant additional work was nevertheless required to implement all of the FSAP recommendations. The Federal Insurance Office had specifically to enhance its monitoring and be further strengthened to allow action to deal with identified gaps. The US authorities had to enhance insurance group supervision through the introduction of requirements for consolidated financial reporting of all insurance groups with lead supervisors being given additional powers to assess the financial condition of a group as a whole. Authorities had also to implement the FSAP recommendation on the terms of state commissioners' appointments, rule making powers of state insurance departments and their funding and staff resources.

FSB, 27.8 2013

Compensation Practices

The FSB has published a second progress report on implementation of its *Principles for Sound Compensation Practices* (2 April 2009). While good progress continued to be made, further work was required to ensure the implementation of the FSB principles had led to more prudent risk-taking behaviour. It was accepted that this would take some time and that it was not yet possible to confirm that improvements in compensation practices had become effective and sustainable. Continuing difficulties arose with regard to, for example, *ex ante* risk adjustment, alignment of compensation and performance (including mal-use and claw-back) and the identification of material risk-takers. Only two member countries had not yet implemented the FSB principles. Market trends were supportive although further monitoring was required. Disclosure practices had also improved although difficulties remained in authority and public understanding of compensation data

disclosures. While firms expressed concerns with regard to distorted playing fields, there was considered little evidence that implementation had impeded or diminished the ability of institutions to recruit and retain talented staff. Most firms had also adopted the Bilateral Complaint Handling Process recommended by the FSB for this purpose.

FSB, 26.8 2013

Enhanced Disclosures

The FSB Enhanced Disclosure Task Force (EDTF) has produced a second implementation report on "Enhancing the Risk Disclosures of Banks" following its first report in October 2012. This includes findings from a self-assessed survey of G-SIBs and D-SIBs with a review of the specific EDTF disclosures made by banks in their 2012 Annual Reports and Pillar 3 documents conducted by a group of investor and analyst members of the task force. Survey results confirmed that the EDTF recommendations had had a positive impact on reporting practices. General disclosure levels had improved from 34% to 50% with expected implementation to increase to 72%. A number of the largest global banks had specifically dealt with EDTF recommendations in their 2012 reports with banks more generally committing to the implementation of the required disclosures.

FSB, 21.8 2013

Common Data Template

The Financial Stability Board (FSB) has produced a common data template for global systemically important banks covering key information gaps to provide authorities with a solid framework to assess potential systemic risks. The FSB had set up a working group to produce a common data template for collecting and pooling consistent information on bilateral credit exposures (Phase 1), bilateral funding sources (Phase 2) and harmonised consolidated balance sheet with common exposures and other interconnections between reporting firms (Phase 3). The working group had completed Phase 1 and sought comments before finalising Phases 2 and 3 with an international workshop to be held in New York on October 2013. A first draft proposal would be produced before the workshop.

FSB, 25.7.2013

Effective Risk Appetite Framework

The FSB has produced a consultation document on *Principles for an Effective Risk Appetite Framework* (July 2013). The objective is to enhance supervisory oversight of firms and specifically systemically important financial institutions (SIFIs) by establishing minimum expectations for key elements within an effective risk appetite framework. This will include an actionable risk appetite statement, quantitative risk limits and clearly defined roles and responsibilities for the board of directors, senior management and business lines. A common nomenclature is also established. Good risk management is considered based on an effective risk appetite framework which represents

the aggregate level and types of risk that a firm is willing to assume within its risk capacity to secure its strategic objectives and business plan. The risk appetite is to be set out in the firm's risk appetite statement which is linked to its short and long term strategic, capital and financial plans as well as compensation programmes covering all material risks under normal and stressed market and macro-economic conditions. Clear boundaries and expectations are set using quantitative limits and qualitative statements for risks that are difficult to measure.

FSB, 17.7.2013

International Organisation of Securities Commissions (IOSCO)

Cross-Border Cooperation

The International Organisation of Securities Commissions (IOSCO) had adopted measures to encourage non-signatory members to sign its *Multilateral Memorandum of Understanding on Cooperation and Exchange of Information* (2002). IOSCO would adopt a series of measures which would gradually restrict the ability of non-signatory members to influence key decisions where they provided limited support to IOSCO's enforcement efforts. The measures were agreed at the 38th Annual Conference in Luxemburg on 15–19 September 2013. These would include restricting candidate nominations to leadership positions, requiring current appointed leadership positions to be vacated, suspending participation in policy committees and voting rights. The purpose of the MMoU was to provide a vehicle through which authorities could share essential investigative material, including on beneficial ownership structures, and securities and derivatives transaction records, including bank and brokerage records. Further requirements were set out with regard to exchange of information to avoid bank secrecy obstacles and blocking laws or regulations in the securities area.

IOSCO, 18.9 2013

IFRS Implementation

IOSCO and the International Financial Reporting Standards (IFRS) Foundation have agreed on a set of joint protocols to enhance consistency in the implementation of IFRS measures. These are set out in a ″Statement of Protocols″ following early cooperation between the IOSCO and the IFRS Council. The statement acknowledges the existing cooperation between the bodies, identifies further areas of mutually supportive work and provides for continued strengthening of cooperation over time. This does not alter the earlier memorandum of understanding (MOU) entered into between IOSCO and the IFRS. Both bodies have an interest ensuring that the IFRS is comprehensive, well developed and maintained and auditable and enforceable. They also have a common interest ensuring that the standards are consistently applied in practice in individual countries. The protocols will be reviewed in two years by the IOSCO Board and the Foundation.

IOSCO, 18.9 2013

IOSCO Annual Meeting

Members of IOSCO confirmed IOSCO's position as the key global reference point on securities regulation for policy makers, industry and global regulators at the IOSCO Annual Conference in Luxemburg in September 2013. Members confirm their determination to work together to identify emerging risks, IOSCO's commitment to undertaking an increasingly active role in promoting the finance of long-term investment through capital markets, improved audit quality and the importance of the effective implementation of IOSCO principle and recommendations in promoting well regulated markets. Specific issues examined at the Annual Meeting covered standard-setting and implementation (including G20 and FSB mandates, financial benchmarks, capital markets and long-term investment, IFRS, implementation assessment, emerging and systemic risk identification, investor education and financial literacy and the IOSCO Task Force on Cross-Border Regulation), engagement (including an industry round table on Emerging Risks: Cybercrime, the Growth and Emerging Markets Committee (GEM) and the work of the Affiliate Members Consultative Group (AMCC)) and cooperation (including measures to support adoption of the MMoU, the IOSCO Capacity Building and Foundation and joint book launch on Islamic Capital Market Products).

IOSCO, 18.9 2013

CRA Supervisory Colleges

The International Organisation of Securities Commissions (IOSCO) has produced a final report on *Supervisory Colleges for Credit Rating Agencies* (July 2013). This recommends the establishment of supervisory colleges for all internationally active credit rating agencies (CRAs) with preliminary guidelines on how these should be constituted and operate. The objective is to improve the integrity of CRAs with colleges assisting enhanced effectiveness of supervisors' risk assessment and oversight through information exchange and cooperation which would otherwise have been carried out in an inconsistent and uncoordinated manner. Colleges would consist of collaborative arrangements between supervisors to promote information sharing, consultation and cooperation to enhance risk assessment of internationally active CRAs and support their effective supervision. The information covered would include compliance with local or regional laws and regulations, implementation of the IOSCO Code of Conduct for CRAs and the establishment and operation of rating models and methodologies, internal controls, conflicts of interest management procedures and material non-public information handling.

IOSCO, 30.7.2013

Financial Benchmarks

IOSCO has produced a final report on *Principles for Financial Benchmarks* (July 2013). IOSCO had published an initial consultation document in April 2013 containing principles that had been developed by a Board Level Task Force on Financial Market Benchmarks. Consultation documents had been

issued in January and April 2013 which paralleled other workstreams carried out by other agencies. The objective of the principles is to create an overarching framework for benchmark standards used in financial markets and to promote the reliability of benchmark determinations and governance, quality and accountability. Nineteen principles have been produced covering overall administrator responsibility, third party oversight, administrator conflicts of interest, administrator controlled framework, internal oversight, benchmark design, data sufficiency, data input hierarchy, transparency of benchmark determinations, periodic review, methodology content, methodology changes, transition, code of submitter conduct, data collection internal controls, complaints procedures, audits, audit trail and regulatory cooperation.

IOSCO, 17.7.2013

Cybercrime and Systemic Risk

The Research Department of IOSCO has produced a joint Staff Working Paper with the World Federation of Exchanges (WFE) on *Cyber-crime, securities markets and systemic risk* (July 2013). The paper examines the changing nature of cybercrime in securities markets and the threats created to the fair and efficient functioning of markets. The nature of cybercrime risk is considered and specific systemic risk scenarios outlined. Five themes are identified in examining world exchanges including size, complexity and incentive structures, market integrity, efficiency and infiltration of non-substitutable and interconnected services, transparency and awareness, cyber security and cyber resilience and the effectiveness of existing regulation. Relevant gaps are identified and the role of securities regulators outlined with other policy questions listed and research questions noted. Cyber attack techniques are reviewed in Annexe A with prevention, detection and recovery mechanisms in Annexe B and survey data in Annexe C. Cybercrime is considered within IOSCO Principle's 6 on systemic risk and 7 on reviewing the regulatory perimeter. A number of exercises are carried out annually to identify potential risks. Cybercrime costs had increased to between $388 billion and $1 trillion.

IOSCO, 16.7.2013

Report on authorities' access to trade repository data

IOSCO has produced a consultative report with the Committee on Payment and Settlement Systems (CPSS) on *Authorities' access to trade repository data* (April 2013). The purpose of the report is to provide guidance on the principles that should support authorities' access to data held within trade repositories (TRs) and approaches to dealing with confidentiality and access constraint issues. The CPSS and IOSCO had been invited to consider TR data access by the FSB in October 2011. TR and authority expectations are set out in Principle 24 and Responsibility E of the CPSS IOSCO *Principles for financial market infrastructures* (PFMIs). The consultative paper contains specific sections on authorities' data needs (including definition of different

access levels and functional mandates), approaches to facilitate TR data access, framework and guidelines for access and typical data access mapping.

IOSCO, 11.7.2013

Global Regulatory Reform Agenda

IOSCO has hosted a meeting in Madrid with 60 market participants from 20 countries, including 30 international financial associations and investor groups, on the emerging international financial regulatory reform agenda. Major challenges considered including structural change, the risk posed by innovation and ongoing globalisation. IOSCO hope to be able to make a significant contribution through its standard setting work, engagement with industry and stakeholders and member cooperation. IOSCO's current work programme was outlined with new initiatives including the creation of a Committee on Retail Investors and a Task Force on Cross-Border Regulation. The risks outlined by IOSCO's research team were identified including risks created within a low interest rate environment, managing collateral, central counterparties and cybercrime. The possible value of behavioural economics was also referred to. IOSCO Board had considered behavioural economics and social media at a two day meeting on emerging risks and new market trends in Montreal in June 2013.

IOSCO, 2.7.2013

Joint Forum

Mortgage Insurance

The Joint Forum has produced a final report on *Mortgage Insurance: market structure, underwriting cycle and policy implications* (20 August 2013). The paper examines the relationship between mortgage insurers and mortgage originators and underwriters. A number of recommendations are made to reduce the likelihood of mortgage insurance stress and failure in the event of extreme tail events such as following the global financial crisis beginning in 2007. Policymakers should specifically consider requiring originators and insurers to align their interests with strong underwriting standards being maintained. Supervisors should be aware of a deterioration in underwriting standards arising from behavioural incentives influencing originators and insurers with adequate long-term capital buffers and reserves being built up over time. Cross-sectoral arbitrage should be avoided and FSB Principles for Sound Residential Mortgage Underwriting Practices applied.

JF, 20.8 2013

Longevity Risk Transfer Markets

The Joint Forum has produce two consultative papers on Longevity risk transfer markets: market structure, growth drivers and impediments and potential risks (August 2013) and Point of Sale disclosure in the insurance, banking and securities sectors (August 2013). Longevity risk is the risk of paying out on pensions and annuities for a longer period than anticipated

with global estimates identifying this at US$15–25 trillion. The Joint Forum is attempting to draw importance to the issue and assist set appropriate policies and ensure the effective supervision of related activities and risk. The second paper identifies and assesses differences and gaps in regulatory approach to point of sale (POS) disclosure for investments and savings products in the insurance, banking and securities areas. It considers whether regulatory approaches have to be further aligned and produces a number of recommendations in developing and modifying POS disclosure regulations.

JF, 15.8 2013

International Association of Insurance Supervisors (IAIS)

Global Systemically Important Insurers

IAIS has produced an assessment methodology and policy measures for Global Systemically Important Insurers (G-SIIs) with a framework for macroprudential policy and surveillance. The IAIS had developed an initial assessment methodology to assess the systemic importance of insurers which was applied to end 2013. Five measurement categories were used to determine relative systemic importance covering non-traditional insurance and non-insurance (NTNI) activities, interconnectedness, substitutability, size and global activity. A 45% weighting was attached to NTNI, 40% to interconnectedness, 5% to substitutability, 5% to size and 5% to global activity. Twenty indicators were developed within these five categories covering intra-financial assets and liabilities, gross notional amount of derivatives, level 3 assets, non-policyholder liabilities and non-insurance revenues, derivatives trading, short term funding and variable insurance products with minimum guarantees. A separate framework of policy measures for G-SIIs was produced based on a general FSB framework with appropriate adjustments. Three main sets of measures were produced on enhanced supervision, effective resolution and higher loss absorption (HLA) capacity. A further framework for implementing macroprudential policy and surveillance (MPS) was produced to support the IAIS's microprudential work. The objective is to enhance supervisory capacity to identify, assess and mitigate macro-financial vulnerabilities that could lead to severe and widespread financial risks.

The FSB identified an initial list of G-SIIs in consultation with the IAIS and national authorities on 18 July 2013. This consisted of five firms including Allianz SE, American International Group Inc, Assicurazioni Generali SpA, Aviva plc, Axa SA, MetLife Inc, Ping An Insurance (Group) Company of China Ltd, Prudential Financial Inc and Prudential Plc. The measures are set out in IAIS, *Global Systemically Important Insurers: Initial Assessment Methodology* (July 2013), IAIS, *Global Systemically Important Insurers: Policy Measures* (July 2013) and IAIS, *Macroprudential Policy and Surveillance (MPS) in Insurance* (July 2013).

International Swap Derivatives Association (ISDA)

The ISDA has commented with the British Bankers Association (BBA) on the European Securities and Markets Authority's (ESMA) discussion paper

on the Clearing Obligation under the European Market Infrastructure Regulation (EMIR) which includes significant concerns with regard to the nature and scope of the obligation. Market participants remain concerned with regard to the potential impact of the front loading obligation with new contracts created following portfolio compression not being subject to the clearing obligation. Mandatory clearing should initially be applied with regard to credit and interest rate derivatives with further examination being required of equity and foreign exchange derivatives. ISDA has produced a Dodd Frank Protocol (DFP2) to EMIR Top-up Agreement where parties do not wish to adhere to the ISDA 2013 EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol (EMIR Protocol). ISDA has published its 2013 Arbitration Guide which sets out guidance on the use of an arbitration clause with the 1992 and 2002 ISDA Master Agreements. ISDA has produced Russian translations of its 1992 and 2002 Master Agreements.

ISDA has commented with the Association for Financial Markets and Europe (AFME) on the EBA's consultation paper on Draft Regulatory Technical Standards on the definition of market under the draft EU Capital Requirements Regulation (CRR) which prefers option 2 which defines a common market in terms of common currency and regulatory (including legal) framework with other markets being defined in terms of nationality. ISDA has produced a set of principles to attempt to secure a more harmonised framework for international derivatives regulations. The objective is to promote the development of inter-jurisdictional recognition frameworks and processes of derivatives regulation using a principles based substituted compliance methodology. This includes requiring that an effective framework be based on the declarations issued by the G20 following the Pittsburgh and Cannes meetings. Regional and national authorities should assess each other's regimes to promote a principles based approach to cross-border compliance to minimise regulatory burden, maintain global markets and avoid market fragmentation. Jurisdictional requirements may be compared using a variety of analytical methods beginning with the identification of a set of common principles to achieve the G20 regulatory goals. Final decisions on comparability should be transparent and not based on bilateral dialogue between authorities. Regulators must consult and cooperate with each other before implementing their respective derivative regulations.

ISDA, September/August 2013

ISDA has commented on bank's involvement in commodity markets and the "financialization" of commodities and the pressure placed on prices with this. The Centre for European Policy Studies (CEPS) and the European Capital Markets Institute (ECMI) completed a comprehensive study on the issues and concluded that the role of non-commercial participants in commodities markets had generally been benign with the growth of index investments not having caused distortions in price information so far (see CEPS and ECMI, *Price Formation in Commodities Markets: Financialization and Beyond* (9 July 2013)). Price formation was determined by three inputs with product (idiosyncratic) factors, supply and demand factors (including capital intensity and

production facilities) and exogenous factors (such as weather, government subsidies and financing) with demand and supply fundamentals being the most solid drivers of futures price formation across all commodities markets covered by the report. Financialization had increased pricing's responsiveness to economic cycles and vulnerability to short-term shocks although the financial system had been instrumental in the growth of international commodities markets with financialization being a natural outcome of the new trading environment with fundamentals remaining key drivers despite growing interconnection.

ISDA has published an EU EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol and Reporting Guidance Note with the protocol allowing the simultaneous amendment of identified agreements to reflect the new reconciliation and dispute resolution obligations imposed under EMIR on OTC derivatives, central counterparties and trade repositories.

Proposed amendments have been issued to the 2003 ISDA Credit Derivatives Definitions including on such matters as bail-in for financial reference entities, sovereign asset packages and subordinated European insurance reference entities. ISDA has commented with the Association for Financial Markets in Europe (AFME) on the European Commission's proposals on structural reform of the banking sector. While members supported the Commission's objectives of reducing risk in banks and the banking system it was concerned with the additional structural recommendations being brought forward including the separation of significant securities trading activities into separately capitalised entities with there having been no link between the losses suffered by banks during the crisis and their particular business models or size as supported by the High Level Expert Group (HLEG). The principal causal factors were weaknesses in controls, lack of funding diversification, poor risk management and inadequate levels of capital and liquidity rather than structure. The diversity of the financial system should be preserved as a source of strength with any one-size-fits-all structural requirements threatening diversity and undermining the effectiveness and stability of the European financial system. Separation could specifically lead to several notches of ratings downgrades which would increase funding costs and collateral requirements with a significant withdrawal of capacity in the carved-out entity.

ISDA has separately confirmed the results of its 2013 Margin Survey with $3.7 trillion of collateral being in circulation in non-cleared OTC derivatives markets which had risen by 1% from $3.65 trillion in 2012. 69.1% of all non-cleared trades were subject to collateral with 75.3% in large firms. There were 118,853 collateral agreements in place end 2012 with 87% of these being ISDA agreements.

ISDA, July 2013

EUROPEAN DEVELOPMENTS

European Parliament Adopts Single Supervisory Mechanism Legislation

The European Parliament has adopted legislation that will put 150 of the EU's largest banks under the direct oversight of the European Central Bank from September 2014. The Single Supervisory Mechanism will be compulsory for all members of the Eurozone and optional for all other EU countries. The legislation adopted deals specifically with the democratic accountability and transparency of the new mechanism. In particular it entitles the European Parliament to ″comprehensive and meaningful record [of Supervisory Board meetings] that enables anunderstanding of the discussions, including an annotated list of decisions" and requires the Chair of the Supervisory Board to appear at regular intervals before the Parliament. The Parliament will have a joint power with the Council to approve the Chair and Vice-Chair of the supervisory board and to request their removal, as well as a power to launch investigations into possible errors by the supervisor.

European Parliament Provisionally Adopts Mortgage Credit Directive

The European Parliament has provisionally adopted legislation covering mortgages of residential property, residential property including office space and building land. The Mortgage Credit Directive will impose requirements including mandatory disclosure of information to borrowers in a consistent format across the EU, a mandatory seven day reflection period before signing as well as a seven day cooling-off period thereafter. The Directive will also prohibit lenders from obliging borrowers to pay penalties for early repayment. New rules will provide for loans denominated in a foreign currency. On default, the legislation will also include a requirement for the lender to sell property for the "best effort" price.

European Commission Proposes New Rules for MMFs

The European Commission has adopted a communication on shadow banking which includes proposed new rules for money market funds (MMFs). In Europe MMFs hold 22% of short-term debt securities issued by governments and the corporate sector along with 38% of the short-term debt issued by the banking sector. The Commission proposals include new rules for MMFs domiciled or sold in Europe. These include requirement to maintain at least 10% of their portfolio in assets with mature within one day and another 20% in assets that mature within one week. Exposure to single issuers would be capped at 5% in value of the MMF's portfolio. MMFs will also be required to establish capital buffers to support stable redemptions.

ISLAMIC FINANCE DEVELOPMENTS

Financial Services Act 2013 and Islamic Financial Services Act 2013 Come Into Force in Malaysia

The regulatory and supervisory framework of Malaysia enters a new stage of its development as the Financial Services Act 2013 (FSA) and Islamic Financial Services Act 2013 (IFSA) come into force on 30 June 2013.

The FSA and IFSA is the culmination of efforts to modernise the laws that govern the conduct and supervision of financial institutions in Malaysia to ensure that these laws continue to be relevant and effective to maintain financial stability, support inclusive growth in the financial system and the economy, as well as to provide adequate protection for consumers. The laws also provide Bank Negara Malaysia with the necessary regulatory and supervisory oversight powers to fulfil its broad mandate within a more complex and interconnected environment, given the regional and international nature of financial developments. This includes an increased focus on pre-emptive measures to address issues of concern within financial institutions that may affect the interests of depositors and policyholders, and the effective and efficient functioning of financial intermediation.

It is important that Malaysia's regulatory and supervisory system is adequately equipped to respond effectively to new and emerging risks so that confidence in the financial system is preserved and that the critical financial intermediation activities which are vital to the economy are not disrupted. The FSA and IFSA amalgamate several separate laws to govern the financial sector under a single legislative framework for the conventional and Islamic financial sectors respectively, namely, the Banking and Financial Institutions Act 1989 (BAFIA), Islamic Banking Act 1983, Insurance Act 1996 (IA), Takaful Act 1984, Payment Systems Act 2003 and Exchange Control Act 1953 which are repealed on the same date.

Key features of the new legislation include:

- greater clarity and transparency in the implementation and administration of the law. This includes clearly defined regulatory objectives and accountability of Bank Negara Malaysia in pursuing its principal object to safeguard financial stability, transparent triggers for the exercise of Bank Negara Malaysia's powers and functions under the law, and transparent assessment criteria for authorizing institutions to carry on regulated financial business, and for shareholder suitability;
- a clear focus on Shariah compliance and governance in the Islamic financial sector. In particular, the IFSA provides a comprehensive legal framework that is fully consistent with Shariah in all aspects of regulation and supervision, from licensing to the winding-up of an institution;
- provisions for differentiated regulatory requirements that reflect the nature of financial intermediation activities and their risks to the overall financial system;

- provisions to regulate financial holding companies and non-regulated entities to take account of systemic risks that can emerge from the interaction between regulated and unregulated institutions, activities and markets. The Minister of Finance may subject an institution that engages in financial intermediation activities to ongoing regulation and supervision by Bank Negara Malaysia if it poses or is likely to pose a risk to overall financial stability;
- strengthened business conduct and consumer protection requirements to promote consumer confidence in the use of financial services and products;
- strengthened provisions for effective and early enforcement and supervisory intervention

The new laws will place Malaysia's financial sector, encompassing the banking system, the insurance/takaful sector, the financial markets and payment systems and other financial intermediaries, on a platform for advancing forward as a sound, responsible and progressive financial system. This is especially important to enable the financial system to meet the new demands for financing associated with Malaysia's economic transformation programme both during and beyond the next decade, the changing demographics of our population, and the increasing integration of the Malaysian economy with the region and the world.

Bank Negara Malaysia

http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press_all&ac=2837&lang=en

IDBG to Cooperate with Dubai on its Islamic Economy Initiative

In the presence of His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai and His Highness Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum Deputy Ruler of Dubai, the Islamic Development Bank (IDB) Group and Dubai signed a Memorandum of Understanding for cooperation within the framework of "Dubai, the Capital of Islamic Economy" initiated by the Ruler of Dubai in early 2013. The initiative aims to turn Dubai in to a global hub for Islamic economy and set up a comprehensive platform of relevant products and services inclusive of Islamic financial instruments, insurance, contracts' arbitration, as well as standards pertaining to food industry, trade and quality management.

The MoU was signed by HE Mohammed bin Abdullah Al Qarqawi, UAE Minister of Cabinet Affairs who also heads the country's High Committee for Development of Islamic Economic Sector, and the IDB Group Chairman. It envisages support for bilateral efforts for development of Islamic economic sector and the Islamic finance industry in the UAE, studying grounds for issuance of Sukuk, exchanging expertise on Islamic economy and Islamic financial indicators, developing the Awqaf sector as well as establishing the legal and regulatory environment.

The IDB Group will also study introducing educational programs in Islamic economy as well as manufacturing Halal (Shari'ah-compliant) industrial products and setting up Halal standards. A number of senior banking and financial officials from the UAE government also attended the meeting.

The Islamic Development Bank 22.07.13

http://www.isdb.org/irj/portal/anonymous/idb_news_en

ISFB Supports Growth of Islamic Finance in New Jurisdictions

The Islamic Financial Services Board runs a seminar series on Islamic finance in jurisdictions wishing to explore the prospects, opportunities and best practices of Islamic finance. It aims to create greater awareness on the latest developments on the Islamic financial services industry, and to discuss the issues that concern its development in these jurisdictions. The Islamic Financial Services Board (IFSB) is organising its Seminar on Islamic Finance series in Bangladesh with the theme, ″Prospects and Challenges in the Development of Islamic Finance for Bangladesh″ on 23 and 24 September 2013 in Dhaka, hosted by Bangladesh Bank.

The Seminar will examine the regulatory best practices and pre-conditions needed to sustain an orderly development of Islamic finance, while seeking to identify the advantages Islamic finance can bring to Bangladesh. The sessions and discussions will draw upon the perspectives of: (a) progress and growth of the Islamic financial services industry at global and regional levels (b) benefits to real economy with Islamic instruments such as *Sukūk*, as an alternative source of financing for both public and corporate sectors (c) infrastructure components of Islamic financial services industry and d) the role of Islamic finance to achieve the objective of an inclusive and resilient financial system.

Among the topics that will be discussed in the one and a half day programme are:

- global overview, issues, challenges and opportunities
- Islamic capital markets and liquidity management: facilitating *Sharī'ah*-compliant financing and investments
- legal, regulatory and enabling framework
- financial inclusion through Islamic finance
- panel discussion on the way forward for the development of Islamic finance for Bangladesh

Regulatory and supervisory authorities and market players involved in development and supervision of Islamic financial services and products, as well as those involved in development issues and projects are encouraged to participate in this Seminar.

The IFSB is also organising an IFSB FIS-Workshop in Dhaka on Islamic Banking on 25 and 26 September 2013. The Workshop aims to provide the participants with a better understanding of the IFSB Standards and their implementations.

The Islamic Financial Services Board 01.08.13

http://www.ifsb.org/preess_full.php?id=231&submit=more

INTERNATIONAL DEVELOPMENTS

Malaysia Announced the Establishment of the Finance Accreditation Agency

Bank Negara Malaysia and the Securities Commission Malaysia have announced the introduction of the Finance Accreditation Agency (FAA), an international and independent quality assurance and accreditation body for the financial services industry.

The FAA provides learning programme evaluation, accreditation, and institutional audits that will contribute towards the development of quality assurance and promotion of learning initiatives within the financial services industry. In addition, the FAA will seek to develop collaborations and affiliations for mutual and global recognition with local and international professional bodies and associations, accreditation bodies, and institutions of higher learning.

To carry out its mandate, FAA collaborates closely with local and international industry specialists from different financial services sectors namely Islamic Finance, Capital Market, Insurance, and Conventional Banking and Finance. These specialists will provide advice in the review of the learning programmes and to ascertain the qualification for accreditation.

Jointly developed by Bank Negara Malaysia and the Securities Commission Malaysia, the FAA realises recommendations in the banking insurance industry and capital markets respectively the enhancement and recognition of skills and competencies within the financial sector.

FAA Board members comprise of representatives from Bank Negara Malaysia and Securities Commission Malaysia.

Bank Negara Malaysia 13.09.13

http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press_all&ac=2875&lang=en

DFSA Signs 26 Agreements with EU Regulators

Continuous collaboration with international regulators has been at the forefront of the Dubai Financial Services Authority's (DFSA's) engagement objective this year, and as such, the DFSA has entered into 26 supervisory

co-operation agreements with European Union (EU) and European Economic Area (EEA) securities regulators. Under these agreements, each regulator agrees to help each other supervise fund managers operating across borders, between the Dubai International Financial Centre (DIFC) and Europe.

The DFSA negotiated the agreements with the European Securities and Markets Authority (ESMA). The DFSA's Chief Executive Mr Ian Johnston signed the Memoranda of Understanding (MoUs) with 26 EU regulators last month. The EU signatories to these agreements are: France, UK, Netherlands, Ireland, Portugal, Spain, Italy, Luxembourg, Cyprus, Sweden, Finland, Denmark, Norway, Iceland, Liechtenstein, Hungary, Malta, Lithuania, Greece, Belgium, Bulgaria, Poland, Estonia, Latvia, Czech Republic and Romania.

The agreements under the MoUs allow fund managers in the DIFC to manage and market Alternative Investment Funds (AIFs) to professional investors in the EEA under the rules of the Alternative Investment Fund Managers Directive (AIFMD). AIFs include hedge funds, private equity funds and real estate funds. Managing and marketing such funds into Europe will allow DIFC-based fund managers to access a greater pool of investors. It is hoped that with a strong distribution network and a sustainable distribution model, the MoUs will prove beneficial for the industry in the DIFC.

Mr Ian Johnston, Chief Executive of the DFSA said: "The DFSA's efforts to improve cross-border opportunities will further facilitate investment flows and will benefit investors and the funds industry. In addition, it reflects the DFSA's commitment to enhance the economy of the UAE and Dubai, furthering Dubai's position as a prominent financial centre."
The DFSA already has in place bi-lateral agreements with 13 of its European counterparts and enjoys strong and close relationships with them ensuring that fund managers are well supervised in the DIFC and in Europe.

Dubai Financial Services Authority 25.08.13

http://www.dfsa.ae/WhatsNew/DispForm.aspx?Id=258

The People's Bank of China Launches Financial Knowledge Popularisation Month

In order to help financial consumers acquire financial knowledge, get adequate information of the financial products and services, and benefit more from the achievements of the financial sector reform and development, the People's Bank of China (PBC) has decided to launch Financial Knowledge Popularisation Month in September every year starting from 2013. The event will be officially kicked off across the country on September 1 this year.

The themes of Financial Knowledge Popularisation Month in 2013 are to popularise financial knowledge, expand the coverage of financial services, so that more consumers can benefit from the achievements of reform and development in the financial sector; to foster consumer's awareness of risk and responsibility, and the concept of Consumers being Aware of the Risks,

Financial Institutions being Responsible for the Consumers' Investment. The slogan of this year's popularisation is acquiring financial knowledge, getting to know risks and responsibilities, and building a harmonious financial sector.

The events of Financial Knowledge Popularisation Month mainly include two parts this year. The first is to meet the need of different financial consumers, and targeted events of financial knowledge education will be designed and launched, so that financial consumers can learn the financial knowledge based on their requirements. The second is to guide financial consumers to identify the risks of financial products and services, so that they will have a clear understanding of the risks and responsibilities of financial institutions and financial consumers, and the necessary measures to cope with such a situation.

During the month, the PBC headquarter will organise its branches and sub-branches, and financial institutions to bring financial knowledge to institutions of higher learning, communities, rural areas, and enterprises. The PBC staff will hand out education materials such as Financial Knowledge Publicity Reading to financial consumers. In the meantime, the soft copy of these materials including Financial Knowledge Publicity Reading will be posted on the official website of PBC to be downloaded by consumers. The PBC branch offices at various levels will organize young volunteers to participate in the education and popularisation activities.

Besides, the Financial Consumer Protection Bureau of PBC has designed Financial Consumers Literacy Questionnaire. Starting from 2013, a survey will be conducted on a regular basis, and the outcome of surveys will show the effectiveness of previous rounds of consumer education, lack of specific knowledge, demand for knowledge as well as behaviour features of financial consumers. Based on these surveys, targeted programs will be designed to make the Financial Knowledge Popularisation Month more effective in next September.

The People's Bank of China 30.08.13

http://www.pbc.gov.cn/publish/english/955/2013/20130830153443073558609/20130830153443073558609_.html

WTO and World Bank to Develop Services Trade Database

The World Bank and the World Trade Organisation (WTO) have agreed to jointly develop and maintain a database on trade in services, an area that is becoming increasingly important and yet for which little information is publicly available. The joint database covers various sectors in more than 100 countries, such as financial, transportation, tourism, retail, telecommunications, and business services, including law and accounting.

The data are presented in four modules covering: members' commitments under the WTO's General Agreement on Trade in Services (GATS); commitments on trade in services in regional trade agreements; members' applied

measures affecting trade in services; and services statistics. The first version of the database has just been launched, as part of the WTO's Integrated Trade Intelligence Portal (I-TIP) Services portal.

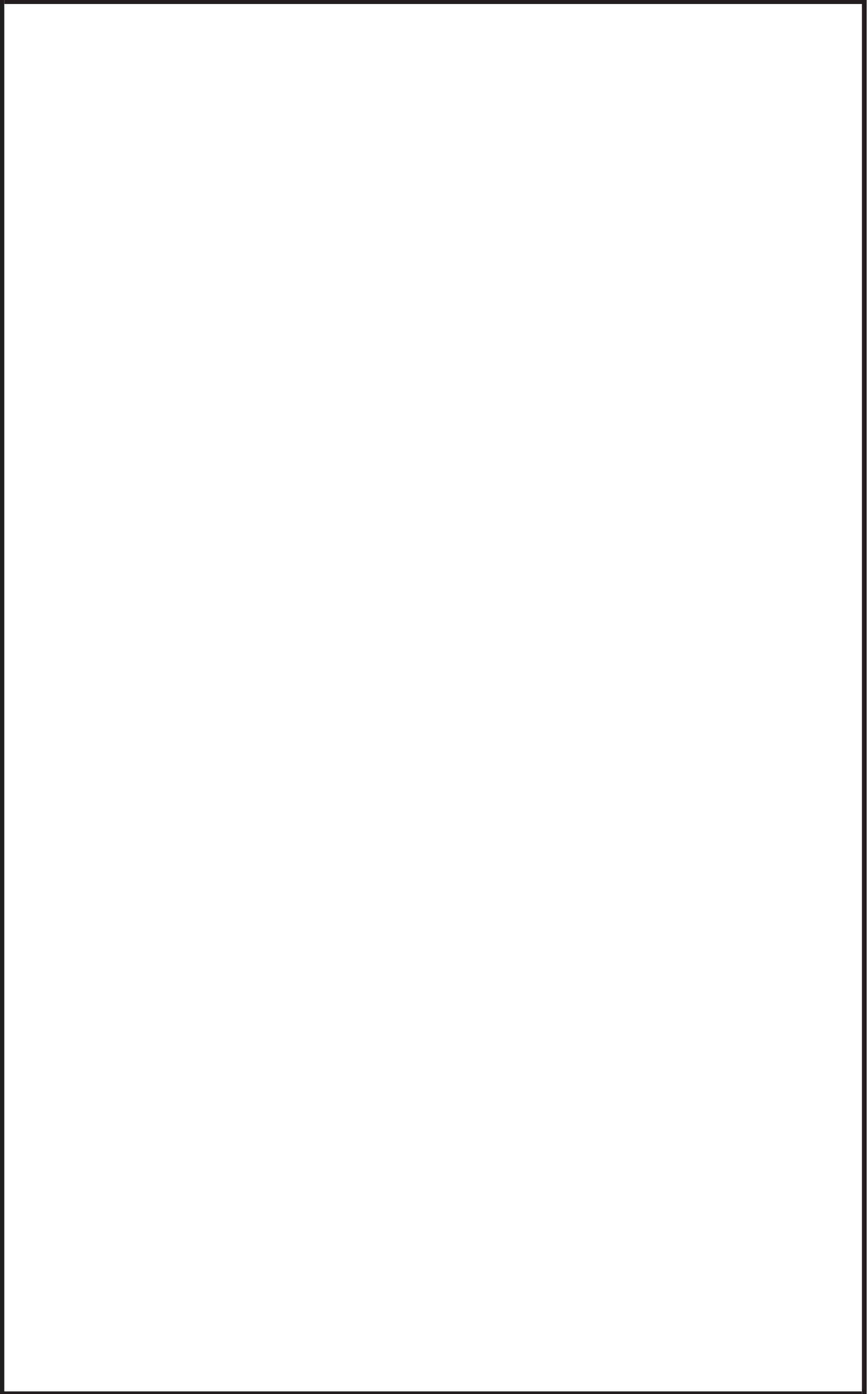
Policy makers, researchers, trade negotiators, and the general public can access the database for free. Policy transparency is a public good and a shared objective of both institutions. The World Bank makes trade data publicly available under the Open Data Initiative, as does the WTO with the I-TIP.

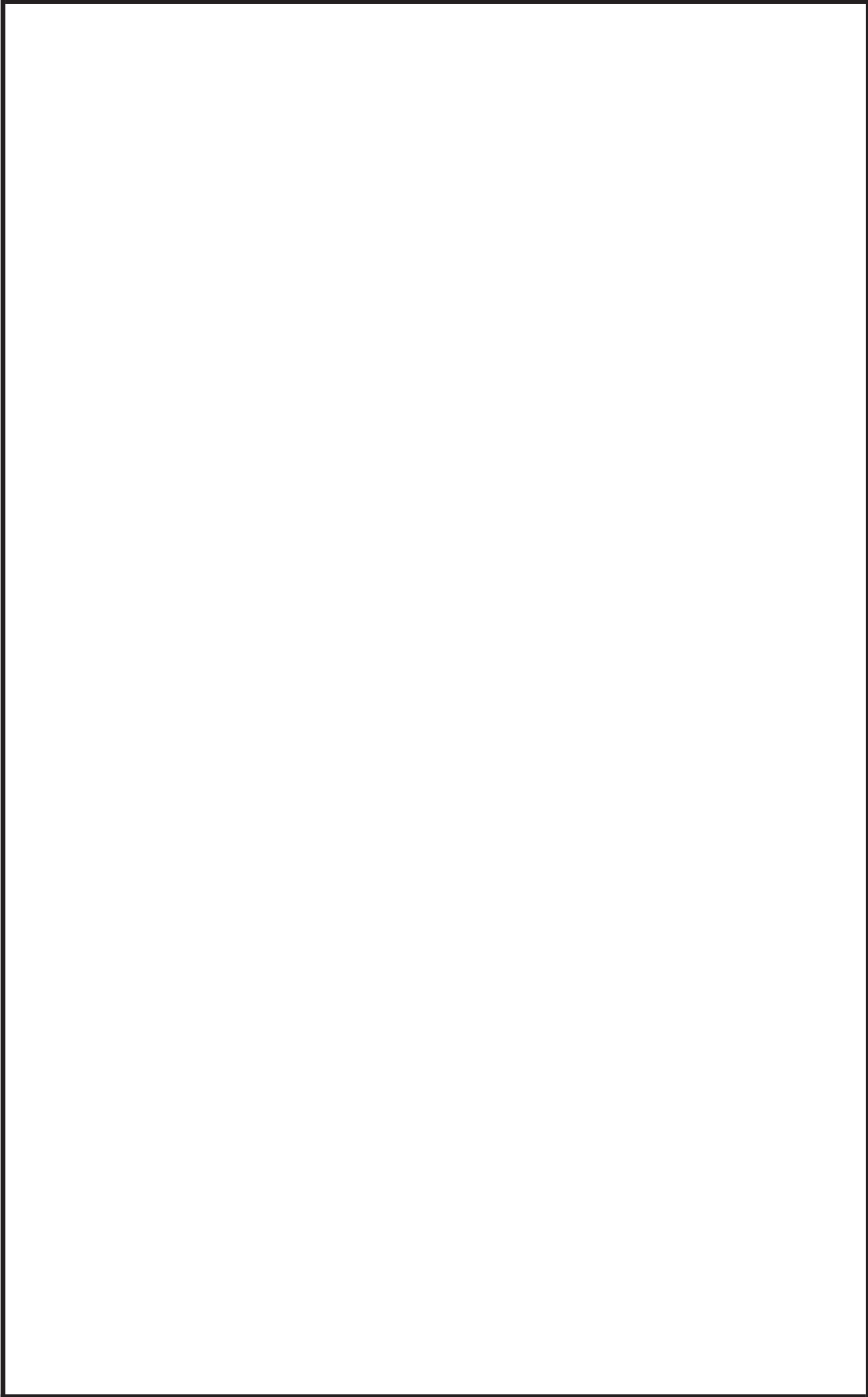
Transparency is particularly important in the dynamic area of trade in services because the regulatory framework is complex and little information is publicly available. Cross-border trade in services makes up one-fifth of all world trade, even without considering international transactions through foreign affiliates and the temporary movement of people.

This WTO-World Bank arrangement exploits synergies between both institutions. Among other things, the joint database combines WTO data, including those on legal commitments, trade policy reviews (TPRs) or trade monitoring reports with World Bank data on applied policies from the Services Trade Restrictions Database, which went public last year. Both institutions will work hard to make sure the joint database stays up to date and expands to cover more sectors and countries.

The World Bank 06.08.2013

http://www.worldbank.org/en/news/press-release/2013/08/06/wto-world-bank-to-develop-services-trade-database





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