

Financial Sector

October 2016

Newsletter

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Grant Thornton BPO Solutions

FATCA / CRS / QI

implementation – due diligence – classification – outsourced reporting
– training – compliance – regulatory & tax watch

A ONE-STOP-SHOP SERVICE OFFERING

Tax expertise

- Expertise on international tax jurisdictions through **Grant Thornton network**
- Local tax expertise on regional tax jurisdictions

Production

- Annual high-volume automated production
- Quality Assurance
- Consulting expertise
- Experienced resources for exception handling

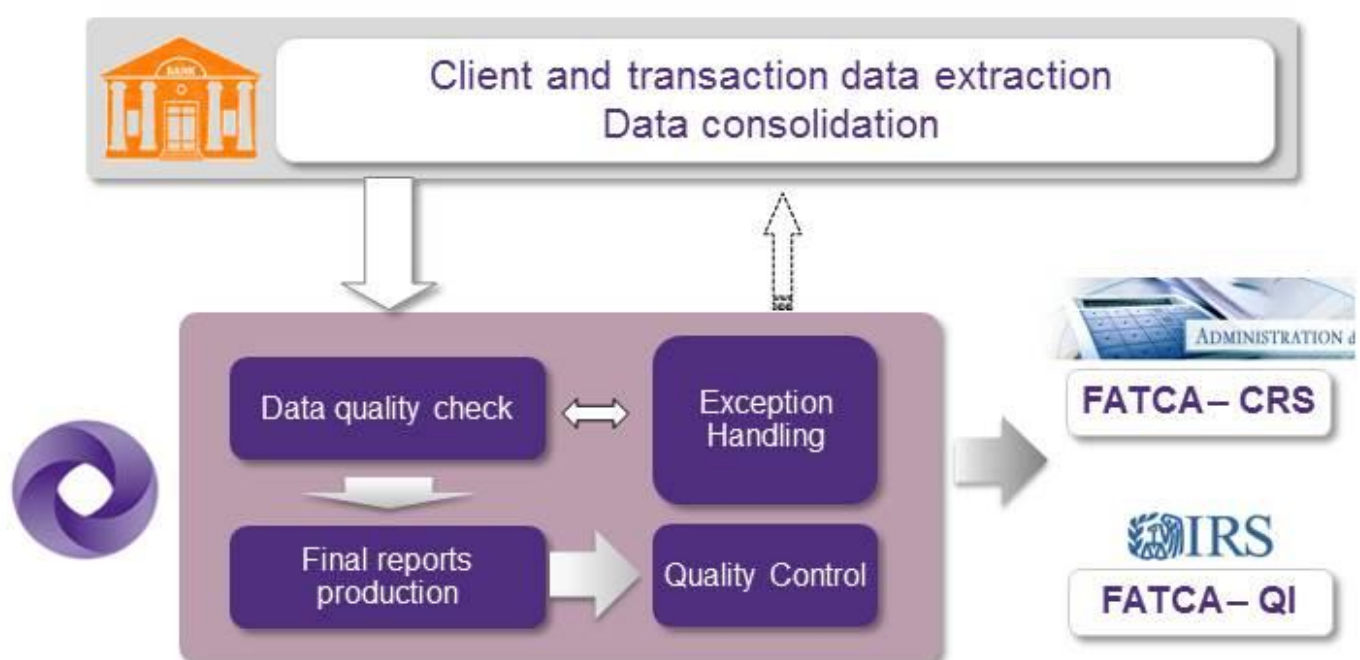
Related services

KYC review – Classification
Quality assurance on internal/third-party reports
Data/process improvements
On-site manual production
Tax reclaims

Mutualisation

Tax experts	Consultants	Tax watch	Templates evolutions	Data analysis
IT operators	Delivery Team	SW testing	Change Management	SW evolutions
Secured comm. channel		Process reviews		Quality controls

OPERATING MODEL OVERVIEW



AIFMD

ESMA publishes the responses to the Call for evidence on asset segregation

The ESMA has recently published the responses received to the Call for evidence on asset segregation and custody services under the AIFMD and the UCITS Directive.

ESMA publishes updated AIFMD Q&A

The ESMA has published an updated questions and answers document on the application of the AIFMD.

The Q&A includes one new question and answer on the commencement of periodical reporting pursuant to Article 13 of the Securities Financing Transactions Regulation for Alternative Investment Fund Managers.

ESMA's advice on the application of the AIFMD passport to non-EU AIFMs and AIFs

ESMA's chairman Steven Maijoor has delivered a speech concerning ESMA's advice on the application of the AIFMD passport to non-EU AIFMs and AIFs.

The chairman identified three key areas on which further work is required in the short term:

- Continue the assessment of Bermuda and Cayman Islands,
- Start the assessment of a third group non-EU countries,
- Focus on putting in place the extensive framework foreseen by the co-legislators in case the passport is extended to one or more non-EU countries.

ESMA issues Guidelines on Remuneration Practices under AIFMD

The ESMA has published a set of Guidelines on Sound Remuneration under the AIFMD (AIFMD Remuneration Guidelines).

The AIFMD Remuneration Guidelines amend the current Guidelines on sound remuneration policies under the AIFMD (ESMA/2013/232).

The amendment relates to the section of these Guidelines dealing with the application of the remuneration rules in a group context and is intended to acknowledge the potential outreach of the Capital Requirements Directive rules in a banking group.

AML/CTF/KYC

MONEYVAL publishes its annual report for 2015

The Council of Europe's Committee of Experts on the Evaluation of AML Measures and the Financing of Terrorism (MONEYVAL) has recently published its annual report for 2015.

According to the report, states have consistently improved their technical compliance with the international standards on AML/CTF in particular with regard to preventive measures.

FATF Report to G20 on Beneficial Ownership

In April 2016, the G20 Finance Ministers and Central Bank Governors asked the FATF and the Global Forum to make initial proposals by their next meeting on ways to improve implementation of the international standards on transparency, including on the availability of beneficial ownership information and its international exchange.

In response to this request, the FATF has recently submitted a report to update the G20 on the FATF's ongoing work on transparency of and timely access to beneficial ownership information, and to set out initial proposals for further work.



Benchmarks Regulation

ESMA consults on future rules for financial benchmarks

The ESMA has published a consultation paper regarding its draft regulatory and implementing technical standards (RTS/ITS) which will

implement the Benchmarks Regulation.

ESMA is asking stakeholders to comment on its proposed RTS/ITS applicable to benchmark contributors, administrators and national competent authorities.

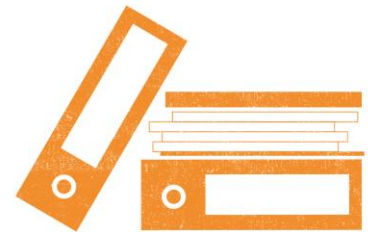
ESMA will consider the feedback to the consultation and finalise the draft RTS/ITS in order to submit them to the European Commission by 1 April 2017.

BEPS

Council conclusions on tax transparency

The Council of the European Union has issued its conclusions on tax transparency.

Among other conclusions, the Council invites the Commission to analyse the possibility for a proposal on improving the cross-border access to information on ultimate beneficial owners on the basis of the ongoing work at international level.



Blockchain/FinTech

RegTech: a valuable tool for financial regulators

RegTech can be defined as the use of technology in regulatory monitoring, reporting and compliance. In recent years RegTech has evolved from changing regulatory requirements after the crises as well as from new trends in FinTech.

RegTech will be a valuable tool in the future for policymakers and supervisors to regulate the rapidly transforming worldwide financial system, a report produced by the University of Hong Kong concluded.

RegTech is expected to provide more efficient ways to ensure financial stability, prudential safety and soundness, consumer protection and

market integrity, encouraging competition and assisting the development of products and services.

The report states that RegTech applications could streamline existing manual reporting and compliance processes, mainly in the context of KYC and AML requirements, which would substantially reduce costs for financial services providers and regulators.



Luxembourg Stock Exchange introduces blockchain into reporting service

The Luxembourg Stock Exchange (LuxSE) has added an extra layer of security into the certification process with the introduction of a 'digital signature' using Ethereum's blockchain technology.

The decentralised public blockchain Ethereum will provide "digital signature" on all documents publicly disclosed by issuers. This new functionality will enhance security for issuers and transparency of LuxSE's certification service.

The new functionality is already active and available with no supplementary fees.

BRRD

EC adopts Commission Delegated Regulation (EU) 2016/1712

The European Commission has adopted Commission Delegated Regulation (EU) 2016/1712 supplementing the BRRD and specifying a minimum set of the information on financial contracts that should be contained in the detailed records and the circumstances in which the requirement should be imposed.

The regulation is effective from 14 October 2016.

Guidelines on the provision of information in summary or collective form

The EBA has published a compliance table listing the competent authorities which comply or intend to comply with the EBA's Guidelines on the provision of information in summary or collective

form for the purposes of Article 84(3) of the BRRD.



CRR / CRD IV

AFME publishes position paper regarding the revision of the Large Exposures Framework

The Association for Financial Markets in Europe (AFME) has recently published a position paper regarding the EBA's revision of the large exposure framework as part of the CRR review.

The paper seeks to consider the main deviations of the large exposures framework under the CRR from the framework of the Basel Committee on Banking Supervision.

EBA harmonises the definition of default across the EU

The EBA has published its final Guidelines specifying the application of the definition of default across the EU and its final draft RTS on the materiality threshold of past due credit obligations.

The EBA also released the results of a quantitative and qualitative impact study aimed at assessing the impact on the regulatory capital requirements of selected policy options to harmonise the definition of default used by EU institutions. Both the Guidelines and the final draft RTS will harmonise the definition of default across the EU, thus contributing to improving

consistency and comparability of capital requirements.

The Guidelines have been developed according to Article 178(7) of the CRR.

EBA publishes final Guidelines on implicit support for securitisation transactions

The EBA has published its final Guidelines on implicit support for securitisation transactions.

The objective of these Guidelines is to clarify what constitutes arm's length conditions and to specify when a transaction is not structured to provide support for securitisations.

The Guidelines will contribute towards the successful implementation of the Commission's securitisation package under the Capital Markets Union reform, giving clarity on the matter to credit institutions.

The Guidelines have been developed pursuant to Article 248 of the CRR.

EBA updates on monitoring of Additional Tier 1 instruments

The EBA has published its updated Report on the monitoring of Additional Tier 1 (AT1) instruments and proposed standardised templates for AT1 instruments.

The update of the AT1 monitoring report includes new provisions on triggers, calls/ repurchases/ redemptions, tax events and gross-up provisions and on conversion and write-down mechanisms.

The use of the templates for AT1 issuances would bring a certain level of security to the issuing institutions as the templates are perceived to reflect the expectations of the supervisory community on the practical implementation of the provisions laid down in the CRR.

EBA updates list of correlated currencies

The EBA has updated the list of closely correlated currencies that was originally published in December 2013 and updated in May 2015.

The list is part of the implementing technical standards (ITS) that were drafted for the purposes of calculating the capital requirements for foreign-exchange risk according to the standardised rules. The list was updated according to the procedure and methodology laid down in the ITS.

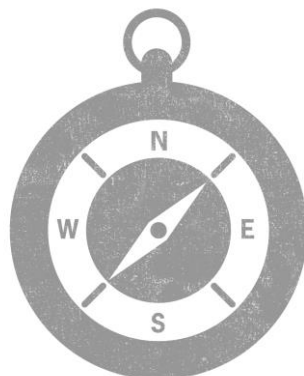
EBA publishes final guidelines on corrections to modified duration for debt instruments

The EBA has published its final Guidelines on corrections to modified duration for debt instruments. The objective of these Guidelines is to establish what type of adjustments to the modified duration - as defined according to the formulas in the CRR - has to be performed in order to appropriately reflect the effect of the prepayment risk.

The Guidelines will contribute towards the successful implementation of the Commission's securitisation package under the Capital Markets Union

reform, giving clarity on the matter to credit institutions.

The final Guidelines have been developed according to Article 240(3) of the CRR.



EBA recommends that only investment firms identified as OSII be subject to the full CRDIV/CRR

The EBA has responded to the European Commission's call for technical advice on the criteria to identify the class of investment firms for which the prudential regime laid down in the CRD and CRR is applicable.

In general, the EBA recommends that only those investment firms that are currently identified as Other Systemically Important Institutions (OSIIs) remain subject to the full CRD/CRR regime.

CRS

U.S. Failure to Commit to Information Exchange

The European Commission included the U.S. on its recent scoreboard to begin screening nations for a tax haven blacklist, citing U.S. failure to sign up for the CRS.

The European Commission said a listing on its scoreboard shouldn't be taken as an indicator that a country will end on the final blacklist in 2017, as the scoreboard was just the first of three steps. However, some EU countries and European Parliament members have said they favor labeling the U.S. an uncooperative nation on tax

matters, primarily due to its failure to commit to the CRS.

The OECD official said the U.S. is in a unique situation because it exchanges information "massively" through the Foreign Account Tax Compliance Act and already does some automatic exchange of information, but not based on the CRS standard.

Cyber Security

G7 agrees on Guidelines for protecting the global financial sector from cyber attacks

The G7 states have recently reached an agreement on non-binding guidelines for protecting the global financial sector from cyber attacks.

The three-page document is an effort to encourage regulators and firms to approach cyber security from a risk-management perspective.

The goal is to get firms and regulators across the world to approach risks the same way.



EMIR

ESMA issues a consultation paper on draft RTS and ITS under SFTR and amendments to related EMIR RTS

The ESMA has issued for consultation draft RTS and ITS as part of its consultations on Level 2 measures under the Securities Financing Transactions Regulation (SFTR) as well as certain amendments to the Level 2 measures under EMIR in order to take into account legal developments as well as to ensure

consistency, where relevant, between the frameworks of both regulations.

The consultation runs until end of November 2016. ESMA expects to publish the finalized draft technical standards by the end of Q1 2017.

EC adopts proposed Delegated Regulation on margin requirements for uncleared derivatives

The European Commission has recently adopted proposed

Commission Delegated Regulation with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty.

The Delegated Regulation sets out the levels and types of collateral that OTC derivatives counterparties must exchange bilaterally if the transaction is not cleared through a Central Clearing Counterparty.

EuSEF/EuVECA

Compromise text concerning EuSEF and EuVECA

The Council of the EU has published the presidency compromise text of the proposed Regulation amending

Regulation (EU) No 345/2013 on European venture capital funds (EuVECA) and Regulation (EU) No 346/2013 on European social entrepreneurship funds (EuSEF).



IFRS

AFME publishes position paper on the move from IAS 39 to IFRS 9

The Association for Financial Markets in Europe (AFME) has issued a position paper on the move from IAS 39 to IFRS 9 and the potential impact on banks' capital resources.

The move away from an incurred loss model to an expected loss model for credit risk adjustments will lead to an increase in accounting provisions.

According to AFME, this will potentially result in material reductions in capital resources under the current prudential regime and subsequently a need for banks to raise additional

capital to support ongoing business, without a change in the bank's risk profile.

Whilst AFME has not developed a strategic solution, it has identified and suggested a non-exhaustive list of possible considerations to address the misalignment of the accounting and prudential framework.

EC adopts Commission Regulation (EU) 2016/1703 with regard to certain international accounting standards

The European Commission has adopted Commission Regulation (EU) 2016/1703 which amends Regulation (EC) No 1126/2008 adopting certain

international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards to IFRS 10 and 12 and IAS 28.

The Regulation is effective from 26 September 2016.



ESMA answers to the IASB's Exposure Draft "Definition of a Business and Accounting for Previously Held Interests"

The ESMA has provided the IASB as well as EFRAG with its detailed answers and comments to the Exposure Draft "Definition of a Business and Accounting for Previously Held Interests".

ESMA welcomes the proposed amendments to the definition of a business as it has identified a number of implementation issues as part of its contribution to the post-implementation review of IFRS 3.

ESMA also welcomes the fact that IASB's and the FASB's proposals are substantially converged. Further, ESMA agrees with the proposed amendments regarding acquisitions of interests in businesses that are joint operations.

ESMA and IFRS Foundation strengthen cooperation

The ESMA and the IFRS Foundation have announced an updated set of protocols under which the two organisations will deepen their cooperation on the development of IFRS Standards and support for their

consistent application across the European Union.

Discussion paper on the regulatory treatment of accounting provisions

The Basel Committee on Banking Supervision has issued a paper which is discussing policy considerations related to the regulatory treatment of accounting provisions under Basel III and the expected loss models. The deadline for submitting comments is 13 January 2017.

MAR/MAD

ESMA issues Final Report on MAR Guidelines on commodity derivatives

The ESMA has published its final report on MAR Guidelines - information relating to commodity derivatives markets or related spot markets for the purpose of the definition of inside information on commodity derivatives.

The Guidelines aim at clarifying and updating the definition of inside information in relation to commodity derivatives under the MAR.

ESMA publishes official translations of MAR guidelines

The ESMA has published 22 language versions of two sets of guidelines under the MAR.

The translations cover the following MAR guidelines:

- MAR Guidelines on persons receiving market soundings, and
- MAR Guidelines on delay in the disclosure of inside information.

MiFID/MiFID II/MiFIR

Large regional banks collaborate on MiFID II

Nine large regional banks have recently kicked off a project called "Sentinel". The banks are collaborating on a mutualisation initiative with regards to implementing parts of MiFID II.

In fact these banks are working together to establish a standard approach to fulfill the regulatory obligations set out in MiFID II with regards to the following components: a rules engine, reference data, sales/trader workflow, systemic

internaliser monitoring, trade activity, regulatory transparency reporting, quote monitoring, recordkeeping, transaction reporting, audit, execution reporting as well as reference data reporting.

The outcome shall be a high-quality data model, specification and vendor assessments of key functionality of a future MiFID solution.

The next phase of the Sentinel project will define standards for the above mentioned components to allow integration with banks' existing technology platforms.

ESMA consults on requirements for the management of trading venues and reporting services providers

The ESMA has issued a consultation paper on draft Guidelines which will further detail the implementation of the MiFID II.

The Guidelines provide draft provisions management bodies of market operators and data reporting services providers will have to apply once MiFID II has entered into force.

The ESMA consultation is open for comments until 5 January 2017 with a view to finalising the Guidelines and publishing a final report in the first half of 2017.

ESMA consults on product governance guidelines to safeguard investors

The ESMA has opened a consultation on product governance Guidelines under the MiFID II regarding the target market assessment by manufacturers and distributors of financial products.

The deadline for submitting comments on the draft Guidelines is 5 January 2017. ESMA expects to publish a final report on the Guidelines in the first half of 2017.

ESMA consults on consolidated tape for non-equity products

The ESMA has issued a consultation paper on its draft regulatory technical standards (RTS) regarding the creation of a consolidated tape for non-equity instruments which is required under the MiFID II.

The new MiFID II framework, which covers equity-like and non-equity instruments traded on trading venues, introduces provisions for establishing a central source of post-trade prices or consolidated tape.

ESMA, having already issued its draft RTS on an equity tape, is seeking feedback on its draft RTS for the non-equity tape. In order to create the non-equity tape, trading venues and approved publication arrangements will send real-time post-trade data to consolidated tape providers, who will consolidate this data in real-time and make the data available to the public.

The consolidation will close on 5 December 2016.

ESMA issues Q&As on the implementation of the double volume cap under MiFID II

The ESMA has issued a Q&A document regarding the implementation of the double volume cap under the MiFID II/ MiFIR.

MiFID II introduces a so-called “double” volume cap mechanism which limits the use of reference price waivers and negotiated price waivers

under the new transparency regime of MiFID II.

The purpose of the Q&A is to promote common supervisory approaches and practices in the application of MiFID II/ MiFIR in relation to the double volume cap provisions. It provides responses to questions posed by the general public, market participants and competent authorities in relation to the practical application of MiFID II/ MiFIR.

Technical standards under MiFID I, MiFID II and MiFIR

The European Commission has published an updated version of a table showing the status of the Technical standards (RTS/ITS) under MiFID I, MiFID II and MiFIR.

The table is listing all the RTS/ITS, the legal basis, any adoption by the European Commission as well as any publication in the Official Journal.

ESMA consults on MiFID II Guidelines regarding trading halts

The ESMA has issued a public consultation regarding draft Guidelines on trading halts under the MiFID II.

MiFID II provides that “Member States shall require a regulated market to be able to temporarily halt or constrain trading if there is a significant price movement in a financial instrument on that market or a related market during a short period and, in exceptional cases, to be able to cancel, vary or correct any transaction.

ESMA will consider the responses received to this consultation paper with a view to finalising the Guidelines and publishing a final report in Q1 2017.

ISIN allocation engine for OTC contracts to be launched in early 2017

MiFID II requires all derivatives transactions, OTC and exchange-traded, to be reported, and specifies that all reports should include ISINs.

Generating and allocating ISINs for OTC derivatives is considered one of the more difficult elements of the MiFID transaction reporting obligation.

It has been announced that an automated platform to allocate ISINs to over-the-counter derivatives will begin industry testing in Q1 of 2017. This platform is known as the Derivatives Service Bureau (DSB) which has been built by the Association of National Numbering Agencies (ANNA). It is expected that the engine will be fully operational in time for MiFID II go-live in January 2018.



ESMA provides guidance on transaction reporting, order record keeping and clock synchronisation under MiFID II

The ESMA has issued final Guidelines regarding the implementation of the transaction reporting regime under the MiFID II and MiFIR, along with its Final Report which sets out the feedback ESMA received to its consultation on these topics.

ESMA publishes new Q&A on investor protection under MiFID II

The ESMA has published a Q&A document regarding the implementation of investor protection topics under the MiFID II/ MiFIR.

This Q&A provides clarifications on the following topics:

- Best execution
- Recording telephone conversations and electronic communications
- Record keeping
- Investment advice on an independent basis
- Underwriting and placement of a financial instrument
- Inducements (research).

ESMA publishes updated Q&A on CFDs and other speculative products

The ESMA has published an updated version of its Q&A on the application of the MiFID to the marketing and sale of financial contracts for difference (CFDs) and other speculative products to retail clients (such as binary options and rolling spot forex).

ESMA clarifies the higher bar for best execution compliance

The ESMA has recently clarified the wording for best execution compliance in its Q&A on investor protection under MiFID II.

Firms must now take “sufficient steps” instead of “reasonable steps” to obtain

the best possible result when executing client orders.

EC issues Corrigendum to Directive 2014/65/EU

The European Commission has issued a Corrigendum to the MiFID II and amending Directive 2002/92/EC and Directive 2011/61/EU.

The Corrigendum relates to page 447, Article 61(5).

Final report on Guidelines on transaction reporting, order record keeping and clock synchronisation

The ESMA has published its final report on Guidelines on transaction reporting, order record keeping and clock synchronisation under MiFID II.

The report sets out the feedback statement to the Consultation Paper issued in December 2015 describing how the responses to the consultation were taken into consideration when drafting the final Guidelines, it describes any material changes to the Guidelines and explains the reasons for this in light of the feedback received.

Q&A to the EBA data collection exercise on the revision of the prudential framework for MiFID investment firms

The EBA has released a Q&A document, which reflects the questions received in relation to the EBA data collection exercise on the revision of the prudential framework for MiFID investment firms.

PSD 2

Consultation Paper on draft Guidelines on Professional Indemnity Insurance or comparable guarantee under PSD 2

The EBA has issued a Consultation Paper on its draft Guidelines on Professional Indemnity Insurance (PII) or comparable guarantee under PSD 2.

The Consultation Paper explains the EBA’s proposal to use a formula for the calculation of the minimum monetary amount of the PII or comparable guarantee; explains as to when and

how the lowest tier should be used; provides details on indicators for the criteria set out in the PSD2, and explains the calculation method proposed for some of the indicators.

The Consultation Paper ends with practical examples for the calculation of the minimum monetary amount of the PII/comparable guarantee.

The consultation period will run from 22 September 2016 to 30 November 2016. The final Guidelines will be published after consultation.

Public Hearing on strong customer authentication & secure communication

The EBA has recently released a presentation delivered in London on 23 September 2016 on topics regarding the strong customer authentication & secure communication under Article 97 PSD2.

SFTR

ESMA consults on future reporting rules for securities financing transactions

The ESMA has issued a consultation paper on draft technical standards

implementing the Securities Financing Transaction Regulation (SFTR), which aims to increase the transparency of shadow banking activities.

Securities financing transactions (SFTs) are transactions where

securities are used to borrow cash (or other higher investment-grade securities), or vice versa – this includes repurchase transactions, securities lending and sell/buy-back transactions.

ESMA reports on shadow banking, leverage and pro-cyclicality

The ESMA has issued a report on securities financing transactions (SFTs), leverage and pro-cyclicality in the EU's financial markets.

ESMA's report assesses whether the use of SFTs leads to the build-up of leverage which is not yet addressed by existing regulation, how to tackle such

build-up, and whether there is a need to take further measures to reduce its pro-cyclicality.

ESMA issues a consultation paper on draft RTS and ITS under SFTR and amendments to related EMIR RTS

The ESMA has issued for consultation draft RTS and ITS as part of its consultations on Level 2 measures under the Securities Financing

Transactions Regulation (SFTR) as well as certain amendments to the Level 2 measures under EMIR in order to take into account legal developments as well as to ensure consistency, where relevant, between the frameworks of both regulations.

The consultation runs until end of November 2016. ESMA expects to publish the finalized draft technical standards by the end of Q1 2017.

Solvency II

CAA publishes information on reporting formats under Solvency II

The Commissariat aux Assurances (CAA) has published information for

insurance companies on reporting formats under Solvency II.

Thus reports with reference date until 30-12-2016 shall use the taxonomy version 2.0.1. All reports issued after that date shall use the taxonomy version 2.1.0.



UCITS/UCITS V

ESMA publishes the responses to the Call for evidence on asset segregation

The ESMA has recently published the responses received to the Call for evidence on asset segregation and custody services under the AIFMD and the UCITS Directive.

Public consultation on cross-border distribution of investment funds

The European Commission has extended the deadline to 9 October 2016 regarding its consultation on the main barrier to the cross-border distribution of investment funds.

The consultation supports the creation of a Capital Markets Union, of which a key aim is to foster retail and institutional investment of investment funds.

ALFI responses to the EC consultation on cross-borders distribution

The ALFI has responded to the European Commission consultation on cross-borders distribution of investment funds.

ALFI has identified and has drawn the attention of the Commission to the main barriers to the cross-borders distribution of investment funds. These are among others: marketing requirements and marketing documentation, introduction of new rules for distribution or marketing to professionals, local paying agent and local representative requirement, centralization of notification processes, digital investor passport, withholding taxes and tax reporting regimes, introduction of a definition of semi-professional investors concerning the

cross-border distribution of AIFs as well as Private Placement Regimes.

M&G investments applies for new Luxembourg-domiciled retail funds

M&G Investments has recently announced that it is seeking permission from the CSSF to launch a new SICAV for retail investors outside the UK.

M&G Finance Director Grant Speirs said: "A Luxembourg... platform will enable us to offer fund strategies to European retail investors if the UK loses financial services passporting rights in several years' time as a result of its exit from the EU".

ESMA publishes updated UCITS Q&A

The ESMA has published an updated Q&A document on the application of the UCITS.

The Q&A includes four new questions and answers on: regulated markets in the Member States under the UCITS Directive, translation requirements in relation to the remuneration disclosure, reinvestment of cash collateral, and the

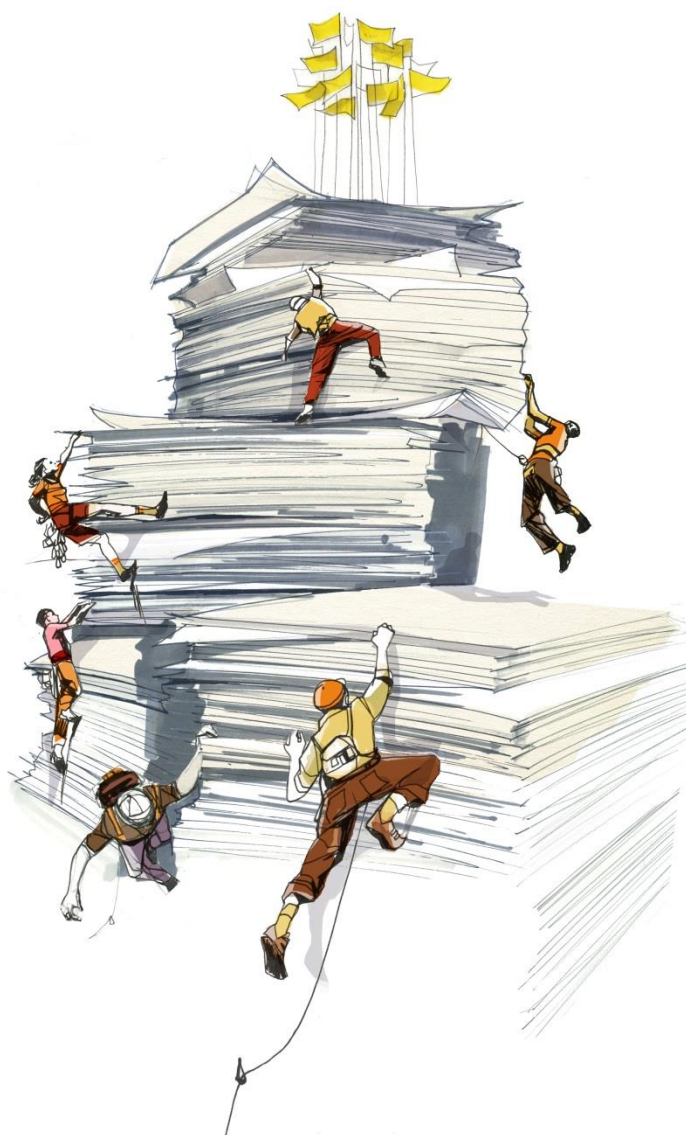
commencement of periodical reporting pursuant to Article 13 of the Securities Financing Transactions Regulation (SFTR).

ESMA issues Guidelines on Remuneration Practices under UCITS

The ESMA has published a set of Guidelines on Sound Remuneration under UCITS (UCITS Remuneration Guidelines).

The UCITS Remuneration Guidelines provide clarity on the requirements under the UCITS Directive for management companies when establishing and applying a remuneration policy for key staff.

The purpose of the Guidelines is to ensure a convergent application of these provisions and provide guidance on the governance of remuneration, requirements on risk alignment, and disclosure.



Basel Committee

Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion

The Basel Committee on Banking Supervision (BCBS) has issued final Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion

The guidance addresses the specific application of 19 of the total 29 Basel Core Principles to the regulation and supervision of non-bank financial institutions, which in many countries are the primary providers of financial services striving to serve unserved or underserved customers.

FAQ on the supervisory framework for measuring and controlling large exposures

The Basel Committee has released a FAQ document on the supervisory

framework for measuring and controlling large exposures.

The FAQ provides clarification and confirms the Basel Committee's decision to exempt from the large exposure limit exposures to qualifying central counterparties related to central clearing and to apply the large exposure limit to inter-bank exposures.

TLAC holdings

The BCBS has presented the final standard on the regulatory capital treatment of banks' investments in total loss-absorbing capacity (TLAC) and pari passu instruments. This final standard amends the Basel III standard on the definition of capital.

The requirements take effect from 1 January 2019 for investments in most G-SIBs, but later for those whose headquarters are in emerging market economies.

Eleventh progress report on adoption of the Basel regulatory framework

This report sets out the adoption status of Basel III standards for each BCBS

member jurisdiction as of end-September 2016.

The report states that as of end-September 2016, all 27 member jurisdictions have final risk-based capital rules, LCR regulations and capital conservation buffers in force. 26 member jurisdictions have issued final rules for the countercyclical capital buffers, 25 have issued final or draft rules for their domestic SIBs framework and 18 have issued final or draft rules for margin requirements for non-centrally cleared derivatives.



BCL

BCL updates guidance on the preparation and submission of Report S 1.1

The Banque central du Luxembourg (BCL) has updated its guidance for all credit institutions on the preparation and submission of Report S 1.1 "Monthly statistical balance sheet of credit institutions".

Thus, the report shall be sent to the BCL monthly, and no later than 10 working days after the end of each reference period.

Revision of the standardised deduction from the reserve base

The BCL has informed reporting institutions that several modifications have been made to the standardised deduction from the reserve base to be applied to liabilities with a maturity of up to two years within the debt securities category.

On 9 September 2016 the Governing Council adopted Regulation ECB/2016/26 amending Regulation (EC) No 1745/2003 (ECB/2003/9) on the application of minimum reserves.

The amending Regulation further clarifies the method used to apply the standard deduction for the exclusion of interbank liabilities from the reserve base.

The reporting instructions of the BCL have been modified in order to reflect these changes and can be downloaded on the BCL website.

Regulation ECB/2016/26 will enter into force on 14 December 2016.

CAA publishes notice on technical interest rates

The Commissariat aux Assurances (CAA) has issued a notice setting out

proposed changes to maximum technical interest rates for life insurance, which should come into effect on 1 January 2017.



CSSF Regulation No 16-05

The CSSF has released CSSF Regulation No 16-05 on the setting of the countercyclical buffer rate for the fourth quarter of 2016.

The countercyclical buffer rate will remain at 0% for the fourth quarter of 2016. The Regulation entered into force on 1 October 2016.

CSSF Regulation No 16-06

The CSSF has issued Regulation No. 16-06 concerning ex ante contributions to be paid to the Fonds de Résolution Luxembourg (FRL) by the credit institutions and investment firms authorized in Luxembourg, including any Luxembourg institutions authorized in a third country, in proportion to their liabilities and risk profile.

CSSF updates “Reporting requirements for credit institutions”

The CSSF has recently published an updated version of its document “Reporting requirements for credit institutions”.

The new version updates among others several chapters on evolution of reporting requirements, benchmarking portfolio assessment and remittance dates for the first reporting periods.

CSSF releases important information about Circular CSSF 08/338

The CSSF has released important information about Circular 08/338 regarding the implementation of a stress test in order to assess the interest rate risk arising from non trading book activities.

The CSSF draws the attention of the addressees of Circular CSSF 08/338 (as amended by Circular CSSF 16/642) to the fact that in order to transmit the results of the stress test to the CSSF, the new electronic reporting tables to be used as from 1 December 2016 are now included in the annexe to this circular and available on the CSSF website.



CSSF Circular 16/664

The CSSF has issued Circular 16/664 following the entry into force of the Law of May 2016 implementing the UCITS V Directive.

The Circular focuses on the provisions applicable to credit institutions acting as a UCITS depository.

Circular CSSF-CPDI 16/02

The CSSF has issued a circular CSSF-CPDI 16/02 which aims at clarifying certain eligibility criteria for deposit guarantee and investor compensation according to Titles II and III of the amended law of 18 December 2015 on the failure of credit institutions and certain investment firms.

The circular reiterates the exclusions defined in Circular CSSF 15/630 and extends them to the “Système d’indemnisation des investisseurs Luxembourg” (“SIIL”).

Circular CSSF-CPDI 16/03

The CSSF has issued a circular regarding a survey on covered claims in connection with investment business.

The survey aims at collecting the volume of covered claims in relation to investment business of which members are debtors.

EBA publishes final guidelines on the remuneration of sales staff

The EBA has published its final Guidelines on remuneration policies and practices related to the provision and sale of retail banking products and services.

The EBA had previously identified poor remuneration policies and practices as a key driver of miss-selling of financial products and services. The Guidelines therefore aim at protecting consumers from related risks and to reduce conduct costs for financial institutions.

The guidelines will apply from 18 January 2018.

EBA releases Risk Dashboard Q2 2016

The EBA has published the periodic update of its Risk Dashboard.

This report summarises the main risks and vulnerabilities in the banking sector by the evolution of a set of Risk Indicators across the EU in Q2 2016.

The update shows an increase in EU banks' capital ratios, while the low profitability and the high level of non-performing loans remain a concern.

Common EU approach to the definition of defaults

The EBA has released the results from its data collection exercise on the proposed regulatory changes for a common EU approach to the definition of default.

The report shows substantial differences in the definition of default applied by the 72 institutions being part of the sample.

EBA updates list of competent authorities with regard to its Guidelines on sound remuneration

The EBA has updated its list of competent authorities in compliance with EBA's Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013.

EBA consults on ICT risk

The EBA has launched a consultation on its draft Guidelines on the assessment of the Information and Communication Technology (ICT) risk in the context of the Supervisory Review and Evaluation Process (SREP).

These draft Guidelines are addressed to competent authorities and aim at promoting common procedures and methodologies for the assessment of ICT risk. The consultation runs until 06 January 2017.

EBA publishes work programme for 2017

The EBA has published its detailed annual work programme for 2017, describing the specific activities and tasks of the Authority for the coming year, as well as a multiannual work programme, highlighting the key strategic areas of work in the coming years (from 2017 to 2020).

EBA recalls key deadlines for data submission for the 2017 benchmarking exercise of internal approaches

The EBA has published a reminder to competent authorities of the key dates

for the submission of data for the 2017 benchmarking exercise for internal approaches for credit and market risk.

This shall ensure a smooth and timely start of the exercise although the Commission's endorsement of the amended version of the Implementing Technical Standards on benchmarking of internal approaches for running the 2017 exercise is still pending.

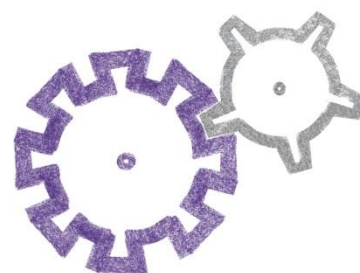
All EU institutions using internal approaches to calculate capital requirements will be subject to an assessment of their internal approaches and are required to submit to their respective competent Authority the data on those portfolios. The deadlines for banks to submit to national competent authorities are as follows:

- Market risk

- Initial Market Valuation figures to be submitted by 4 November 2016
- Risk measures data (VaR / sVaR / IRC / APR/P&L time series) to be submitted by 11 April 2017

- Credit risk

- Low default portfolio figures to be submitted by 11 April 2017.



ECB

European Commission adopts Regulation (EU) 2016/1705 on the application of minimum reserves

The European Commission has adopted Regulation (EU) 2016/1705 of the ECB on the application of minimum reserves.

The adopted Regulation amends Regulation (EC) No 1745/2003 and will enter into force on 14 December 2016.

ECB issues Research Bulletin on the impact of tax advantage of debt to the financial stability

The ECB has recently issued a research bulletin on the impact of the tax advantage of debts to the financial stability.

The ECB argues that the tax deductibility of interest expenses on debt is an often neglected factor in the policy debate on bank capital requirements.

A more equal tax treatment of debt and equity funding could enhance financial

stability by giving banks an incentive to reduce leverage.

ECB publishes Working Paper on the rapid response of asset prices to monetary policy shocks

The ECB has published a Working Paper which argues that the prediction of a rapid response of asset prices to monetary policy is due to a deficient information set: forward-looking economic agents observe vastly more information than the handful of variables included in standard VAR models.

Thus, small-scale VARs are likely to suffer from non-fundamentalness and yield biased results. The ECB tackles this problem by estimating a Structural Factor Model for a large euro area dataset. The paper finds quicker and larger effects of monetary policy shocks, consistent with mainstream theory and the observed large swings in asset prices.

ECB results point to stronger financial stability consequences of an exogenous monetary policy tightening, also in the

form of a quicker than expected unwinding of QE, than commonly thought.

Changes to collateral eligibility criteria and risk control measures for unsecured bank bonds

The ECB has recently decided on changes to the collateral eligibility criteria and risk control measures applicable to senior unsecured debt instruments issued by credit institutions or investment firms or their closely linked entities.

The revisions are in response to the implementation of the BRRD and shall ensure eligibility of senior unsecured debt instruments of such issuers subject to statutory subordination.



EIOPA

EIOPA publishes new set of Q&As

The EIOPA has recently published a new set of Q&As on:

- "Final report on the ITS on the templates for the submission of information to the supervisory authorities (CP-14-052)"
- "Final report on the ITS on procedures, formats and templates of the solvency and financial condition report (CP-14-055)"

EIOPA publishes updated technical methodology documentation for risk-free

interest rate term structures for Solvency II

The EIOPA has published an updated technical documentation on the methodology to derive the risk-free interest rate term structures (RFR) for Solvency II.

Furthermore, EIOPA published changes to the relevant financial instruments used to derive the RFR. EIOPA will implement those changes for the calculation of the RFR end of December 2016.

The updated technical documentation, the updated volatility adjustments calculation examples, the updated version of the source code and a

specification of the changes to the relevant financial instruments can be accessed on the EIOPA's website.

Monthly technical information for Solvency II relevant risk-free interest rate term structures - September 2016

The EIOPA has published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of September 2016.

The technical information is calculated according to the technical documentation and coding released on 30 September 2016.

Monthly update of the symmetric adjustment of the equity capital charge for Solvency II - September 2016

The EIOPA has published the technical information on the symmetric adjustment of the equity capital charge

for Solvency II with reference to the end of September 2016.



ESMA

ESMA releases its Work Programme 2017

The ESMA has published its 2017 Work Programme. Among others, ESMA plans to promote supervisory convergence, assess risks to investors,

markets and financial stability, complete a single rulebook for EU financial markets and directly supervise specific financial entities.

Key priorities for 2017 are the implementation of MiFID II/MiFIR,

to focus on data quality, benchmarks and the Capital Market Union, supervision of credit rating agencies and trade repositories and their ancillary activities.

LuxSE

Luxembourg launches first Green Exchange in the world

The Luxembourg Stock Exchange (LuxSE) becomes the first stock exchange globally to introduce a platform for green financial instruments. Branded Luxembourg

Green Exchange (LGX) went live end of September.

Access is limited to issuers who comply with stringent eligibility criteria. The platform aims to set a new benchmark for the rapidly evolving green securities market.

The LuxSE has also published a FAQ document, which provides information concerning investor benefits, entry requirements, exclusion from entry, and fees.

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Follow us



Lionel Gendarme
Partner
Financial Services
lionel.gendarme@lu.gt.com
T: +352 45 38 78 1



David Kraushaar
Director
Regulatory & Performance
david.kraushaar@lu.gt.com



Jan Mertens
Director
Accounting & Risk
Management
jan.mertens@lu.gt.com



Karel Slajs
Director
Business Risk Services
karel.slajs@lu.gt.com

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