

Toronto Centre Publications Monitoring Report

December 2018

A synopsis of recently issued supervisory guidance, news releases, working papers and related documents from over 50 global and regional standard setting bodies, national regulators, international organizations and industry groups as well as the latest TC Notes. This report is prepared monthly for the TC Community. With the exception of the TC Notes, the summaries are taken from the organizations' web sites. Toronto Centre does not hold the copyright to these abstracts.

TC Notes

Date	Organization	Title & Abstract
December 2018	Toronto Centre	Supervision of Cyber Risk TC Note is a primer on the nature of cyber risk and outlines the fundamental elements of a framework for implementing an effective supervision program for cyber risk assessment in regulated financial institutions. Provides broad-based guidance on how supervisors can assess institutions' governance policies and practices for cyber risk management.

Standard Setting Bodies

Date	Organization	Title & Abstract
December 13, 2018	BCBS	Revisions to Leverage Ratio Disclosure Requirements This consultative document seeks comments on revisions to leverage ratio Pillar 3 disclosure requirements to include, in addition to current requirements, mandatory disclosure of the leverage ratio exposure measure amounts of securities financing transactions, derivatives replacement cost and central bank reserves as calculated using daily averages over the reporting quarter.

Date	Organization	Title & Abstract
December 11, 2018	BCBS	<p><u>Pillar 3 Disclosure Requirements – Updated Framework</u> The BCBS published updated Pillar 3 disclosure requirements. These requirements, together with the updates published in January 2015 and March 2017, complete the Pillar 3 framework. The revised Pillar 3 framework pertains to the following areas: i) credit risk, operational risk, the leverage ratio and credit valuation adjustment (CVA) risk; ii) risk-weighted assets (RWAs) as calculated by the bank's internal models and according to the standardized approaches; and iii) an overview of risk management, RWAs and key prudential metrics.</p>
December 4, 2018	BCBS	<p><u>Cyber-resilience: Range of Practices</u> The BCBS published a report that identifies, describes and compares the range of observed bank, regulatory and supervisory cyber-resilience practices across jurisdictions.</p>
December 20, 2018	EBA	<p><u>EBA Provides Preliminary Assessment on Post-implementation Impact of IFRS 9 on EU Institutions</u> The EBA published some initial observations on the post-implementation impact of IFRS 9 on EU banks. This exercise, which builds on the two pre-implementation impact assessments published in November 2016 and July 2017, is mainly based on data extracted from institutions' supervisory reporting. The report also identifies some areas for ongoing scrutiny and further work from an EBA perspective.</p>
December 18, 2018	EBA	<p><u>EBA Launches Consultation to Amend Regulation on Benchmarking of Internal Models</u> The EBA launched a consultation to amend the Commission's Implementing Regulation on benchmarking of internal models to adjust the benchmarking portfolios and reporting requirements in view of the benchmarking exercise it will carry out in 2020. The proposed changes aim at simplifying the portfolio's structure for the credit risk part of the exercise, and getting more insights into the model used for pricing for the market risk part of the exercise.</p>
December 17, 2018	EBA	<p><u>EBA Publishes Final Guidelines on Disclosure of Non-performing and Forborne Exposures</u> The EBA published its final guidelines on disclosure of non-performing and forborne exposures. The disclosure will allow market participants and stakeholders to have a better picture of the quality of the banks' assets, the main features of their non-performing and forborne exposures, and in the case of more troubled banks, the distribution of the problematic assets and the value of the collateral backing those assets.</p>
December 13, 2018	EBA	<p><u>EBA Consults on Guidelines on ICT and Security Risk Management</u> The EBA launched a consultation on its draft guidelines on ICT and security risk management. These guidelines establish requirements for credit institutions, investment firms and payment service providers (PSPs) on the mitigation and management of their information and communication technology (ICT) risks and aim to ensure a consistent and robust approach across the single market.</p>
December 12, 2018	EBA	<p><u>EBA Publishes Final Guidelines on the STS Criteria in Securitisation</u> The EBA published its final guidelines, which will provide a harmonized interpretation of the criteria for the securitization to be eligible as simple, transparent and standardized (STS) on a cross-sectoral basis throughout the Union.</p>
December 11, 2018	EBA	<p><u>EBA Issues Revised List of Validation Rules</u> The EBA issued a revised list of validation rules in its Implementing Technical Standards (ITS) on supervisory reporting highlighting those, which have been deactivated either for incorrectness or for triggering IT problems.</p>

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December 11, 2018	EBA	<p><u>EBA Publishes an Opinion on the Use of eIDAS Certificates Under PSD2</u> The EBA published an opinion on the use of eIDAS certificates under the Regulatory Technical Standards (RTS) on Strong Customer Authentication and Common and Secure Communication (SCA&CSC). In the opinion, the EBA clarifies specific aspects on the use of qualified certificates for electronic seals (QSealCs) and qualified certificates for website authentication (QWACs) for the purpose of identification of payment service providers (PSPs) under the RTS, the content of these certificates, and the process for their revocation.</p>
December 4, 2018	EBA	<p><u>EBA Publishes Final Guidelines on the Exemption from the Fall Back Mechanism Under the RTS on SCA and CSC</u> The EBA published its final guidelines on the conditions that account servicing payment service providers must meet in order to be exempted from the obligation to implement the fallback mechanism under the Regulation (EU) 2018/389 on strong customer authentication and common and secure communication (RTS on SCA&CSC).</p>
December 21, 2018	ECB	<p><u>ECB Banking Supervision: SSM Supervisory Priorities 2019</u> The supervisory priorities set out focus areas for supervision in 2019. They build on an assessment of the key challenges facing supervised banks in the current economic, regulatory and supervisory environment</p>
December 3, 2018	ECB	<p><u>ECB Publishes the Cyber Resilience Oversight Expectations</u> The ECB published the final cyber resilience oversight expectations for financial market infrastructures (FMIs).</p>
December 21, 2018	EIOPA	<p><u>EIOPA Publishes Opinion on Non-life Cross-border Insurance Business of a Long-term Nature</u> EIOPA published an <i>Opinion on Non-life Cross-border Insurance Business of a Long-term Nature and its Supervision</i> that outlines EIOPA's expectations on the calculation of technical provisions and the governance for cross-border business.</p>
December 14, 2018	EIOPA	<p><u>EIOPA Announces Results of the 2018 Insurance Stress Test</u> EIOPA published the results of its 2018 and fourth stress test for the European insurance sector. This year's exercise assessed the participating insurers' resilience to the following three severe but plausible scenarios: i) a yield curve up shock; ii) a yield curve down shock; and iii) a series of natural catastrophes.</p>
December 13, 2018	EIOPA	<p><u>EIOPA Evaluates the European Insurance Intermediaries Markets</u> EIOPA published the report <i>Evaluation of the Structure of Insurance Intermediaries Markets in Europe</i> in accordance with Article 41(5) of the <i>Insurance Distribution Directive</i> (IDD). This report provides an overview of the status of the European intermediaries markets up to 31 December 2017, relating to data for the period from 2013 to 2017.</p>
December 21, 2018	ESMA	<p><u>ESMA Amends Guidelines on the Application of C6 and C7 Under MiFID II</u> ESMA published amended guidelines on the application of C6 and C7 of Annex 1 of MiFID II. The amended guidelines, which are an update to the guidelines originally adopted under MiFID I, will be adapted to the new MiFID II regulatory framework without any change to the substance.</p>
December 20, 2018	ESMA	<p><u>ESMA Provides Update on Assessment of Third-Country Trading Venues for the Purpose of Post-Trade Transparency and Position Limits</u> ESMA has provided an update on its assessment of third-country trading venues (TCTVs) for the purpose of post-trade transparency and position limits under MiFID II/MIFIR.</p>

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December 20, 2018	ESMA	<p><u>ESMA Issues Guidelines on Non-significant Benchmarks</u> ESMA has published its final report on guidelines on non-significant benchmarks under the <i>Benchmarks Regulation</i> (BMR). The report proposes lighter requirements for non-significant benchmarks, their administrators and their supervised contributors in relation to four areas: i) procedures, characteristics and positioning of oversight function; ii) appropriateness and verifiability of input data; iii) transparency of methodology; and iv) governance and control requirements for supervised contributors.</p>
December 20, 2018	ESMA	<p><u>ESMA Consults on Guidelines on Settlement Fails Reporting and Standardised Procedures and Messaging Protocols Under CSDR</u> ESMA has published two consultation papers seeking stakeholders' views on settlement fails reporting and standardized procedures and messaging protocols under Articles 6(2) and 7(1) of the <i>Central Securities Depositories Regulation</i> (CSDR).</p>
December 19, 2018	ESMA	<p><u>ESMA Consults on Measures to Promote Sustainability in EU Capital Markets</u> ESMA launched three public consultations on sustainable finance initiatives to support the EC's Sustainability Action Plan in the areas of securities trading, investment funds and credit rating agencies.</p>
December 13, 2018	ESMA	<p><u>ESMA Publishes Final Report on the Tick Size Regime</u> ESMA published its Final Report amending the tick size regime (RTS 11). The proposed draft amendments to RTS 11 will allow national competent authorities of EU trading venues, where third-country shares are traded, to decide on an adjusted average daily number of transactions (ADNT) on a case-by-case basis in order to take into account the liquidity available on third country venues in the calibration of tick sizes.</p>
December 18, 2018	EBA EIOPA ESMA	<p><u>ESAs Publish Joint EMIR STS Standards</u> The European Supervisory Authorities published today two joint draft Regulatory Technical Standards (RTS) to amend the RTS on the clearing obligation and risk mitigation techniques for non-cleared OTC derivatives. These standards provide a specific treatment for simple, transparent and standardized (STS) securitization to ensure a level playing field with covered bonds. They are required for the proper implementation of the <i>European Market Infrastructure Regulation</i> (EMIR) and will amend the current regulation on the clearing obligation and risk mitigation techniques on OTC derivatives not cleared by central counterparties.</p>

National Regulators

Date	Organization	Title & Abstract
December 19, 2018	OSFI	<p><u>Liquidity Adequacy Requirements Guideline</u> OSFI is issuing for consultation Chapter 3 <i>Net Stable Funding Ratio</i> (NSFR) and proposed revisions to Chapter 1 <i>Overview</i> of the Liquidity Adequacy Requirements Guideline. Chapter 3 incorporates the BCBS NSFR rules issued in October 2014 into the LAR Guideline.</p>
December 13, 2018	OSFI	<p><u>Proposed Changes to Guideline B-2: Large Exposure Limits</u> OSFI is releasing proposed revisions to the <i>Large Exposure Limits</i> guideline for implementation in Q1 2020 for Canadian D-SIBs and their OSFI regulated deposit-taking institution (DTI) subsidiaries. The guideline, which was issued in 1994, establishes limits for a bank's exposure to a single counterparty (including connected counterparties), measured as a percentage of capital.</p>
December 20, 2018	PRA	<p><u>UK Withdrawal from the EU: Further Changes to PRA Rulebook and Binding Technical Standards and Resolution Binding Technical Standards</u> This consultation paper contains two consultations to fix deficiencies arising from the UK's withdrawal from the EU and makes consequential changes: i) Part 1 sets out the PRA's proposals in relation to the PRA Rulebook and Binding Technical Standards (BTS) within the PRA's remit that will be retained, or 'onshored', in UK law; and ii) Part 2 sets out proposals by the Bank of England acting as resolution authority in relation to two BTS under the <i>Bank Resolution and Recovery Directive</i> (BRRD).</p>
December 18, 2018	PRA	<p><u>Resolution Assessment and Public Disclosure by Firms</u> This consultation paper sets out proposed rules for UK banks and building societies with £50 billion or more in retail deposits on an individual or consolidated basis, as at the date of their most recent annual accounts, to assess their preparations for resolution, submit a report of their assessment to the PRA, and publish a summary of their report ('public disclosure'). It also contains a draft supervisory statement setting out the PRA's expectations relevant to those rules.</p>
December 13, 2018	PRA	<p><u>The PRA's Approach to the Implementation of the Systemic Risk Buffer</u> This statement of policy was updated following PS 32/18 <i>The System Risk Buffer: Updates to the Statement of Policy</i>.</p>
December 13, 2018	PRA	<p><u>The Systemic Risk Buffer: Updates to the Statement of Policy - PS 32/18 and CP 29/18</u> This policy statement provides the PRA's final Statement of Policy following CP 29/18 <i>The Systemic Risk Buffer: Updates to the Statement of Policy</i>.</p>
December 18, 2018	Bank of England	<p><u>The Bank of England's Approach to Assessing Resolvability</u> This consultation paper sets out: i) how the Bank proposes to assess resolvability as part of the Resolvability Assessment Framework, consistent with its statutory obligation to conduct an assessment of resolvability for UK firms and groups; ii) how the Bank proposes to increase transparency over the resolvability of individual firms by making a public statement on resolvability; iii) a draft statement of policy setting out policy where the Bank is consulting on new requirements for firms; and iv) a glossary of resolution terms.</p>

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December 18, 2018	Bank of England	<p><u>Introduction to the Resolvability Assessment Framework</u> This joint introduction to the Resolvability Assessment Framework (RAF) sets out: i) where the Bank and PRA are regarding resolution; ii) who the RAF is relevant to and how to navigate the consultations (cited above); and iii) a summary of the RAF, covering firms' responsibility, the Bank's assessment of resolvability, and an overview of the RAF cycle.</p>
December 5, 2018	Bank of England	<p><u>Regulatory Reporting: Responses to CP16/18 – PS 30/18, CP 16/18</u> This policy statement contains final policy following CP 16/18 <i>Regulatory Reporting: Occasional Consultation Paper</i>. It contains: i) final rules (Appendix 1); ii) updated SS 34/15 <i>Guidelines for Completing Regulatory Reports</i> (Appendix 2); and iii) updated SS 32/15 <i>Pillar 2 Reporting, Including Instructions for Completing Data Items FSA071 to FSA082, and PRA111</i> (Appendix 3).</p>
December 4, 2018	Bank of England	<p><u>Agents' Survey on Preparations for EU Withdrawal and Results from the Decision Maker Panel Survey</u> The Bank's agents have conducted a survey of business contacts about their preparations for Brexit to support the Bank's analysis of the impact of EU withdrawal on the UK economy.</p>
December 20, 2018	Bank of England FCA	<p><u>Securitisation Regulation: PRA and FCA Joint Statement on Reporting of Private Securitisations</u> This statement sets out how the PRA and FCA propose to direct the manner in which firms must make information regarding 'private' securitizations available to their UK competent authorities.</p>
December 20, 2018	FCA	<p><u>Securitisation Regulation: PRA and FCA Joint Statement on Reporting of Private Securitisations</u> This statement sets out how the PRA and FCA propose to direct the manner in which firms must make information regarding 'private' securitizations available to their UK competent authorities.</p>
December 18, 2018	FCA	<p><u>FCA Announces Proposals to Fundamentally Reform the Way Banks Charge for Overdrafts and Extends Protections for Other High-cost Credit Products</u> The FCA has announced the next package of measures forming part of its high-cost credit review. It has announced proposals to change how banks charge for overdrafts, which would bring to an end to banks charging higher prices for unarranged overdrafts. Alongside this the FCA has published the results of its review into the retail banking market.</p>
December 14, 2018	FCA	<p><u>FCA Introduces New Rules on Handling Complaints about Authorised Push Payment Fraud</u> The FCA has published new rules allowing victims of Authorised Push Payment (APP) fraud to complain to the payment services provider (PSP) receiving their payment.</p>
December 10, 2018	FCA	<p><u>Milestone for Insurers as They Come Under the Senior Managers and Certification Regime</u> The Senior Managers and Certification Regime (SM&CR) has been extended to all insurers regulated by the FCA and PRA from December 10.</p>
December 7, 2018	FCA	<p><u>FCA Proposes Permanent Measures for Retail CFDs and Binary Options</u> The FCA is proposing rules to address harm to retail consumers from the sale of certain complex derivative products with the publication of two consultation papers. The rules would apply to firms acting in or from the UK and: i) ban the sale, marketing and distribution of binary options to retail consumers; and ii) restrict the sale, marketing and distribution of contracts for difference (CFDs) and similar products to retail customers.</p>

Date	Organization	Title & Abstract
December 11, 2018	CFTC	<p><u>CFTC Seeks Public Comments on Crypto-Asset Mechanics and Markets</u> The CFTC is seeking public comment and feedback in order to better inform the Commission's understanding of the technology, mechanics, and markets for virtual currencies beyond Bitcoin, namely Ether and its use on the Ethereum Network.</p>
December 19, 2018	FDIC	<p><u>FDIC Issues Final Rule on Reciprocal Deposits and Seeks Comments on Brokered Deposits and Interest Rate Restrictions</u> The FDIC is amending its regulations that implement brokered deposits and interest rate restrictions to conform with recent changes to the <i>Federal Deposit Insurance Act</i>. The FDIC is also making conforming amendments to the FDIC's regulations governing deposit insurance assessments.</p>
December 18, 2018	FDIC	<p><u>FDIC Issues Notice of Proposed Rulemaking: Company-Run Stress Testing Requirements for FDIC-supervised State Nonmember Banks and State Savings Associations</u> The FDIC issued a notice of proposed rulemaking that would revise the FDIC's requirements for stress testing by FDIC-supervised institutions, consistent with changes made by <i>Economic Growth, Regulatory Relief, and Consumer Protection Act</i>. The proposed rule would amend the FDIC's existing stress testing regulations to change the minimum threshold for applicability from \$10 billion to \$250 billion, revise the frequency of required stress tests by FDIC-supervised institutions from annual to periodic, and reduce the number of required stress testing scenarios from three to two.</p>
December 21, 2018	FDIC Federal Reserve OCC	<p><u>Agencies Issue Final Rules Expanding Examination Cycles for Qualifying Small Banks and U.S. Branches and Agencies of Foreign Banks</u> The federal banking agencies issued final rules that adopt without change the interim final rules issued in August that expanded the number of insured depository institutions and U.S. branches and agencies of foreign banks eligible for an 18-month on-site examination cycle, rather than a 12-month cycle.</p>
December 3, 2018	FDIC FinCEN Federal Reserve OCC	<p><u>Joint Statement on Innovative Efforts to Combat Money Laundering and Terrorist Financing</u> The Federal Reserve, FinCEN, National Credit Union Administration, and OCC have issued a joint statement to encourage banks to consider, evaluate, and, where appropriate, responsibly implement innovative approaches to meet their Bank Secrecy Act/Anti-Money Laundering (BSA/AML) compliance obligations, in order to further strengthen the financial system against illicit financial activity.</p>
December 18, 2018	OCC	<p><u>OCC Issues Notice of Proposed Rulemaking Amending Stress Testing Rules for National Banks and Federal Savings Associations</u> The OCC issued a notice of proposed rulemaking to amend the OCC's stress testing rule. The proposed rule would revise the minimum threshold for national banks and federal savings associations to conduct stress tests from \$10 billion to \$250 billion, revise the frequency by which certain national banks and federal savings associations would be required to conduct stress tests, reduce the number of required stress testing scenarios from three to two, and make certain additional facilitating and conforming changes to the stress testing requirements.</p>
December 19, 2018	SEC	<p><u>SEC Proposes Risk Mitigation Techniques for Uncleared Security-Based Swaps</u> The SEC voted to propose rules requiring the application of risk mitigation techniques to portfolios of uncleared security-based swaps.</p>

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December 11, 2018	APRA	APRA Finalises New Measures to Strengthen Outcomes for Superannuation Members APRA has released a package of new and enhanced prudential requirements designed to strengthen the focus of registrable superannuation entity licensees on the delivery of quality outcomes for their members.
December 4, 2018	MAS	Consultation Paper on Proposed Revisions to the Exemption Framework for Cross-Border Business Arrangements of Capital Markets Intermediaries MAS is proposing changes to the exemption framework for business arrangements between financial institutions in Singapore and their foreign related corporations (the "FRC Framework"). Implemented in 2002, the FRC Framework facilitates arrangements to allow FRCs to provide cross-border financial services to customers in Singapore, without subjecting these FRCs to licensing requirements.

International Organizations

Date	Organization	Title & Abstract
December 5, 2018	AAOIFI	AAOIFI Governance and Ethics Board Approves in Principle Exposure Draft on 'Sukuk Governance' The objective of this standard is to set out a framework for governance of Sukuk issuances for the entire lifecycle of such instruments. The standard prescribes the standardized requirements for various stages in Sukuk life stages that comprise issuance, management, maturity or termination and restructuring phases. This comprehensive coverage provides a framework which is expected to bring enhanced governance into practice and strengthen the confidence in Sukuk markets.
December 2018	BIS	The Growing Footprint of EME Banks in the International Banking System This article explores the role of banks from emerging market economies (EMEs) in global banking. Over the past decade, the cross-border activity of EME banks has been growing at a faster pace than that of banks from advanced economies. This has been largely driven by increasing EME-to-EME interlinkages, which often make up more than half of EMEs' cross-border borrowing. EME banks make use of their global networks of affiliates abroad for the majority of their cross-border lending to other EMEs. In the cross-border interbank market, EMEs with more developed banking systems tend to be net recipients of funds, whereas EMEs with less developed ones tend to be net providers.
December 2018	FSD Africa	Moving Money and Mindsets: Increasing Digital Remittances Across Africa This report examines ways of accelerating the migration of remittance senders from cash to digital channels. It aims to understand the reasons behind the existing preference for cash-based remittances in the UK-based Africa diaspora community and the main motivators that could – and are – being used for a switch to digital services.

Date	Organization	Title & Abstract
December 2018	Financial Stability Institute	<p><u>Regulating and Supervising the Clouds: Emerging Prudential Approaches for Insurance Companies</u> The increasing use of cloud computing services for core functions brings undoubted benefits to the insurance sector. However, these services also pose unique risks, given the shared use of computing resources; the sensitivity of the data involved; the cross-border nature of service provision; and the concentration of market providers. This paper outlines the emerging regulatory and supervisory approaches that 14 authorities have implemented to deal with these risks.</p>
December 11, 2018	IMF	<p><u>Can Good Governance Lower Financial Intermediation Costs?</u> This paper argues that better governance practices can reduce the costs, risks and uncertainty of financial intermediation. Our sample covers high-, middle- and low-income countries before and after the global financial crisis (GFC). We find that net interest margins of banks are lower if various governance indicators are better. More cross-border lending also appears conducive to lower intermediation costs, while the level of capital market development is not significant. The GFC seems not to have had a strong impact except via credit risk. Finally, we estimate the size of potential gains from improved governance.</p>

Industry

Date	Organization	Title & Abstract
December 10, 2018	ISDA	<p><u>Key Trends in the Size and Composition of OTC Derivatives Markets</u> ISDA has published a new research paper that analyzes recent trends in the size and composition of over-the-counter derivatives markets, using the latest data from the Bank for International Settlements and ISDA.</p>

Other

Date	Organization	Title & Abstract
November 2018	European Microfinance Platform	<p><u>The Financial Inclusion Compass 2018: The Inaugural e-MFP Survey of Financial Inclusion Trends</u> This paper presents the findings of the inaugural e-MFP <i>Survey of Financial Inclusion Trends</i>. According to survey respondents, the five most important criteria in driving increased access and usage of financial services are seen as: i) client protection; ii) regulatory environment; iii) governance; iv) outreach to low-income segments; v) technology and new delivery channels.</p>

Date	Organization	Title & Abstract
November 2018	Group of 30	<u>Banking Conduct and Culture: A Permanent Mindset Change</u> Since the global financial crisis banks have implemented various changes to improve their conduct and culture. Despite these efforts, the banking industry still suffers from a negative perception by the consumers, and trust still needs to be repaired as serious conduct and culture failures continue to occur. The authors consider regulation can be an effective tool in establishing basic principles, refocusing banks' attention on areas of conduct failure, and providing insights and lessons from across the industry.