

Financial Sector

January 2017

Newsletter

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Training

Monday 27 February 2017



Introduction to IFRS 9 - Main changes from IAS 39

Grant Thornton has the pleasure to invite you to this half-day training on IFRS 9.

IFRS 9 fundamentally changes the accounting rules for financial instruments from the way they were implemented by IAS 39.. While its time for adoption on January 1st 2018 seems a long way off, the expected significant impacts on finance, accounting and reporting requires companies and financial institutions to start assessing the implications of the new Standard and the gaps with their your existing processes and procedures.

Through the provision of an overview on IFRS 9 content, this training will provide participants with the knowledge that is needed to start their assessments and kick off the thought process.

The objective of this training is to give a general overview of IFRS 9 and to focus on the materiality of the changes from IAS 39.

The agenda together with the registration form are available through the following link:

[Agenda and registration](#)

Please return the registration form by email to knowledgecenter@lu.gt.com.

PROGRAMME

13h30 - 17h30

IFRS 9

Scope: quick reminder and changes, classification and measurement: financial assets in depth, financial liabilities: quick reminder and changes, impairment in depth, de-recognition: quick reminder and changes, hedge accounting: summary of main changes

Speakers:

Jan Mertens, Director, Advisory Services - Grant Thornton Luxembourg

David Kraushaar, Director, Advisory Services - Grant Thornton Luxembourg

Target audience:

General Managers, Executive Directors, Project Managers, representatives from Accounting and Financial Reporting departments

Prerequisites:

General knowledge on IAS 39

Price:

EUR 550,- (excl. VAT)

Venue:

Grant Thornton Luxembourg

20 rue de Bitbourg

L – 1273 Luxembourg

We also have the possibility to organise this training in your premises and tailor it to your needs. Do not hesitate to contact Caroline Bessières (+352 45 38 78-1) or knowledgecenter@lu.gt.com.

AIFMD

ESMA publishes updated Q&A's on the AIFMD

The ESMA has published an updated Q&A document on the AIFMD.

The new version provides an update on the reporting obligations by non-EU

AIFMs under Article 42 of the AIFMD. The amended Q&A clarifies the circumstances under which information on EU master AIFs should be reported to national competent authorities.



AML/CFT/KYC

European Council agrees on strengthened EU rules on AML/CFT

The Council of the European Union has agreed its bargaining position on strengthening EU rules on AML/CFT.

The proposed Draft Directive amends the 4th MLD and aims at closing down the financial means of criminals without creating unnecessary obstacles to the functioning of payment systems and financial markets.

Proposal for a new Directive on the criminalisation of money laundering

The European Commission has published a proposal for a Directive which aims to implement international requirements from recommendations of the FATF on the criminalisation of money laundering, and from the Warsaw Convention.

The new Directive is supposed to reinforce the 4th MLD and implement recommendation 3 of FATF calls on countries to criminalise the laundering or proceeds of all serious offences, including the widest range of predicate offences such as terrorism, fraud, and corruption or tax crimes.

Following the new Directive, some countries will need to enact legislation to increase the range of predicate offences.

Proposal for a Regulation on controls on cash entering or leaving the Union

The European Commission has issued a proposal for a Regulation on controls on cash entering or leaving the Union which shall repeal the Cash Control Regulation adopted in 2005.

The proposal seeks to address following issues:

- Tighten cash controls on people entering or leaving the EU with EUR 10.000 or more in cash,
- Enable authorities to act on amounts below this threshold in case of suspicious of criminal activity,
- Address difficulties in the exchange of information between authorities, and
- Extend customs checks to cash sent in postal parcels, precious commodities and prepaid payment cards.

Proposal for a Regulation to strengthen the mutual recognition of criminal asset freezing and confiscation orders

The European Commission has published a proposal for Regulation to strengthen the mutual recognition of criminal asset freezing and confiscation orders.

The proposed Regulation on mutual recognition of criminal asset freezing and confiscation orders will:

- Offer one single legal instrument for the recognition of both freezing and confiscation orders in other EU countries;
- Widen the scope of the current rules on cross-border recognition;
- Improve the speed and efficiency of freezing or confiscation orders;
- Ensure victims' rights to compensation and restitution are respected.

Once formally adopted the Regulation would apply in all Member States.

European Parliament rejected 4MLD-annexed blacklist

The European Parliament has rejected the EU blacklist of countries annexed to the 4th MLD. Lawmakers justified their decision on the fact that the list was too short as it included only 10 countries which pose risk of facilitating money laundering or terrorist financing.

The Parliament requested the European Commission to revise the list and expand it to tax heavens after regulatory concern about tax crime, including its money laundering implications, has become heightened following the Panama Papers.

Loopholes in Bitcoin regulation represent serious AML-risk

Gaps in bitcoin regulation led to an increase in money laundering through bitcoins accounting for 40 percent of criminal online payments, financial intelligence officials say.

According to experts, as long as no bank or other regulated entity is involved in bitcoin transactions there is no obligation on anyone to report a suspicious transaction. Therefore, criminal traders dealing in illicit goods obtained bitcoins try to avoid regulated channels (i.e. banks) by selling their bitcoins to so-called criminal "bitcoin cashers". These bitcoin cashers, as they are not regulated, are able to buy bitcoins and exchange them for euros

at legitimate exchanges, pay them into bank accounts and withdraw the cash immediately.

Criminals have also started using "bitcoin mixers", which pool and redistribute multiple transactions to obscure the transaction trail and make it impossible for financial intelligence agencies to investigate such transactions.

Therefore, financial intelligence unit experts urge regulators to push forward regulations on the sector to address the risk of virtual currencies (VC) being used for money laundering and terrorism financing. The proposed amendments to the 4th MLD to take VC into scope are expected to be finalized by the summer.

Big Data

European Supervisory Authorities consult on Big Data

The Joint Committee of the European Supervisory Authorities (ESAs) has recently launched a public consultation about the potential benefits and risks of Big Data for consumers and financial firms to determine whether any further regulatory or supervisory actions may be needed.

The purpose of the consultation is for the ESAs to understand better what the Big Data phenomenon means for consumers, the financial industry and regulators, and they invite all stakeholders to share their views.

Existing EU legislation on data protection, competition and consumer protection, which share the common goals of promoting economic growth, innovation and the welfare of

individual consumers, are relevant for financial firms while not explicitly addressing Big Data. The Discussion Paper asks whether the existing regulatory framework is sufficiently flexible to cover Big Data, has gaps which need to be filled and how it impacts the use of Big Data technologies.

Blockchain/FinTech

DTCC creates derivatives distributed ledger platform

The Depository Trust & Clearing Corporation (DTCC) kicked off a project for post-trade processing regarding derivatives with the use of blockchain technology.

DTCC expects the work on the project to take about a year. The project foresees a "re-platforming" of the DTCC's existing Trade Information Warehouse for post-trade processing to a distributed ledger custom-built for cleared and bilateral credit derivatives.

Large participating firms will run their own individual "peer nodes" on the private ledger, with smaller DTCC clients being given the option to tap into DTCC's own node.

Successful test on proxy voting on Estonian exchange

Nasdaq Inc. has completed a successful test to run proxy voting on its Estonian exchange while using blockchain technology.

The e-voting technology was aimed at investors who own shares in companies listed on the Tallinn Stock Exchange to vote online during investor meetings or transfer their voting rights to a proxy.

Nasdaq Inc. is currently assessing whether to implement the new system.



CRR / CRD IV

EBA consults on supervision of significant branches

The EBA has launched a consultation on its draft Guidelines on the supervision of significant branches. Prompted by the increasing demand to establish branches across the European Union, these Guidelines are designed to facilitate cooperation and coordination between the Competent Authorities (CAs).

They will assist them in supervising the largest systemically important branches, the so-called "significant-plus" branches, which require intensified supervision.

The consultation runs until 20 March 2017.

EBA recommends retaining risk-sensitive framework for banks regulatory capital

The EBA has published its Report on cyclicity of banks' capital requirements aiming at clarifying whether risk-sensitive bank capital requirements as laid down in the CRR and CRD create unintended procyclical effects by reinforcing the endogenous relationships between the financial system and the real economy.

This report, which has been drafted in close cooperation with the ESRB and the ECB is in response to a request by the European Commission to understand whether CRDIV/CRR requirements exert significant effects on the economic cycle and, if so, whether any remedial measures are justified.

In addition, this Report may inform the European Commission's currently ongoing reviews of the EU micro- and macro-prudential frameworks and could serve as a valuable complementary contribution to the global discussions about the bank capital regulatory framework.

EBA sees considerable improvement in the average LCR across EU banks

The EBA has published its third impact assessment Report for the liquidity coverage ratio (LCR), together with a review of its phasing-in period.

The Report shows a constant improvement of the average LCR across EU banks since 2011. At the reporting date of 31 December 2015, EU banks' average LCR was significantly above the 100% minimum requirement, which will have to be fully implemented by January 2018, and no strong evidence was found suggesting that the EBA should recommend an extension of the phasing-in period of the LCR.

The Report, which is based on liquidity data from 194 EU banks across 17 Member States, is the first publication after the implementation of the minimum binding standards in 2015 and accounts for the provisions of the Commission's Delegated Regulation on the LCR.

ECB issues recommendation on dividend distribution policies

The ECB has published its recommendation ECB/2016/44 on dividend distribution policies. Thus, credit institutions need to continue preparing for a timely and full application of the CRR and the CRD IV in a challenging macroeconomic and financial environment, which exerts pressure on credit institutions' profitability and, as a result, on their capacity to build up their capital bases.

Moreover, while credit institutions need to finance the economy, a conservative distribution policy is part of an adequate risk management and sound banking system. The same method that was set out in Recommendation ECB/2015/49 of the European Central Bank should be applied.

CSSF Regulation No. 16-14

The CSSF has released CSSF Regulation No. 16-14 on the reciprocity of the systemic risk buffer rate of 1% adopted by the Central Bank of Estonia in the frame of the CRD IV.

CSSF Regulation No. 16-15

The CSSF has issued CSSF Regulation 16-15 on the setting of the countercyclical buffer rate for the first quarter of 2017.

The Regulation maintains the buffer rate at 0%, and has entered into force on 1 January 2017.

EBA updates recommendation on the equivalence of supervisory regimes

The EBA has published an amended Recommendation on the equivalence of confidentiality regimes.

The following third country authorities have been added to the list of non-EU or third country supervisory authorities whose confidentiality regimes can be regarded as equivalent: the Australian Prudential Regulation Authority, the Reserve Bank of Australia, the Hong Kong Monetary Authority, the Bank of Japan, the Japan Financial Services Agency, and the Central Bank of the Republic of Kosovo.



EBA advises on the equivalence of supervisory and regulatory requirements for Turkey and New Zealand

The EBA has published its Opinion addressed to the European Commission following its assessment of non-EU countries' equivalence with the EU prudential supervision and regulatory requirements, whereby it concluded that the supervisory and regulatory framework applicable to credit institutions in Turkey and New Zealand can be regarded as equivalent to that applied in the Union.

Report on cyclicity of capital requirements

The European Systemic Risk Board has published a report which aims at clarifying whether risk-sensitive bank capital requirements as laid down in the CRR and the CRD create unintended pro-cyclical effects by reinforcing the endogenous relationships between the financial system and the real economy.

Against the background of the weak evidence on the existence of pro-cyclical effects due to the CRDIV/CRR framework, the report recommends that the EU retains its current risk-sensitive framework for bank regulatory capital.

EBA publishes final Guidelines on revised Pillar 3 disclosure requirements

The EBA has published its final Guidelines on regulatory disclosure requirements following an update of the Pillar 3 requirements by the Basel Committee in January 2015.

The Guidelines represent a significant step forward in the EBA's effort of improving and enhancing the consistency and comparability of institutions' regulatory disclosures. These Guidelines, while not changing the requirements of the regulatory disclosures defined in Part 8 of the CRR, provide further guidance and support to institutions in complying with both the CRR and the RPF requirements.

EBA and ESMA call to clarify margin requirements between CRR and EMIR

The EBA and the ESMA have published their joint report on the functioning of the CRR with the EMIR.

The report calls for the requirements for credit, market, and counterparty credit risk in the CRR to be clarified. This clarification should ensure that only risks not already covered by specific financial resources for activities not related to clearing are to be covered by CRR requirements. This exclusion should also be extended to activities covered by interoperability arrangements.

CRS / FATCA

European Commission amends DAC 2 as regards access to AML information by tax authorities

The European Commission has amended Directive 2011/16/EU (DAC 2) to ensure that tax authorities are able to access the AML information, procedures, documents and mechanisms for the performance of their duties in monitoring the proper application of Directive 2011/16/EU and for the functioning of all forms of

administrative cooperation provided for in that Directive.

The amending Directive will enter into force on the date of its adoption and shall be transposed no later than 1 January 2018.

New format for FATCA files

The Luxembourg Tax Authorities have introduced a new 2.0 version of the XSD schema. The new version is available on the Luxembourg tax Authority website and is applicable as from 23 January 2017.

Luxembourg adds 5 new countries to the list of Participating Jurisdictions

The Grand Ducal Decree dated 23 December 2016 has been passed which added the following 5 new countries to the list of Participating Jurisdictions under CRS with effect as from September 2018: Saudi Arabia, Brazil, Kuwait, Nauru and Uruguay.

Cyber Security

EU considers testing banks' defences against cyber-attacks

The European Union is considering an EU-wide stress test on bank's ability to counter cyber-attacks. The EU is concerned about the industry's

vulnerability to hacking as cyber-attacks have significantly increased in recent years.

The EBA, which is in charge of stress tests among European banks, is expected to propose checks it intends

to conduct in the next exercise scheduled for 2018. However, no decision regarding cyber security tests has been made yet, EBA officials said. Therefore, the EBA has urged EU states to stress-test their financial institutions for cyber risks.

Data Protection

EU plans data transfer deal with Japan and South Korea

The European Union aims for data transfer deal with Japan and South Korea to boost business ties. The EU rated Japan and South Korea as priority countries due to their recently adopted or modernised data protection

legislation and strong commercial ties to the EU. The EU hopes to finalise the data transfer deal with both countries by the end of 2017. Once established, the data transfer pact with Japan and South Korea would allow firms to move data seamlessly without having to ask regulators for permission or setting up expensive legal contracts.

The EU plans also to tackle barriers to the flow of data within the bloc. Thus, organisation should not be forced to store data locally. Enforcement measures that support a free flow of data within the EU are currently under investigation.

EMIR

ESMA consults on supervision fees for trade repositories under SFTR and EMIR

The ESMA has published a consultation paper on draft technical advice to the European Commission on formulating an EU Regulation on ESMA's fees for Trade Repositories (TRs) under the Securities Financing Transactions Regulation (SFTR). ESMA, in order to ensure level playing field across EMIR and SFTR, is also proposing some changes to the way ESMA's fees for TRs under EMIR are calculated. Similarly to EMIR, ESMA proposes a mixed system of levying fees on specific administrative actions such as registration, extension of registration or recognition, and an annual fee for on-going supervision which is proportionate to the level of turnover of the TRs. ESMA is proposing a significant simplification in the way the annual turnover of TRs is determined.

ESMA identifies areas for improvement in EU CCP supervision

The ESMA has presented the results of a peer review, it conducted into how national competent authorities (NCAs) ensure that central counterparties (CCPs) comply with margin and collateral requirements under the EMIR. The report identified a number of areas where supervisory approaches differ between NCAs and includes

recommendations to improve consistency in supervisory practices.

ESMA publishes its methodology for Mandatory Peer Reviews

The ESMA has recently published a document which sets out the methodology for undertaking its mandatory peer reviews in relation to CCPs' authorisation and supervision under EMIR. Each peer review will assess the overall functioning of CCP colleges and provide an in-depth analysis of a specific topic, which is determined within the scope set by EMIR.

Exemption from the clearing obligation for pension schemes

The ESMA has issued its opinion on the exemption from the clearing obligation for pension schemes. ESMA is of the opinion that an exemption is justified due to difficulties in meeting variation margin requirements for centrally cleared transactions for that Arrangement Type.

EBA and ESMA call to clarify margin requirements between CRR and EMIR

The EBA and the ESMA have published their joint report on the functioning of the CRR with the EMIR. The report calls for the requirements for credit, market, and counterparty credit risk in the CRR to

be clarified. This clarification should ensure that only risks not already covered by specific financial resources for activities not related to clearing are to be covered by CRR requirements. This exclusion should also be extended to activities covered by interoperability arrangements.

EC adopts Commission Delegated Regulation (EU) 2017/104

The European Commission has adopted Commission Delegated Regulation (EU) 2017/104 of 19 October 2016 amending Delegated Regulation (EU) No 148/2013 supplementing EMIR on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards on the minimum details of the data to be reported to trade repositories.

EC adopts Commission Delegated Regulation (EU) 2017/105

The European Commission has adopted Commission Implementing Regulation (EU) 2017/105 of 19 October 2016 amending Implementing Regulation (EU) No 1247/2012 laying down implementing technical standards with regard to the format and frequency of trade reports to trade repositories according to EMIR on OTC derivatives, central counterparties and trade repositories.

IFRS

ESMA comments on Amendments to IFRS 4

The ESMA has published a comment letter regarding the European Financial Reporting Advisory Group's (EFRAG) Draft Letter to the European Commission regarding the endorsement of "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts: Amendments to IFRS 4".

ESMA concurs with EFRAG's assessment that Amendments to IFRS

4 are conducive to the European public good. ESMA also believes that in EFRAG's assessment of competitiveness aspects relating to enforceability, transparency and investor protection should more appropriately be taken into consideration.

In ESMA's view these are decisive factors to conclude that the amendments to IFRS 4 would not impede a level playing field for European businesses carrying out significant insurance activities.



MAR / MAD

ESMA publishes updated MAR Q&A

The ESMA has issued a Questions & Answers (Q&A) document regarding the implementation of the MAR.

The purpose of this Q&A document is to promote common supervisory approaches and practices in the application of the MAR and its implementing measures.

The updated Q&As include new detailed answers on the notification of managers' transactions and how to handle investment recommendations.

Entry into force of the Law of 23 December 2016 on Market Abuse

The CSSF has announced that the Law of 23 December 2016 on market abuse has been published in Mémorial A No 279 on 27 December 2016 and repeals the Law of 9 May 2006 on market abuse.

The Law of 23 December 2016 on market abuse supplements and clarifies the provisions of the MAR notably by specifying the powers of the CSSF, the procedure for cooperation with foreign competent authorities and supervisory authorities, as well as the

administrative and criminal sanctions applicable in the context of market abuse.

Furthermore, the law specifies the mechanisms to enable reporting of actual or potential infringements of the MAR to the CSSF.

Circular CSSF 17/648

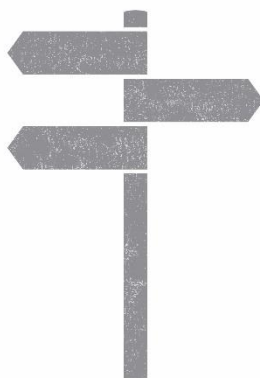
The CSSF has issued Circular CSSF 17/648 which transposes the ESMA Guidelines on the factors, steps and records that persons receiving market soundings shall consider and implement according to the MAR.

The Circular entered into force on the 11 January 2017.

MAR guidelines on commodity derivatives now available in all EU languages

The ESMA has recently issued the official translations of its final guidelines on commodity derivatives under the MAR.

The guidelines establish a non-exhaustive indicative list of information which is reasonably expected or required to be disclosed in accordance with legal or regulatory provisions in Union or national law, market rules, contract, practice or custom, on the relevant commodity derivatives markets or spot markets.



MiFID / MiFID II / MiFIR

ESMA updates several Q&As

The ESMA has published a new question and answers (Q&A) document on commodity derivatives topics under the revised MiFID II/MiFIR. This Q&A is aimed at promoting common supervisory approaches and practices and in particular at clarifying a number of points relating to the position limits and ancillary activities requirements.

ESMA has also published an updated version of its Q&A on investor protection topics which adds new questions and answers on their implementation.

Furthermore, ESMA has recently released some new Q&As clarifying MiFID II requirements for best execution, recordkeeping, and research payment accounts.

All updates are accessible on ESMA's website.

ESMA sets timetable for MiFID II waiver applications

The ESMA has updated two Q&A documents regarding implementation issues relating to transparency topics and market structures topics under the MiFID II/MiFIR.

The new MiFID II transparency regime, which requires trading venues to make public bid and offer prices and depth of trading interest unless granted a waiver, applies from 3 January 2018. To obtain a waiver, trading venues must submit the application to the relevant national competent authority (NCA) and the NCA, where it considers the application is MiFIR compliant, will submit it to ESMA for an Opinion.

The updated Q&A sets out the waiver application schedule for 2017 in order for competent authorities and ESMA to handle applications in time for 3 January 2018. The updated Q&A also clarifies the conditions when existing waivers for shares require a new waiver application.

ESMA has also updated its Q&A on market structures with new questions

on the topics of algorithmic trading and the mandatory tick size regime.

ESMA publishes MiFIR Q&A regarding data reporting

The ESMA has published its Q&A document regarding the implementation of the MiFID II and MiFIR.

The document provides responses to questions posed by the general public, market participants and competent authorities in relation to the practical application of MiFID II and MiFIR on Legal Entity Identifiers (LEI) of the issuer, and the date and time of the request of admission and admission.

ESMA finds improvement in regulators' supervision of MiFID best execution requirements

The ESMA has observed that national regulators are giving greater attention to best execution requirements under the MiFID in the follow-up report to its Peer Review published in 2015.

The peer review report from 2015 found that the level of implementation of best execution provisions, as well as the level of convergence of supervisory practices by regulators, was relatively low. In particular, 15 regulators were found not to apply or only partly apply criteria considered essential for ensuring effective best execution.

In the follow up review in 2016 ESMA finds that there are clear improvements in the level of attention paid to the supervision of best execution requirements and that in general, regulators are adopting a more proactive supervisory approach to monitoring compliance.

ESMA calls for consistent application of MiFIR product intervention powers

The ESMA has issued an Opinion regarding the scope of the product intervention powers under the MiFIR. These powers can be exercised by both

national competent authorities (NCAs) and ESMA from 3 January 2018.

Currently, the powers will only apply to MiFID investment firms marketing products which pose risks to retail investors, market integrity, and financial stability in the EU, but do not cover UCITS ManCos and AIFMs.

ESMA believes that including fund management companies in scope of the MiFIR intervention regime would ensure a harmonised framework across entities and instruments.



Need for greater standardisation in MiFID II product governance

Large banks call for more standardisation of the criteria set out in MiFID II regarding product governance in response to ESMA's respective draft guidelines.

Financial institutions argue that current market criteria present a challenge as they are not standardised. Client categories in addition to those in MiFID II, such as "private wealth clients" or "sophisticated clients", do not have standardised definitions. Also the inclusion of "knowledge and experience" in the target market criteria is currently not standardised. A lack of automation and standardised processes in target markets might cause clients losing access to a broad product range.

PRIIPs

European Supervisory Authorities respond to European Commission on amendments to PRIIPs rules

The European Supervisory Authorities (ESAs) have published their response

to the European Commission on the amendments the Commission proposes to make to the draft regulatory technical standards (RTS) on key information documents (KIDs) for PRIIPs.

The ESAs received a letter from the European Commission setting out the amendments it proposes to make, accompanied by draft amended RTS in November 2016.

Prospectus Directive

ESMA updates Q&A on Prospectus Directive

The ESMA has published an updated Q&A document on the application of the Prospectus Directive. The Q&A includes one new question and answer on the application of the ESMA guidelines on Alternative Performance Measures to prospectuses. The question clarifies how to apply the guidelines when constituent parts of a prospectus straddle the date on which

ESMA's Alternative Performance Measures Guidelines came into force (3 July 2016).

Council confirms deal on prospectus rules

The Permanent Representatives Committee has recently approved, on behalf of the Council, an agreement with the European Parliament on prospectuses for the issuing and offering of securities. The draft regulation is aimed at lowering one of

the main regulatory hurdles that companies face when issuing equity and debt securities. Replacing the Prospectus Directive 2003/71/EC, it is intended to simplify administrative obligations related to the publication of prospectuses in a manner that still ensures that investors are well informed. Provisional agreement with the Parliament was reached on 7 December 2016. The Parliament is now expected to approve the regulation at first reading. The text will then be submitted to the Council for adoption.

Solvency II

EIOPA publishes its first report on Long-Term Guarantees and Measures on Equity Risk 2016

The Solvency II Directive requires a review of the long-term guarantees (LTG) measures and the measures on equity risk until 1 January 2021.

As part of this review, EIOPA will annually report on the impact of the application of the LTG measures and the measures on equity risk to the European Parliament, the Council and the Commission. The EIOPA has recently published its first annual report on LTG measures and measures on equity risk regarding 2016.

EIOPA report on the information on the use of limitations and exemptions regarding the submission of regular supervisory reporting

The EIOPA has issued a report on the use of limitations and exemptions regarding the submission by insurance and reinsurance undertakings of regular supervisory reporting.

According to the Solvency II Directive national competent authorities (NCAs) may exempt or limit the submission of the quantitative reporting templates. These limitations and exemptions of

quantitative regular reporting information are defined in Articles 35(6-7) and 254(2) of the Directive. This first report was factual and based on the first Solvency II reporting submissions and no trend have been identified at this point.

Monthly update of the symmetric adjustment of the equity capital charge

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 December 2016.

UCITS / UCITS V

CSSF releases updated FAQ on the Law of 17 December 2010

The CSSF has recently released an updated version of its Frequently Asked Questions document concerning the Luxembourg Law of 17 December 2010 relating to UCIs.



Basel Committee

Approval of new rules for minimum capital requirements postponed

The Basel Committee has postponed the approval of new rules that will determine how much capital banks have to set aside against loans and other assets. Global banking regulators

failed to agree on the minimum amount of capital lenders must hold.

According to the Basel Committee, more work is needed before proposals could be submitted for approval by its oversight body.

The main sticking point relates apparently to the capital floor rule according to experts. Basel members

have agreed to soften this rule and introduce a lengthy phase-in whereby capital floor would start in 2020 at 55% of the amount that would be required if a bank had used the standard approach set out by regulators for totting up risks. This percentage would then rise by 5% annually until a maximum of 75% is reached in 2025.

BCL

Exemption threshold 2017 for securitisation vehicles

The BCL has issued Circular Letter ST.17-0021 to clarify that the exemption threshold for securitisation vehicles amounts to EUR 70 million.

The companies of which the balance sheet total exceeds the aforementioned threshold of EUR 70 million within the year must submit the reports as from the month-end in which the threshold was crossed.

The BCL has reminded that a company which reports its figures per

compartment is considered at the consolidated level for comparison with the exemption threshold. Besides, the vehicles which report by compartment and which consolidated balance sheet total exceeds the exemption threshold must report data for all the compartments.

CAA

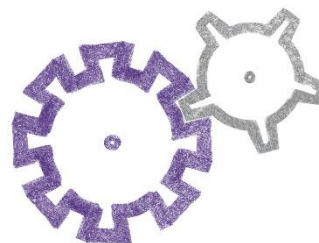
Naming conventions for CAA reports

The Commissariat aux Assurances (CAA) has issued the naming conventions which should be followed when submitting reports to the CAA in order to ensure that transmission channels function properly.

CAA issues Reporting Calendar for 2017

The CAA has recently released the 2017 reporting calendar with reporting deadlines for insurance and reinsurance companies under Luxembourg Law.

The CAA has announced that this document should be read together with the naming conventions and that it may differ for companies whose financial year does not end on 31 December.



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Furthermore, the law specifies the mechanisms to enable reporting of actual or potential infringements of the MAR to the CSSF.

CSSF Regulation No. 16-14

The CSSF has released CSSF Regulation No. 16-14 on the reciprocity of the systemic risk buffer rate of 1% adopted by the Central Bank of Estonia in the frame of the CRD IV.

CSSF Regulation No. 16-15

The CSSF has issued CSSF Regulation 16-15 on the setting of the countercyclical buffer rate for the first quarter of 2017.

The Regulation maintains the buffer rate at 0%, and entered into force on 1 January 2017.

CSSF Circular 16/647

The CSSF has issued Circular CSSF 16/647 which updates Circular CSSF 12/552 on central administration, internal governance and risk management.

The Circular adopts EBA Guidelines on limits to exposures to shadow banking entities which carry out banking activities outside a regulated framework under Art. 395(2) of the CRR.

The CSSF advises institutions to update their internal processes and procedures to comply with the EBA Guidelines which are applicable from 1 January 2017.

CSSF Circular 17/648

The CSSF has issued Circular CSSF 17/648 which transposes the ESMA Guidelines on the factors, steps and records that persons receiving market soundings shall consider and implement according to the MAR.

The Circular entered into force on the 11 January 2017.

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

The CSSF has recently released an update of its document "Identification of reporting requirements and checks for 2nd level completeness".

The document relates to legal reporting requirements of supervised entities in particular related to COREP/FINREP.

Press release 16/45 regarding Audit of Public-Interest Entities

The CSSF has issued Press Release 16/45 aimed at reminding auditors of their duties when auditing Investment Funds having their units admitted to trading on a regular market (Public-Interest Entities).

The CSSF highlighted some obligations to be fulfilled by auditors in addition to those under the Audit Directive and PIE Regulation such as engagement quality control reviews, internal rotation of key audit partners, and transparency reports.

The measures will be applicable for periods beginning on or after 17 June 2016.

Compliance of the issuers with ESMA Guidelines on alternative performance measures and Circular CSSF 16/636

The CSSF has published Press Release 16/46 regarding the compliance of the

issuers with ESMA Guidelines on Alternative Performance Measures and Circular CSSF 16/636.

The CSSF has carried out an examination of those interim financial reports for a selection of issuers to ensure that the Guidelines have been complied with. During this exercise misstatements and omissions have been identified. Thus, the communication provides some clarifications regarding the required information.

Audit Regulators in Jersey and in Luxembourg enter into cooperative agreement

The Jersey Financial Services Commission and the CSSF, have signed a Memorandum of Understanding that sets the stage for cooperation with regard to the oversight of statutory auditors.

For the CSSF, this is the fourth cooperative agreement with an audit regulator outside of the European Union.

Similar arrangements with other jurisdictions are under negotiation.

CSSF introduces a form file for the transmission of notifications on NAV calculation errors and non-compliance with investment rules

The CSSF has informed that the notification to be submitted to the CSSF in case of a calculation error of the NAV or non-compliance with the investment rules in accordance with Circular CSSF 02/77 applicable to UCIs must henceforth be transmitted via the form file "Notification of NAV calculation error and non-compliance with the investment rules".

The form file as well as additional explanations can be downloaded directly from the CSSF website.

The new procedure is applicable with immediate effect. However, the notifications sent to the CSSF in a different format will be accepted until 1 March 2017.

Enforcement of the 2016 financial information published by issuers subject to the Transparency Law

The CSSF has announced that in accordance with the Transparency Law of 11 January 2008 the CSSF is monitoring that financial information published by issuers, in particular their consolidated and non-consolidated financial statements, is drawn-up in

compliance with the applicable accounting standards. The campaign will be governed by the following priorities: presentation of financial performance, equity instruments and financial liabilities, business combinations, financial market uncertainty as well as disclosures of the impact of the new standards on IFRS financial statements.

CSSF releases updated FAQ on the Law of 17 December 2010

The CSSF has recently released an updated version of its Frequently Asked Questions document concerning the Luxembourg Law of 17 December 2010 relating to UCIs.

CSSF Newsletter No 192

The CSSF has released the latest version of its Newsletter which provides an overview on the latest updates to the regulatory national and international framework.

EBA

EBA launches qualitative survey on internal models

The EBA has launched a qualitative survey on internal ratings-based (IRB) models to analyse the impact of the EBA 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, which are currently under consultation.

These Guidelines are part of the broader review of the IRB approach that is carried out by the EBA to reduce the unjustified variability in the outcomes of internal models, while preserving the risk sensitivity of capital requirements.

EBA launches data collection addressed to commodity derivatives firms to review the prudential framework for investment firms

The EBA has launched a data collection for commodity derivatives firms that will support the European Commission in the calibration of the new prudential regime for investment firms.

This exercise follows up on the consultation the EBA launched on 4 November 2016 in response to the European Commission's call for technical advice on the design of a new prudential regime for investment firms, including the extent to which the new regime would also be suitable for or

adaptable to specialised commodity derivatives firms.

EBA recommends a harmonised EU-wide framework for covered bonds

The EBA has published a Report including recommendations on how to harmonise covered bond framework in the EU.

The Report represents an unparalleled attempt to further strengthen the covered bonds across the EU and seeks to ensure that only those financial instruments that comply with the harmonised structural, credit risk and prudential standards can be branded as 'covered bonds' and have access to special regulatory and capital treatment as provided in the current EU financial regulation.

EBA to run its next EU-wide stress test in 2018

In its meeting on 6 December 2016, the Board of Supervisors of the EBA decided to carry out its next EU-wide stress test in 2018, in line with its previous decision to aim for a biennial exercise.

The EBA will start immediately to prepare the methodology for the 2018 stress test exercise, which will also include an assessment of the impact of IFRS 9, which will be implemented on 1 January 2018.

The decision has been communicated to the European Parliament, the Council and the Commission. In 2017,

the EBA will perform its regular annual transparency exercise.

EBA updated Risk Dashboard Data as of Q3 2016

The EBA has published a periodical update of its Risk Dashboard summarising the main risks and vulnerabilities in the EU banking sector by a set of Risk Indicators in Q3 2016.

Together with the Risk Dashboard, the EBA published the results of a Risk Assessment Questionnaire, which was conducted among banks and market analysts between October and November this year. Among other things, the results show that profitability is likely to remain a significant challenge and that operational risks are expected to remain high.

EBA publishes DPM and XBRL taxonomy 2.6 for remittance of supervisory reporting

The EBA has published an update to the XBRL taxonomy that Competent Authorities should use for the remittance of data under the EBA Implementing Technical Standards (ITS) on supervisory reporting.

The revised taxonomy will be used for reference dates from 30 June 2017 onwards and includes changes and corrections to validation rules.

ECB

ECB publishes results of the euro area bank lending survey

The ECB has published the results of its euro area bank lending survey (BLS) for January 2017. The reported results relate to changes during the fourth quarter of 2016 and expectations for the first quarter of 2017.

According to the BLS, loan growth continued to be supported by increasing demand across all loan categories, while credit standards for loans to enterprises are broadly stabilising.



EIOPA

EIOPA releases its 2016 Insurance Stress Test Report

The EIOPA has released a report which summarises the results of its 2016 EU-wide insurance stress test.

To assess the resilience of the life insurance industry to the most prominent and prevalent risks, EIOPA launched this stress test exercise with reference date the 1st January 2016. Two scenarios were tested in this exercise, a low-for-long yield scenario and a so-called “double-hit” scenario.

The 2016 Stress Test exercise confirmed the vulnerability of the insurance sector to the low interest rate environment, and to pronounced reassessment of risk premia. According to EIOPA, the findings deserve a supervisory response. Thus, the EIOPA Board of Supervisors has decided to issue a set of general recommendations addressing the need for follow-up actions on this report.

EIOPA releases its Fifth Consumer Trends Report

The EIOPA has released its fifth report on consumer trends.

The key developments observed in the European insurance market are among others new life insurance products with reduced or no guarantees, sometimes with a high degree of complexity, and also an increase in the complaints related to the terms and conditions in some Member States.

The use of big data and consumer analytics in motor insurance, life and health insurance etc. allow the development of more tailored products.

EIOPA further observed the possibility for insurers to improve their relationships with customers’ base on mobile phone application-based offerings using Big Data analytics.

New set of Q&A on Regulation

The EIOPA has released a new set of questions and answers on the final report on the ITS on the templates for the submission of information to the supervisory authorities.



EIOPA and the Bermuda Monetary Authority sign a Memorandum of understanding

The EIOPA and the Bermuda Monetary Authority (BMA) have signed a Memorandum of Understanding (MoU).

The MoU provides the framework for regular exchanges of information, and sets forth the basis for further cooperation in view of ensuring optimal supervision for insurance and reinsurance groups with international activities in the EU and Bermuda.

ESMA

ESMA publishes its CRA Market Share Calculation

The ESMA has published its annual market share calculation for EU registered credit rating agencies (CRAs). The market share calculation is designed to increase awareness of the different types of credit ratings offered by each registered CRA and to help issuers and related third parties considering appointing smaller CRAs. The calculation has been computed using CRAs' 2015 revenues from credit rating activities and ancillary services at group level.



ESMA proposes new digital format for issuers' financial reporting

The ESMA has published a feedback statement setting out the digital format which issuers in the EU must use to report their company information from 1 January 2020. It concludes that *Inline XBRL* is the most suitable technology to meet the EU requirement for issuers to report their annual financial reports in a single electronic format because it enables both machine and human readability in one document.

European Commission

European Commission investigates on EU-wide whistle-blowing framework

The calls for an EU-wide protection scheme intensified recently after the retrial of LuxLeaks whistle-blowers.

In June 2016 a Luxembourg court sentenced the two whistle-blowers to jail and a monetary fine. Critics argued that LuxLeaks highlighted the gaps in protection available to whistle-blowers and the need for an EU-wide framework. According to experts, legal protections for whistle-blowers are very weak or even absent across the

European Union. In response hereto, the European Commission is conducting a monitoring exercise on the set-up of EU-wide whistle-blowing framework. The Commission currently investigates whether there is sufficient legal basis to propose legislative action at EU level.

LuxSE

Fees for listing services 2017

The Luxembourg Stock Exchange has released the fees that will be charged for listing services for 2017.

The fees apply from 1 January 2017 and relate to bonds, structured investment products, short term paper, stocks, shares and depository receipts, shares and units of UCIs, and bonds issued by supranational issuers.



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