

Toronto Centre Publications Monitoring Report

September 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.

Standard Setting Bodies

Date	Organization	Title & Abstract
September 26, 2018	FSB	<p><u>Task Force Report Shows Momentum Building for Climate-Related Financial Disclosures</u></p> <p>The FSB welcomed the publication of the <i>Status Report</i> by the industry-led Task Force on Climate-related Financial Disclosures (TCFD). The report provides an overview of the extent to which companies in their 2017 reports included information aligned with the core TCFD recommendations published in June 2017. The report also provides information to support preparers of disclosures in implementing the TCFD recommendations.</p>
September 25, 2018	FSB IMF	<p><u>FSB and IMF Publish the 2018 Progress Report on G20 Data Gaps Initiative</u></p> <p>The FSB and IMF published the third progress report on the implementation of the second phase of the G20 Data Gaps Initiative (DGI-2). The report updates the work undertaken since September 2017 to advance implementation of the 20 recommendations aimed at addressing the data gaps identified after the global financial crisis and promoting the regular flow of timely and reliable statistics for policy use.</p>
September 19, 2018	EBA	<p><u>EU Banks Funding Plans Indicate Increased Appetite for Client Deposits and Market-based Funding in the Coming Years</u></p> <p>The EBA published two reports on EU banks' funding plans and asset encumbrance respectively. The reports aim to provide important information for EU supervisors to assess the sustainability of banks' main sources of funding. The results of the assessment show that banks plan to match the asset side increase in the forecast years by a growth in client deposits as well as market based funding. The two reports are <i>EBA Report on Funding Plans</i> and <i>EBA Report on Asset Encumbrance</i>.</p>

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September 12, 2018	EBA	<p><u>EBA Revises Standardised NPL Data Templates</u> The EBA published a revised version of the standardized NPL data templates that aim at facilitating the NPL sale transactions across the EU. The revised templates include minor changes following the feedback received from the testing of the original version published in December 2017.</p>
September 10, 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. Competent authorities throughout the EU are informed that data submitted in accordance with these ITS should not be formally validated against the set of deactivated rules.</p>
September 28, 2018	ESMA	<p><u>ESMA Consults on Stress Testing Rules for Money Market Funds</u> ESMA has opened a public consultation on how European money market funds (MMFs) should conduct their internal stress testing.</p>
September 27, 2018	ESMA	<p><u>ESMA Publishes Final Report Amending RTS on the Clearing Obligation for Intragroup Transactions</u> ESMA has published its <i>Final Report on the Clearing Obligation under EMIR (no 6)</i>. The report presents a new set of draft regulatory technical standards (RTS) on the clearing obligation. The draft RTS relate to the deferred date of application for the treatment of certain intragroup transactions concluded with a third country group entity.</p>
September 21, 2018	ESMA	<p><u>ESMA Agrees to Limit the Application of Tick Sizes to Systematic Internalisers Quotes for Shares and Depository Receipts</u> ESMA has published its opinion on proposed amendments to Commission Delegated Regulation (EU) 2017/587 (RTS 1). ESMA, considering the need to address the application of tick sizes to systematic internalizer (SIs) quotes in a timely fashion, has agreed to limit the application of tick sizes to quotes of SIs to shares and depository receipts.</p>
September 20, 2018	ESMA	<p><u>What Drives the Use of CDS By EU Investment Funds?</u> ESMA, in a study carried out on data reported under EMIR, finds that funds that are part of a large group are more likely to use credit default swaps (CDS).</p>
September 17, 2018	ESMA	<p><u>ESMA Publishes the Responses to its Conclusion on Proposed Amendments to RTS 11</u> ESMA has published the responses received to the <i>Consultation Paper on Amendment to Commission Delegated Regulation (EU) 2017/588 (RTS 11)</i>.</p>
September 13, 2018	ESMA	<p><u>ESMA Finds High Level of Diversity in National Markets for Structured Retail Products</u> ESMA has carried out a study of the EU market in structured retail products from an investor protection perspective. The report identified that, although a wide array of different structured products are available to retail investors across the EU, each national market is concentrated around a small number of common types, namely capital protection products, yield enhancement products and participation products.</p>
September 7, 2018	ESMA	<p><u>ESMA Publishes the Responses to the CP No. 6 Under EMIR</u> ESMA has published the responses received to the Consultation Paper no.6 on the Clearing Obligation under EMIR.</p>

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September 5, 2018	ESMA	<p><u>ESMA Publishes Opinion on Proposed Amendments to SFTR Technical Standards</u> ESMA has published an Opinion in response to the European Commission's proposed amendments of the technical standards on reporting under the <i>Securities Financing Transactions Regulation (SFTR)</i>.</p>
September 5, 2018	EBA EIOPA ESMA	<p><u>ESAs Report Finds Automation in Financial Advice Slowly Growing But Scale of Market Remains Limited</u> The three European Supervisory Authorities published the results of their monitoring exercise on automation in financial advice. The report shows that while the phenomenon of automation in financial advice seems to be slowly growing, the overall number of firms and customers involved is still quite limited. As the identified risks have not materialized and considering the limited growth of the phenomenon, the ESAs believe that no immediate action is necessary.</p>
September 18, 2018	ECB	<p><u>Guide to On-site Inspections and Internal Model Investigations</u> The objective of the guide is to provide a useful reference document for the supervised entities and other legal entities for which the ECB has decided to launch an on-site inspection, as well as for the work of the on-site inspection teams. The guide describes the inspection process, from the decision to launch the inspection to the follow-up stage, and sets out the best practices to foster fruitful cooperation between the entities being inspected and the inspection teams.</p>
September 18, 2018	IOSCO	<p><u>IOSCO Guidance Addresses Conflicts of Interest and Conduct Risks in Equity Capital Raising</u> IOSCO published guidance to help its members address conflicts of interest and associated misconduct risks that may arise and undermine the equity capital raising process. The final report on <i>Conflicts of Interest and Associated Conduct Risks During the Equity Capital Raising Process</i> sets out guidance for regulators to address conflicts of interests that may occur when intermediaries manage an equity securities offering. The report details the key stages of equity capital raising where the role of intermediaries might give rise to conflicts of interest that compromise the integrity and efficiency of the process.</p>
September 19, 2018	IOSCO	<p><u>IOSCO Issues Policy Measures to Protect Investors of OTC Leveraged Products</u> IOSCO issued a final report, <i>Report on Retail OTC Leveraged Products</i>, providing measures for securities regulators to consider when addressing the risks arising from the marketing and sale of OTC leveraged products to retail investors. Simultaneously, the Board issued a public statement on the risks of binary options and the response of regulators for mitigating the risks and harm to retail investors transacting in these products.</p>

National Regulators

Date	Organization	Title & Abstract
September 18, 2018	OSFI	<p><u>OSFI Updates Its Corporate Governance Guideline With More Focused and Effective Principles</u> OSFI published the final version of its <i>Corporate Governance Guideline</i>. The revised guideline sets out OSFI's expectations for boards of directors of federally regulated financial institutions. Key changes include: i) providing boards with greater discretion over how they meet the principles of the guideline, taking into account their institutions' size, complexity and risk profile; ii) clarifying the delineation between board and senior management responsibilities; and iii) consolidating and rationalizing all OSFI requirements for boards in one guideline.</p>
September 14, 2018	OSFI	<p><u>Asset Securitization</u> OSFI released proposed amendments to Guideline B-5: <i>Asset Securitization</i>. The amendments reflect events that have affected securitizations since 2004, including the financial crisis and changes to the Basel Framework. The guideline also incorporates relevant content from the Advisory. OSFI plans to repeal the Advisory when the revised guideline becomes effective, currently planned for January 1, 2019.</p>
September 26, 2018	PRA	<p><u>Transition in Thinking: The Impact of Climate Change on the UK Banking Sector</u> This PRA report examines the financial risks from climate change that impact UK banks, building societies and PRA-designated investment firms, assesses how banks are responding to these, and clarifies the PRA's supervisory approach.</p>
September 26, 2018	PRA	<p><u>PRA Review Finds that 70% of Banks Recognize that Climate Change Poses Financial Risks</u> A survey of 90% of the UK banking sector representing over £11trn in assets found that 70% of banks recognize that climate change poses financial risks. The report finds that physical and transition risks from climate change have financial risk implications, some of which are already materializing. This reality will require more banks to move into the 10% category of strategic oversight. Physical and transition risks materialize into increasing credit, market and operational risks that can impact the safety and soundness of the UK banking sector.</p>
September 12, 2018	PRA	<p><u>Regulatory Reporting: EBA Taxonomy 2.9</u> This consultation paper sets out proposals to update certain PRA reporting requirements to reflect relevant proposals made by the EBA in its open consultations on changes to the Implementing Technical Standards on Supervisory Reporting ('Supervisory Reporting ITS').</p>
September 21, 2018	FDIC FCA FHFA Federal Reserve OCC	<p><u>Agencies Approve Amendments to Swap Margin Rule</u> Five federal agencies approved final amendments to swap margin requirements to conform with recent rule changes that impose new restrictions on certain qualified financial contracts of systemically important banking organizations (QFC Rules). Under the amendments, legacy swaps entered into before the applicable compliance date will not become subject to the margin requirements if they are amended solely to comply with the requirements of the QFC Rules.</p>

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September 11, 2018	FDIC FRB NCUA OCC CFPB	<u>Agencies Issue Statement Reaffirming the Role of Supervisory Guidance</u> Five federal agencies issued a joint statement explaining the role of supervisory guidance for regulated institutions. The confirms that supervisory guidance does not have the force and effect of law, and the agencies do not take enforcement actions based on supervisory guidance. The joint statement explains that supervisory guidance can outline the agencies' supervisory expectations or priorities and articulate the agencies' general views regarding appropriate practices for a given subject area.
September 2018	Office of the Comptroller of the Currency	<u>The OCC Strategic Plan 2019-2023</u> The plan sets out the OCC's there strategic goals to fulfill its vision.
September 24, 2018	APRA	<u>Outsourcing Involving Cloud Computing Services</u> APRA has released an updated information paper <i>Outsourcing Involving Cloud Computing Services</i> on the use of shared computing services by APRA-regulated entities.
September 14, 2018	APRA	<u>APRA Finalises New Measures to Enhance Governance in the Private Health Insurance Industry</u> APRA released a package of prudential standards and guides aimed at improving governance and decision-making in the private health insurance (PHI) industry.

International Organizations

Date	Organization	Title & Abstract
August 2018	CGAP	<u>Navigating the Next Wave of Blended Finance for Financial Inclusion</u> This brief presents opportunities for the new wave of blended finance and points to areas that deserve further attention to optimize the use of different funding sources to advance responsible financial inclusion.
September 2018	IMF	<u>Banking on Women Leaders: A Case for More?</u> Using a new dataset, we measure the large gap between the representation of men and women in leadership positions in banks and bank supervision agencies worldwide. Women occupied less than 2 percent of bank CEOs positions, and less than 20 percent of the board seats in more than 80 percent of the observations across banks over time. Contrary to common perceptions, many low- and middle-income countries have a higher share of women in bank boards and banking supervision agency boards compared to advanced economies. Econometric analysis suggests that, controlling for relevant bank and country-specific factors, the presence of women as well as a higher share of women on bank boards is associated with greater bank stability, as represented by higher z-scores and lower nonperforming loan ratios. We also examine the share of women on boards of banking supervision agencies by compiling a new dataset. We find that it is associated with greater bank stability. Further research is needed to identify specific mechanisms through which these stability benefits are achieved, and to understand the conditions that have facilitated entry of women into leadership roles in banks and supervision agencies.

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September 2018	IMF	<u>Closing Gender Gaps in India: Does Increasing Women's Access to Finance Help?</u> The paper shows that the factors influencing the number of females are different from those influencing the share of females in formal economic activity. Combining gender-targeted financial inclusion policies with policies that lower constraints on formal sector employment could boost India's output by 6.8 percent.
September 2018	IMF	<u>Macroprudential Stress Tests and Policies: Searching for Robust and Implementable Frameworks</u> This report summarizes the findings of a joint-research effort aimed at: i) presenting state-of-the-art approaches on MaPST, including modeling and implementation challenges; ii) providing a roadmap for future research; and iii) discussing the potential uses of MaPST to support policy.
September 2018	IMF	<u>Fintech, Inclusive Growth and Cyber Risks: Focus on the MENAP and CCA Regions</u> This paper reviews the fintech landscape in the MENAP and CCA regions, identifies the constraints to the growth of fintech and its contribution to inclusive growth and considers policy options to unlock the potential.
September 2018	IMF	<u>Women in Finance: The Case for Closing Gaps</u> A new study at the IMF finds that greater inclusion of women as users, providers, and regulators of financial services would have benefits beyond addressing gender inequality. Narrowing the gender gap would foster greater stability in the banking system and enhance economic growth. It could also contribute to more effective monetary and fiscal policy. New evidence suggests that greater access for women to and use of accounts for financial transactions, savings, and insurance can have both economic and societal benefits.
March 2018	World Bank	<u>Women, Business and the Law 2018</u> World Bank discussion paper demonstrates how government policies limit women's full economic participation through laws that restrict their ability to engage in entrepreneurial and employment activities.
2018	World Bank	<u>Women's Financial Inclusion and the Law</u> Discriminatory laws can affect women's demand for financial services and impede their ability to save, borrow, pay or insure themselves against risk.

Industry

Date	Organization	Title & Abstract
September 2018	Geneva Association	<u>Insurance in the Digital Age</u> This paper sets out views on key implications for the economy and society.
September 18, 2018	Institute of International Finance	<u>Liability and Consumer Protection in Open Banking</u> This paper describes some of the sources of new risks for consumers in open banking ecosystems, how these can be mitigated, and key features of compensation and dispute resolution frameworks. We propose a series of recommendations as the basis for a formal framework to protect users of open banking systems.

Other

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September 2018	Alliance for Financial Inclusion	<p><u>FinTech for Financial Inclusion: A Framework for Digital Financial Transformation</u></p> <p>This research suggests that the best approach to reach the full potential of FinTech for financial inclusion is staged and progressive, focused on four main pillars: i) building digital identification and e-KYC systems to simplify access to the financial system; ii) digital payment infrastructure and open electronic payments systems; iii) combining the promotion of account opening and access with the electronic provision of government services, particularly for public transfers and payments, to scale up the use of digital finance and related services; and iv) design of digital financial markets and systems.</p>
September 2018	Centre for International Governance Innovation	<p><u>Unpacking Macprudential Policies: Strengths and Weaknesses</u></p> <p>This paper highlights two weaknesses in current macroprudential policy strategies and presents some evidence of rising financial repression globally.</p>
September 24, 2018	Council for Financial Regulators	<p><u>CFR Issues Paper: Review of Retail Payments Regulation: Stored-Value Facilities</u></p> <p>The CFR has released <i>Review of Retail Payments Regulation: Stored-value Facilities</i> for public consultation. The review has the following objectives: i) to identify opportunities to simplify the regulatory framework for stored-value facilities; ii) to ensure that regulation does not pose an undue obstacle to innovation and competition, while maintaining appropriate levels of consumer protection and system-wide safety; iii) to identify any changes necessary to enable regulation to adapt to recent and prospective developments in the payments market, including those associated with advances in technology and new participants; iv) to identify opportunities to improve the 'competitive neutrality' of regulation; and v) to improve the transparency and clarity of regulation, from the perspective of regulated entities, potential new entrants, and consumers and other users.</p>