

Financial Sector

November 2016

Newsletter

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A multidisciplinary blockchain approach

Grant Thornton ABAX Investment Services Selects PFS-PAXUS Fund Administration Software

November 2016

Grant Thornton ABAX Investment Services (“GTAIS”) is pleased to announce the selection of PFS-PAXUS for the administration of its funds services.

After a thorough evaluation process, the management of GTAIS has identified that PFS-PAXUS was going to be a great fit for its business. The breadth of functionality available within the system is very extensive and will put GTAIS in an ideal position to administer almost any fund structure, in line with GTAIS strategy to concentrate on its core services and broaden the range of asset classes also to liquid funds.

Incorporated in 2009, Grant Thornton ABAX Investment Services is regulated by the CSSF and provides services such as transfer agent, central administration, AIFM set-up and support, compliance support, AML & KYC services, IT hosting, Directorships and Risk related services to its clients.

Summing up the successful selection of PFS-PAXUS, Philippe Lanciers added, “Grant Thornton ABAX Investment Services is focused on growing our fund administration offering, and we believe having PFS-PAXUS as our core technology platform will allow us to optimise the fund administration process and thereby drive growth in our business. We look forward to a long and mutually beneficial relationship with the team at PFS.”

Pacific Fund Systems (‘PFS’) is a leading provider of alternative fund administration software via its award winning PFS-PAXUS application, a fully integrated share registry and fund accounting system, and PFS-CONNECT, its real-time web portal. PFS services more than 70 client sites across multiple global jurisdictions with in excess of US\$400bn of assets managed on PFS-PAXUS.

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Grant Thornton

A multidisciplinary blockchain approach

COMPANY SUMMARY

Grant Thornton is worldwide audit, tax, accounting and business advisor network that supports organisations to unlock their potential for growth.

Grant Thornton Spain has created a multidisciplinary Blockchain Team in order to perform research about new use cases, implementing distributed ledgers and cover the following areas: blockchain development, support in law & regulation pertaining to blockchain, economic models as well as consultancy.

Grant Thornton Luxembourg is an active player in the Fintech ecosystem since 2014. In Belgium, Finside Advisers has provided advisory services in the FS sector for the past five years and is also pitching for Blockchain initiatives with a large French banking client.

PRODUCTS/SERVICES

The Grant Thornton blockchain lab is offering a wide range of services around blockchain to help clients to assess the value of the technology to their business. Services include training, diagnosis of business cases as well as the development of Proof of Concepts and prototypes.

We recently developed KYC-Start, a solution built to decrease the cost of KYC/AML processes by reducing on-boarding time and enabling to create value out of information verified during the process. Customers are registered into the blockchain through a Digital Identity that contains all collected information, and can be later shared with other participants.

COMPANY PASSPORT

Keywords:

Financial Services Compliance and Regulatory support; AML / KYC Functional and Legal expertise; Cybersecurity; Blockchain Technology; Blockchain Training

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KEY DIFFERENTIATORS:

- When addressing blockchain challenges, we believe that not only technological expertise is needed, but also business and content knowledge.
- Our team has brought together experts in law, economics and technology to develop several concepts and prototypes for many different sectors.
- Thanks to our knowledge of the financial sector, we investigate how blockchain technology can replace legacy systems or create new business model.
- Our team draws on insight gained from working with many start-ups in the blockchain ecosystem to see how the technologies can be taken further.
- Different use cases could be built on the top of our KYC-Start platform, using the digital identity for registering connected objects (IoT), improving different compliance processes (such as FATCA) or building secure e-commerce platforms.

AIFMD

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 two new questions and answers on the cross-border marketing of AIFs, clarifying issues around material changes of existing notifications, as well as two new questions and answers on the delegation of functions by an AIFM to AIFs or third parties.



AML/CFT/KYC

Proposal for a Directive on criminalisation of money laundering

Earlier in 2016 the European Commission (EC) presented on an Action Plan against terrorism financing. One of the key actions of the Action Plan was to consider a possible proposal for a Directive to introduce minimum rules regarding the definition of the criminal offence of money laundering and to approximate sanctions.

Following this, the EC has recently issued its roadmap for introducing a proposal for such a Directive on criminalisation of money laundering.

The objectives of the initiative are to tackle money laundering in all its forms as comprehensively and as uniformly as possible, to allow for better cross border information exchange and cooperation between law enforcement authorities and to ensure effective enforcement and deterrence.

FATF issues report on jurisdictions with strategic deficiencies

As part of its on-going review of compliance with the AML/CFT standards, the FATF has identified in its latest report the following jurisdictions that have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF:

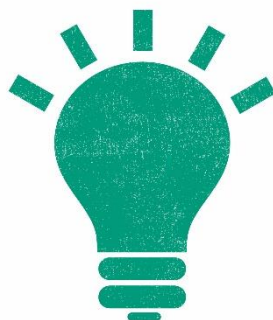
- Afghanistan, Bosnia and Herzegovina, Iraq, Lao PDR, Syria, Uganda, Vanuatu, Yemen.

While the situations differ among each jurisdiction, each jurisdiction has provided a written high-level political commitment to address the identified deficiencies.

According to the report, Guyana is no longer subject to the FATF's on-going global AML/CFT compliance process.

Presidency Compromise Text - Proposal for a Directive amending the 4th MLD

The Council of the European Union has published the Presidency compromise text for the proposal for a Directive on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and amending the 4th MLD.



Tax authorities to gain access to beneficial ownership information

The Council of the EU has recently agreed on a proposal granting access for tax authorities to information held by authorities responsible for the prevention of money laundering.

The directive will enable tax authorities to access information on the beneficial ownership of intermediary entities and other relevant customer due diligence information.

The proposal is one of a number of measures set out by the EC in July 2016, in the wake of the Panama Papers revelations.

The directive will apply as from 1 January 2018.

EBA issues Joint Guidelines on risk-based approach

The EBA has issued Joint Guidelines on the characteristics of a risk-based approach to AML/CFT supervision, and the steps to be taken when conducting supervision on a risk-sensitive basis.

The Guidelines aim to provide a common European basis for the application of the risk-based approach to AML/CFT supervision set out in the 4th MLD and the FATF's recommendations.

The Guidelines will apply by 16 November 2017.

Benchmarks Regulation

ESMA publishes list of designated NCAs under the Benchmarks Regulation

The ESMA has recently issued a list of National Competent Authorities (NCAs) that have been designated under Art. 40 of the Benchmarks Regulation.

These are FSMA (Belgium), CSSF (Luxembourg), CNMV (Spain), Finansinspektionen (Sweden) and FCA (UK).

ESMA finalises advice on future rules for financial benchmarks

The ESMA has finalised its technical advice to the European Commission on important aspects of future rules for benchmarks.

In particular, ESMA provides advice on:

- how benchmarks' reference values can be calculated by using data reporting structures under existing

EU rules such as MiFID II and EMIR;

- some of the criteria for deciding when third country benchmarks can be endorsed for use in the European Union (EU); and
- what constitutes making a benchmark figure available to the public.

Blockchain/FinTech

First cross-border transaction between banks using blockchain

Commonwealth Bank of Australia and Wells Fargo & Co have announced that the first cross-border transaction between banks using multiple blockchain applications has taken place.

The transaction was a shipment of cotton from the US to China. This cotton transaction involved automatically making payments when

the shipment reached certain geographic locations.

Although blockchain is used since 2009 with regards to digital currencies, this represents a milestone for the traditional banking industry.

EC launches a Task Force on Financial Technology

The European Commission has recently launched a Task Force on Financial Technology that aims to assess and make the most of

innovation in this area, while also developing strategies to address the potential challenges that FinTech poses.

This internal Task Force brings together the expertise of Commission staff across several areas, such as: financial and digital services, digital innovation and security, competition and customer protection. It will also engage with stakeholders and present policy suggestions and recommendation in the first half of 2017.

BRRD

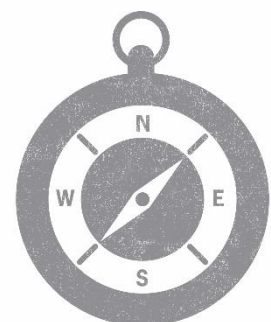
EBA consults on technical standards on MREL reporting by Resolution Authorities

The EBA has launched a public consultation on draft ITS on the procedures and templates which Resolution Authorities should use when informing the EBA of the minimum requirements for own funds and eligible liabilities (MREL) that

have been set for each institution under their jurisdiction.

These standards will enable the EBA to monitor on a consistent basis the implementation of MREL across the Union.

The consultation runs until 21 November 2016.



EBA recommends a measure based on total liabilities as the target level of resolution financing arrangements

The EBA has published its final report on the reference point for the target level of national resolution financing arrangements.

In the report, the EBA recommends changing the basis from covered deposits to a total liabilities-based measure and, in particular, total liabilities (excluding own funds) less covered deposits.

The proposed methodology would align the target level basis with the reference base used for the calculation of individual contributions to national resolution financing arrangements.

Guidelines compliance table on business reorganization plans

The EBA has published a list of the competent authorities that comply or intend to comply with EBA's Guidelines on business reorganization plans under the BRRD.

CRR / CRD IV

EBA calls for a simplified and more harmonised large exposures regime

The EBA has published its response to the European Commission's call for advice of 26 April 2016 on the review of the large exposures framework laid down in the CRR.

The EBA's response has been provided in the form of a report divided in three different sections and including also recommendations to entrust the EBA with additional mandates to further simplify and harmonise the large exposures regime. This report will support the Commission in its review of the large exposures framework as part of the overall CRR review.

Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders

The EBA and the ESMA has launched a consultation on Guidelines on the Assessment of the Suitability of the Members of Management Body and Key Function Holders.

The draft Guidelines aim at further improving and harmonising suitability assessments within the EU financial sectors and so ensure sound governance arrangements in financial institutions.

The joint Guidelines will apply to Competent Authorities across the EU, as well as to credit institutions and

investment firms. Once the revised Guidelines are enforced, the previous EBA Guidelines on the assessment of the suitability of the management body and key function holders from 2012 will be repealed.

Competent Authorities across the EU will be expected to implement the Guidelines by mid-2017.

EBA reviews its guidelines on internal governance

The EBA has launched a public consultation on its revised Guidelines on internal governance. These draft Guidelines aim at further harmonising institutions' internal governance arrangements, processes and mechanisms across the EU, in line with the new requirements in this area introduced in the CRD and also taking into account the proportionality principle.

The consultation runs until 28 January 2017. Competent Authorities across the EU will be expected to implement the Guidelines by mid-2017.

EBA and ESMA want to assess bank management before being hired

EBA and ESMA have recently issued draft guidelines aimed at setting out common criteria for regulators to assess the knowledge, skills and experience of financial sector executives, as well as their good reputation, honesty and integrity.

According to the proposed guidelines, an assessment should be done three to

four months before the appointment of members of the management body which goes beyond current rules introduced in 2012.

EBA seeks views on new prudential regime for investment firms

The EBA has launched a consultation in response to the European Commission's call for technical advice on the design of a new prudential regime for investment firms, which is specifically tailored to the needs of investment firms' different business models and inherent risks. The aim of this work is to develop a single, harmonised set of requirements that are reasonably simple, proportionate, and more relevant to the nature of investment business. The consultation runs until 2 February 2017.

EBA consults on standards specifying information requirements for the authorisation of credit institutions

The EBA has launched a consultation on (i) RTS on the information to be provided to Competent Authorities for the authorisation of credit institutions and (ii) ITS on the templates and procedures for the provision of such information.

The standards aim at harmonising the information requirements in the authorisation process across the EU, thus facilitating the application process and ensuring a level playing field. The consultation runs until 8 February 2017.

ECB Guide on options and discretions available in Union law

The ECB has published the consolidated version of its Guide on options and discretions provided for in the CRR and CRD IV and which concern the prudential supervision of credit institutions.

The document aims to provide coherence, effectiveness and transparency regarding the supervisory policies that will be applied in supervisory processes within the Single Supervisory Mechanism as far as the significant credit institutions are concerned.

In particular, it aims to assist the Joint Supervisory Teams in the performance of their tasks with regard to the principles the ECB intends to follow in supervising significant credit institutions.

EBA consults on revised standards on supervisory reporting

The EBA has published for consultation revised ITS on supervisory reporting. The proposed amendments concern new requirements for the reporting of information on sovereign exposures and changed requirements for the reporting of operational risk data.

The standards on supervisory reporting aim at collecting information on institutions' compliance with prudential requirements in a consistent way and need to be updated whenever prudential or supervisory requirements change.

The consultation runs until 7 January 2017. The EBA expects to submit these revised draft ITS to the European Commission in March/April 2017. The application of the revised requirements will be in March 2018, with the first reporting reference date as of 31 March 2018.

EBA consults on guidelines for the application of the IRB approach

The EBA has launched a consultation on its draft Guidelines on the estimation of risk parameters for non-

defaulted exposures, namely of the probability of default (PD) and the loss given default (LGD), and on the treatment of defaulted assets.

The draft Guidelines are part of the EBA's broader work on the review of the IRB approach aimed at reducing the unjustified variability in the outcomes of internal models, while preserving the risk sensitivity of capital requirements.

The consultation runs until 10 February 2017.

EBA seeks views on how to review the maturity ladder for liquidity reporting

The EBA has launched for consultation a proposal to review its ITS on additional monitoring metrics for liquidity, which mainly consists of reintroducing a maturity ladder in line with the reporting requirements laid down in the Commission's Delegated Act on the Liquidity Coverage Ratio (LCR).

The revised ITS aim at providing Competent Authorities with harmonised information on institutions' liquidity risk profile, taking into account the nature, scale and complexity of their activities.

The consultation runs until 2 January 2017.

EBA releases Consultation Paper on draft ITS with regard to operational risk and sovereign exposures

The EBA has issued a Consultation Paper on draft ITS amending Implementing Regulation (EU) No 680/2014 with regard to operational risk and sovereign exposures.

The Consultation Paper proposes an amendment of the ITS on supervisory reporting with regard to the following:

- (i) new requirements as regards the reporting of information on sovereign exposures, and
- (ii) changed requirements as regards the reporting of operational risk information.

The envisaged date for finalization of the draft ITS is March/April 2017, with

the application of the revised reporting requirements in March 2018.

EBA publishes list of public sector entities for the calculation of capital requirements

The EBA has published the list of public sector entities (PSEs) that may be treated as regional governments, local authorities or central governments in the area of credit risk, in accordance with the CRR.

The list will assist EU institutions in determining their capital requirements for credit risk.

ECB publishes Guideline for assessing the compliance of institutional protection schemes

The ECB has issued a Guideline on the approach for the recognition of institutional protection schemes for prudential purposes by national competent authorities (NCAs).

NCAs need to comply with this Guideline from 2 December 2016.

EBA provides overview on the proportionate application of remuneration requirements across the EU

The EBA has published additional information on the application of the proportionality principle to the remuneration provisions laid down in the CRR in response to a request for advice from the European Commission.

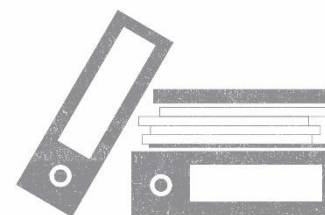
The Report provides a detailed overview by Member State on the applicable framework regarding the principle of proportionality, analyses the number of institutions and staff currently benefitting from waivers in the area of remuneration and provides estimates on the number of institutions and staff that could benefit from future waivers if the amendment proposed by the EBA in its Opinion were to be adopted.

CRS/FATCA

ALFI publishes revised Self-Certification Forms for FATCA and CRS

The ALFI has recently published revised and updated Self-Certification

Forms for FATCA and CRS for Individuals, Controlling Persons and Entities under the relevant Section “Declaration and Undertakings” on their website.



EMIR

ESMA publishes consultation on draft RTS and ITS under SFTR and amendments to related EMIR RTS

The ESMA has launched a Consultation on the specific questions listed in Draft RTS and ITS under SFTR and amendments to related EMIR RTS, published on the ESMA website.

ESMA has found a clerical mistake in the Consultation paper published on 30 September 2016.

In particular, there are some instances in the explanatory text, in particular on pages 85, 87, 88, 92 and 96, where the deadline for reporting of the collateral component of an SFT is erroneously indicated as taking place on value date + 1. The timeline for reporting of the details of the collateral component of an SFT is value date, as included in Article 5 of the draft technical standards under Article 4(10) of SFTR

on page 254. In similar way the reporting of availability for reuse, mentioned on page 108, refers to the value date.

ESMA asks Commission to delay central clearing for small financial counterparties

The ESMA has published its final report regarding the amended application of the clearing obligation that financial counterparties with a limited volume of activity in OTC derivatives need to comply with under the EMIR.

Due to a range of reasons covered in the report, in particular the relevant EU legislations being under review or finalisation, ESMA proposes to postpone the phase-in period for central clearing of OTC derivatives applicable to financial counterparties with a limited volume of derivatives activity.

ESMA defines common supervisory approach for CCPs' service extensions and change of risk models

The ESMA has issued an opinion on common indicators for new products and services under Article 15 and for significant changes under Article 49 of EMIR.

The document defines a common supervisory approach for supervisors dealing with central counterparties (CCPs) wishing to extend their existing authorisation or change their risk models under the EMIR.



FINREP/COREP

EBA responds to the EC's call for advice on standardised approach for counterparty credit risk and own funds requirements for market risk

The EBA has published a report in response to the Commission's calls for advice on the adoption of a new standardized counterparty risk (CCR), and market risk framework (MKR).

The report relies mostly on existing data either from FINREP/COREP or

conducted Quantitative Impact Studies. The analysis could serve as a basis for an overall impact assessment for any legislative proposals by the Commission in the area of CCR and MKR, subject to some caveats, EBA said.

IFRS

IFRS 9 expected to reduce banks' capital ratios and capacity to lend

The new accounting standard IFRS 9 is likely to reduce significantly banks' capital ratios.

The expected credit loss (ECL) model under IFRS 9 is more forward-looking than IAS 39, under which banks can only make provisions when a loss occurs. The ECL will require banks to make provisions for expected losses for any loans they make to cover not only losses that have already been incurred but also those expected in the future.

Regulators are concerned that the increased amount of provisions under IFRS 9 will reduce banks' capital and their ability to lend.

ESMA sets enforcement priorities for listed companies' 2016 financial statements

The ESMA has published its annual Public Statement on European Common Enforcement Priorities which identifies enforcement priorities for

listed companies' 2016 financial statements and highlights the need for transparency in disclosing the potential impact of Brexit on issuers' financial statements.

The Public Statement, directed at listed companies and their auditors, sets out the areas ESMA and national enforcers will focus on in particular when they examine listed companies' 2016 financial statements in order to promote a consistent application of IFRS Standards across the EU.

EC adopts Commission Regulation (EU) 2016/1905

The European Commission has adopted Commission Regulation (EU) 2016/1905 amending 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 International Financial Reporting Standard 15.

The Regulation entered into force on 18 November 2016.

EBA provides its views on the implementation of IFRS 9 and its impact on banks across the EU

The EBA has published a Report including some qualitative and quantitative observations of its first impact assessment of IFRS 9.

The exercise, which helped the EBA understand the way in which institutions are preparing for the application of IFRS 9, also contains some recommendations relevant to the observations as well as some future actions, including the interaction of IFRS 9 with existing prudential requirements.

ESMA prepares for new IFRS 9

The ESMA has published a Public Statement on Issues for consideration in implementing IFRS 9: Financial Instruments which highlights both the need for consistent, high-quality implementation of IFRS 9 and the need for transparency on its impact to users of financial statements.

MAR/MAD

EC adopts Corrigendum to MAR

The European Commission has adopted a Corrigendum to the MAR and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

ESMA issues Q&A's on the implementation of MAR

The ESMA has issued a set of Q&A's regarding the implementation of the MAR. The document includes detailed answers on:

- Managers' transactions; and

- Investment recommendation and information recommending or suggesting an investment strategy.

"Investment recommendation" under the MAR

The ESMA Q&A document addressing the latest MAR uncertainties has clarified what type of communication should be regarded as an investment recommendation and thus fall within the scope of the MAR. Telephone calls, chat functions and "morning notes" could be considered as an investment recommendation under the MAR if they refer to a financial instrument or an issuer.

Furthermore, standardised communication, including oral or

electronic communication, should be also regarded as an investment recommendation when it is structured and pre-planned for distribution channels and suggests an investment strategy in relation to a financial instrument or issuer.

ESMA updates MAR guidelines on market soundings

The ESMA has re-issued the official translations of its final guidelines clarifying the implementation of the MAR for persons receiving market soundings. Following a linguistic issue in the Polish translation, all 22 language versions are being re-published which moves its legal application date to 10 January 2017.

MiFID/MiFID II/MiFIR

ESMA issues MiFIR reporting instructions

The ESMA has issued detailed reporting introductions and XML schemas under its Financial Instruments Reference Data System (FIRDS).

FIRDS covers the MiFIR and the MAR requirements for reference data collection and publication, collection and processing of additional data to support the MiFIR transparency regime and suspensions' coordination. The FIRDS provides market participants with additional detailed guidance following the publication of ESMA's final guidelines regarding transaction reporting under the MiFID II and MiFIR and should assist firms in preparing their reporting obligations for the incoming regulations.

Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders

The EBA and the ESMA has launched a consultation on Guidelines on the Assessment of the Suitability of the Members of Management Body and Key Function Holders.

The draft Guidelines aim at further improving and harmonising suitability assessments within the EU financial sectors and so ensure sound governance arrangements in financial institutions. The joint Guidelines will apply to Competent Authorities across the EU, as well as to credit institutions and investment firms. Once the revised Guidelines are enforced, the previous EBA Guidelines on the assessment of the suitability of the management body and key function holders from 2012 will be repealed. Competent Authorities across the EU will be expected to implement the Guidelines by mid-2017.

EBA publishes Compliance table for Guidelines on product oversight and governance

The EBA has published the compliance table listing the competent

authorities that comply or intend to comply with EBA's Guidelines on product oversight and governance arrangements for retail banking product.

ESMA prepares for MiFID II Systematic Internaliser regime

The ESMA has published an updated Q&A document on the application of MiFID II/ MiFIR which clarifies when ESMA will publish the first set of data needed to implement the Systematic Internaliser (SI) regime and the date by when firms must comply with the regime for the first time.

The earliest mandatory deadline, on which firms must comply with the SI regime, when necessary, is 1 September 2018 although MiFID II and MiFIR apply from 3 January 2018. However, ESMA stresses that investment firms can opt-in to the SI regime for all financial instruments from 3 January 2018 as a means of complying, for example, with the trading obligation for shares.

ESMA consults on transparency rules for package orders under MiFID II

The ESMA has opened a public consultation on draft RTS regarding the treatment of package orders under the amended MiFID II and MiFIR. Overall, MiFID II aims at increasing market integrity, transparency and efficiency. ESMA's draft RTS establish a methodology for determining those package orders for which there is a liquid market in the European Union as a whole, and which consequently may not be waived from pre-trade transparency requirements. The methodology ESMA is proposing is based on qualitative criteria which allow ESMA to take the characteristics of packages into account which are standardised and frequently traded.

ESMA intends to finalise the standards by February 2017.

ESMA publishes MiFID II Q&A's on transparency and market structure topics

The ESMA has published two Q&A documents regarding implementation issues relating to market structures and transparency topics under the MiFID II/ MiFIR. The documents provide clarifications on the following topics:

- Data disaggregation;
- The mandatory tick size regime;
- Article 4 (7) of MiFIR, review of waivers granted in accordance with MiFID I; and,
- The procedure for granting a waiver from pre-trade transparency obligations for illiquid non-equity financial instruments.

Impact of recording telephone conversations on organisational and compliance requirements

In October 2016 the ESMA has published a Q&A document on investor protection providing information on the requirements regarding the recording of telephone conversations and electronic communications.

The MiFID II will require firms to develop business strategies and procedures with regard to recording communications and to ensure effective supervision and control of the management body. Firms should take strategic decisions which media should be used and which method is best suited for archiving the relevant data for at least five years.

Firms should specify and set out general principles and process descriptions for the recording of communications in writing and train employees on the new procedures. Investment firms should also implement effective control mechanisms to minimize the likelihood of misconduct in relation to market manipulation and ensure trading activities are executed in the best interest of clients. Therefore, the compliance function being the second level of control should be integrated in the design and implementation projects concerning the new processes and procedures.

MMF Regulation

Presidency and EP reach agreement on MMF Regulation

The European Union institutions have reached provisional agreement on a draft regulation for money market funds (MMFs) that will eliminate some kinds of funds (constant net asset value funds) and create others (low-volatility net asset value funds).

The new rules are aimed at making MMFs products more robust. The draft regulation is intended to ensure the smooth operation of the short-term funding market. It sets out to maintain the essential role that money market funds play in the financing of the real economy. It follows efforts by the G20 and the Financial Stability Board to

strengthen the oversight and regulation of the 'shadow banking' system.

Once a number of technical issues relating to the draft regulation are finalised, the agreement will then be submitted for endorsement.

PRIIPs

EC adopts Regulation (EU) 2016/1904 on KID for PRIIPs

The European Commission has adopted Commission Delegated Regulation (EU) 2016/1904 of 14 July 2016 supplementing Article 16(8) and Article 17(7) of Regulation No 1286/2014 on key information documents for PRIIPs. The adopted Regulation shall establish common standards for KID's relating to PRIIPs and will be applicable from 31 December 2016.

EC extends the application date of the PRIIPs Regulation by one year

The European Commission has proposed an extension to the date of application of the regulation on key information documents for PRIIPs.

The one-year extension is being proposed exceptionally in the interest of ensuring a smooth implementation for European consumers and to ensure legal certainty for the sector.

EC expects that the revised PRIIPs framework should be in place during the first half of 2017 and apply as of 1 January 2018.

EC invites European Supervisory Authorities to amend PRIIPs rules and develop guidance

The EBA, the ESMA and the EIOPA have received a letter from the European Commission setting out the amendments it proposes to make to the draft RTS on key information documents for PRIIPs.

The European Commission considers that the amendments to the RTS provisions on multi-option PRIIPs, performance scenarios and the comprehension alert are required to address the concerns expressed by the European Parliament.

PSD 2

EBA consults on Guidelines on authorisation and registration under PSD 2

The EBA has launched a consultation on its draft Guidelines specifying the

information to be provided by applicants intending to obtain authorisation as payment and electronic money institutions as well as to register as account information service providers under the revised Payment Service Directive (PSD 2).

These Guidelines are in support of the objective of PSD 2 of strengthening an integrated payments market across the European Union, ensuring a consistent application of the legislative framework, and promoting equal conditions for competition.

SFTR

ESMA publishes consultation on draft RTS and ITS under SFTR and amendments to related EMIR RTS

The ESMA has launched a Consultation on the specific questions listed in Draft RTS and ITS under SFTR and amendments to related EMIR RTS, published on the ESMA website.

ESMA has found a clerical mistake in the Consultation paper published on 30 September 2016.

In particular, there are some instances in the explanatory text, in particular on pages 85, 87, 88, 92 and 96, where the deadline for reporting of the collateral component of an SFT is erroneously indicated as taking place on value date + 1.

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Solvency II

EC adopts Commission Implementing Regulation (EU) 2016/1868 of 20 October 2016

The European Commission has adopted Commission Implementing Regulation (EU) 2016/1868 of 20 October 2016 amending and correcting Implementing Regulation (EU) 2015/2450 laying down implementing technical standards with regard to the templates for the submission of information to the supervisory authorities according to the Solvency 2 Directive.

The Commission Implementing Regulation is effective from 10 November 2016.



EC issues Commission Implementing Regulation (EU) 2016/1976 of 10 November 2016

The European Commission has issued Commission Implementing Regulation (EU) 2016/1976 of 10 November 2016 laying down technical information for the calculation of technical provisions and basic own funds for reporting with reference dates from 30 September until 30 December 2016 in accordance with the Solvency II Directive.

The Regulation has entered into force on 17 November 2016.

SREP

EBA publishes final guidelines on ICAAP and ILAAP information

The EBA has published its final Guidelines on the collection of information related to the internal

capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP).

The Guidelines aim at facilitating a consistent approach to the supervisory assessment of ICAAP and ILAAP frameworks across the EU as part of

the supervisory review and evaluation process (SREP).

UCITS/UCITS V

Template for Solvency II Asset Data reporting remains unchanged

The EFAMA working group has released that the Version 3.0 Tripartite Template (TPT) for Solvency II Asset Data reporting will remain unchanged.

The working group has also published an updated version of its Q&A document to accompany the TPT and to provide additional guidance.

The initial objective of the TPT is to support investment management companies to exchange data with insurers and with other Investment Managers. In addition the template supports in the SCR calculation and the data delivery for the quantitative reporting templates that insurance companies need to comply with under Solvency II.

ESMA publishes updated UCITS Q&A

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

The Q&A includes two new questions and answers on how investment limits should be applied where a UCITS wants to invest in an umbrella fund.



Working Paper No. 102 Tracking Changes in the Intensity of Financial Sector's Systemic Risk

The Banque Centrale du Luxembourg (BCL) has issued the working paper No 102 titled "Tracking Changes in the Intensity of Financial Sector's Systemic Risk".

The study provides the first available estimates of systemic risk in the financial sector comprising the banking and investment fund industries during 2009Q4 - 2015Q4.

The main results suggest that:

(1) Interdependence in the financial sector decreased in the first three years of the sample, but rose again later coinciding with ECB's references to increased search for yield in the financial sector.

(2) Investment funds are a more important source of contagion to banks than the other way round, and this is more the case for European banking groups than for Luxembourg banks.

(3) For tracking the growth of vulnerabilities over time, it is better to monitor the most vulnerable part of the financial sector because the common components of systemic risk measures tend to lead these measures.

Working Paper No. 103 Characterising the Financial Cycle in Luxembourg

The BCL has published the working paper No 103 titled "Characterising the Financial Cycle in Luxembourg".

The paper characterises the financial cycle in Luxembourg using both the growth and classical cycle definitions. The aim of the working paper is to aid the development of macro-prudential policy.

CAA Circular Letter 16/10

The Commissariat aux Assurances (CAA) has published Circular Letter 16/10 amending Circular Letter 15/12 on the technical interest rates applicable to insurance and reinsurance companies.

The new, lower rates apply from 1 December 2016.

CAA issues Circular on Own Risk and Solvency Assessment

The CAA has published a Circular requiring every insurance and reinsurance undertaking in Luxembourg to conduct its own risk and solvency assessment (ORSA) as part of its risk-management system. The respective criteria are defined in Article 45 of the Solvency II Directive.

Two weeks after the approval of the first report by the board of directors and no later than 16 January 2017 the assessments shall be submitted to the CAA.

CAA Circular Letter 16/11

The CAA has issued Circular Letter 16/11 outlining the FATF statements with regard to:

- (i) Jurisdictions with substantial deficiencies in their AML/CFT regimes,
- (ii) Jurisdictions with insufficient progress in their AML/CFT regimes, and
- (iii) Jurisdictions in which the AML/CFT regime is not satisfactory.

The main changes compared to Circular Letter 16/08 is that the

Democratic People's Republic of Korea falls under the first category and Iran now falls under the second.



Update of the reporting requirements for credit institutions

The CSSF has issued an updated version of its document “Reporting requirements for credit institutions” dated 20 October 2016. The document provides the following updates:

- An up-date of the important notice: (i) new presentation of the amendments of the ITS & (ii) implementing regulation (EU) No 2016/1702;
- An additional Section 4 in Chapter 1 related to the future evolution of the reporting requirements;
- An up-date of Chapter 2, Part 2, Section 2 regarding Benchmarking portfolio assessments;
- An up-date regarding Chapter 3, Section 2 on the remittance dates for the first reporting periods; and
- In Chapter 5 an addition of section “3.1.11 reporting of unnecessary 0 values should be avoided”.

CSSF Annual Report 2015

The CSSF has released the Annual Report for the year 2015 on its website, which provides a review of the main areas of activity for 2015.

CSSF updates its document “Identification of reporting requirements and checks for 2nd level completeness”

The CSSF has recently published an updated version of its excel document “Identification of reporting requirements and checks for 2nd level completeness”.

The excel document includes several updated worksheets. Cells containing changes compared to the previous version are marked in yellow.

CSSF Circular 16/645

The CSSF has issued Circular 16/645: FATF Statements which repeals CSSF Circular 16/639 of 4 July 2016.

The statements concern:

- jurisdictions whose AML and CFT regime has substantial and strategic deficiencies;
- jurisdictions whose AML and CFT regime requires the application of enhanced due diligence measures proportionate to the risks arising from these jurisdictions; and
- jurisdictions whose AML and CFT regime is not satisfactory.



CSSF Regulation No. 16-07

The CSSF has published Regulation No. 16-07 relating to out-of-court complaint resolution filed with the CSSF.

The Regulation sets out the criteria for admissibility of requests and provides information on the procedure as well as data protection, confidentiality etc.

The Regulation repeals and replaces CSSF Regulation No 13-02 on the same matter and enters into force with its publication in the Memorial.

Circular CSSF-CODERES 16/02

The CSSF has issued Circular CSSF-CODERES 16/02 aimed at collecting data for the calculation of the 2017 ex-ante contributions to the Single Resolution Fund.

CSSF Newsletter No 189

The CSSF has published the October issue of its Newsletter.

CSSF Newsletter No 190

The CSSF has published the November issue of its Newsletter. The Newsletters are available on the CSSF's website.

EBA issues recommendations on the implementation of new counterparty and market risk frameworks

The EBA has published a Report in response to two calls for advice to assist the European Commission in the adoption into European legislation of two new international frameworks

proposed by the Basel Committee on Banking Supervision:

- a new standardised framework for counterparty risk (CCR), i.e. the so-called SA-CCR, and
- a new market risk (MKR) framework - the so-called fundamental review of the trading book (FRTB).

In the Report, the EBA focuses on the envisaged impact of these two frameworks, for both large and small firms, and issues recommendations on their implementation.

EBA releases Press Newsletter on upcoming publications

The EBA has issued Press Newsletter which provides an overview on upcoming EBA publications for the period October-December 2016.

Recommendations on the harmonisation of the covered bond frameworks in the EU

The EBA has recently issued the slides of its public hearing held on 18 November 2016 with regard to the EBA's recommendations on the

harmonisation of the covered bond frameworks in the EU.

The hearing provided an opportunity for the EBA to share an update of the current status of its draft report on harmonisation, its methodology and further next steps.

ECB

ECB publishes guidance on cybersecurity for the financial sector

The ECB has recently published guidance on cybersecurity for the financial sector. As an overseer of a number of systemically important financial market infrastructures operating in the euro area, the ECB needs to ensure that not only the individual systems but the network as a whole is operationally resilient.

Public authorities have recognised that the interconnectedness of the global financial system requires a strategically aligned approach to cybersecurity at international level. Hence, the G7 countries created a Cyber Expert Group that was tasked with drawing up a list of "fundamental elements of cybersecurity for the financial sector".

The elements provide a concise set of best practice principles on cybersecurity for public and private entities in the financial sector.

ECB issues Macroprudential Bulletin - Issue 2, 2016

The ECB has released the second issue of its Macro-prudential Bulletin for 2016.

The document contains chapters on the macro-prudential effects of systemic bank stress, macro-prudential policy analysis and tools and regulatory issues such as high-frequency trading as well as information and market volatility.

Report on financial structures

The ECB has released its Report on financial structures (RFS) in the euro area. The document reviews the main structural features of and developments in the broader euro area financial sector. The RFS has a clear structural focus, serving as a complement to the biannual ECB Financial Stability Review (FSR) which focuses more on cyclical factors.

The RFS covers the banking sector (monetary financial institutions or MFIs), insurance corporations and pension funds (ICPFs) as well as other financial intermediaries (OFIs). Parts of the OFI sector have grown substantially over the past decade and sometimes perform bank-like functions. This calls for a more holistic

approach to the structure of the euro area financial sector going forward.

ECB issues report on business investment developments

The ECB has recently issued a report examining business investment developments in the euro area since the financial crisis.

While recovering less than in other advanced economies, the ratio of euro area real business investment to value added has recently surpassed its historical average. The recovery in investment is being driven by a combination of improving demand, profit expectations and financing conditions, as well as declining uncertainty.

However, weak absolute investment growth in the euro area has slowed growth of the capital stock, which has weighed on potential and productivity growth since the crisis. Moreover, euro area gross corporate debt remains historically high and several regulatory and institutional factors continue to drag on business investment, despite a number of reforms in recent years.

EIOPA

EIOPA publishes outcomes of its peer review on IORPs

The EIOPA has recently published the outcomes of a peer review on

Institution of Occupational Retirement Provisions (IORP) with respect to the supervisory practices on the Statement of Investment Policy Principles (SIPP).

The peer review's objectives were to gain a better understanding of the extent to which NCAs use the SIPP primarily as a supervisory tool and as a tool for disclosure purposes, explore what associated supervisory practices

NCA's put in place and identify the scope for promoting supervisory convergence, including through the identification of best practices.

Among others, the peer review's analysis found that the majority of Member States have implemented national measures in supplement to the relevant provisions of the IORP Directive, mainly in relation of the structure and content of the SIPP, the management of the investment function and the persons responsible for preparing and approving the SIPP.

In nearly all Member States, there was no obligation for IORPs to prepare a document similar to the SIPP prior to the IORP Directive which also

introduced for many a new requirement on risk management.

Q&A on regulation

The EIOPA has published the following new sets of questions and answers 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)";
- "Guidelines on group solvency".

EC Consultation on the Review of the EU Macroprudential Policy Framework

In August 2016, the European Commission launched an open consultation for the review of the EU macroprudential policy framework.

The EIOPA has recently responded to the COM consultation on the Review of the EU Macro-prudential Policy Framework under the provisions of Articles 23 and 33 of Regulation No. 1094/2010 of the European Parliament and of the Council since the consultation document concerns issues related to EIOPA's area of competence.

ESMA

Verena Ross speech on regulatory developments

Verena Ross, Executive Director of ESMA, spoke at the Norwegian Finanstilsynet 30th Anniversary Conference in Oslo on Thursday 20 October. Her speech covered recent regulatory and supervisory developments in the EU and the challenges ahead, focusing on issues such as MiFID II, Capital Markets Union, PRIIPs, CFDs and data quality.

ESMA provides status update on Technical Standards and Guidelines

The ESMA has published an updated version of its table showing the status of the Technical standards as well as ESMA Guidelines under work in progress.



ESMA responds to Commission's consultation on potential EU personal pension framework

The ESMA has published its response to the European Commission's consultation on a potential EU personal pension framework as part of ESMA's ongoing work in relation to the Capital Markets Union initiative.

ESMA comments on a number of topics covered by the consultation: product characteristics of a possible EU personal pension product, information to policyholders and distribution rules.

LuxSE

Luxembourg Stock Exchange tightens cooperation with China

The Luxembourg Stock Exchange (LuxSE) and the Chinese Bank of Communications (BoCom) have signed a Memorandum of

Understanding (MoU) sealing a strategic partnership.

Both parties have committed to exchange information about listing and trading activities of securities issued by Chinese entities. A particular focus is

put on securities denominated in RMB, domiciled in the Shanghai Free Trade Zone.

The MoU focuses on sharing information about listing and trading of bonds and equities; asset

securitization; and private equity activity of Chinese entities.

Furthermore, the organisations commit to cooperating on the innovation and creation of new listing and trading products, as well as any other form of business that could be of mutual interest for the BoCom or the LuxSE. Both parties will also exchange knowledge on best practices for the markets they operate in.

LuxSE introduces “Request for Quotes” system

The Luxembourg Stock Exchange has issued a guidance document on the

recently introduced “Request for Quotes” system.

The system improves the visibility of non-executed orders arriving on the markets of the LuxSE. It provides an additional service to increase liquidity on the markets. The new system enables non-executed orders to be monitored in real time on the markets of the LuxSE.

LuxSE publishes key information on the involuntary dispossession of bearer securities

The Luxembourg Stock Exchange has recently published a document which contains key information on the involuntary dispossession of bearer securities due to theft, loss or any other reason.

The document also provides details about contacting the Caisse de Consignation to terminate a stop or confirm forfeiture.



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