

Toronto Centre Publications Monitoring Report

August 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
August 16, 2018	FSB	<p><u>FSB Launches Thematic Peer Review on Implementation of the Legal Entity Identifier and Invites Feedback from Stakeholders</u></p> <p>The objective of the review is to evaluate the progress made by FSB members in response to the G20 Leaders' 2012 call for "global adoption of the LEI to support authorities and market participants in identifying and managing financial risks". The peer review will: i) take stock of the approaches and strategies used by FSB members to implement the LEI, including its adoption for regulatory requirements; ii) assess whether current levels and rates of LEI adoption are sufficient to support the ongoing and anticipated needs (particularly financial stability objectives) of FSB member authorities; and iii) identify the challenges in further advancing the implementation and use of the LEI, and make recommendations (as appropriate) to address common challenges.</p>
August 9, 2018	FSB BCBS CPMI IOSCO	<p><u>Study Highlights Continued Central Clearing Interdependencies</u></p> <p>The FSB, CPMI, IOSCO and BCBS published the second report that maps interdependencies between central counterparties and their clearing members and other financial service providers.</p>
August 7, 2018	FSB BCBS CPMI IOSCO	<p><u>FSB and Standard-Setting Bodies Consult on Effects of Reforms on Incentives to Centrally Clear Over-the-Counter Derivatives</u></p> <p>The FSB, BCBS, CPMI and IOSCO published a consultative document called <i>Incentives to Centrally Clear Over-the-Counter (OTC) Derivatives</i>.</p>

Date	Organization	Title & Abstract
August 30, 2018	BCBS	<p><u>Pillar 3 Disclosure Requirements - Regulatory Treatment of Accounting Provisions</u> The BCBS released a technical amendment on additional Pillar 3 disclosure requirements for those jurisdictions implementing an expected credit loss (ECL) accounting model as well as for those adopting transitional arrangements for the regulatory treatment of accounting provisions. The amendment is intended to provide users with disclosures that fully reflect any transitional effects for the impact of expected credit loss accounting on regulatory capital, as well as to provide further information on the allocation of accounting provisions in the regulatory categories of general and specific provisions for standardized exposures during the interim period.</p>
August 28, 2018	EBA	<p><u>EBA Launches Consultations on Supervisory Reporting for the Reporting Framework 2.9 and Prepares for its Modular Release</u> The EBA launched three public consultations on amendments to the Implementing Technical Standards (ITS) on supervisory reporting for the reporting framework 2.9. The proposed changes to the ITS on supervisory reporting, which are part of the EBA reporting framework 2.9, aim to keep reporting requirements in line with changes in the regulatory framework and with the evolving needs for Supervisory Authorities' risk assessments..</p>
August 9, 2018	EBA	<p><u>EBA Updates Data Used for the Identification of Global Systemically Important Institutions (G-SIIs)</u> The EBA published 12 indicators and updated the underlying data from the 35 largest institutions in the EU, whose leverage ratio exposure measure exceeds EUR 200 bn. This end-2017 data contributes to the internationally agreed basis on which a smaller subset of banks will be identified as global systemically important institutions (G-SIIs), following the BCBS and the FSB final assessments.</p>
August 2, 2018	EIOPA	<p><u>Understanding Cyber Insurance – A Structured Dialogue With Insurance Companies</u> The report addresses important key findings, such as the clear need for improved understanding of cyber risk. The report is the first attempt by EIOPA to enhance the level of understanding of cyber risk underwriting with a focus on the European insurance market.</p>
August 22, 2018	ESMA	<p><u>ESMA Defines Disclosure Standards Under Securitisation Regulation</u> ESMA has issued a set of draft regulatory and implementing standards (RTS/ITS) under the <i>Securitisation Regulation</i>, which concern the details of a securitization to be made available by the originator, sponsor and SSPE, as well as the format and templates for doing so.</p>
August 9, 2018	ESMA	<p><u>ESMA Updates Validation Rules Under EMIR</u> ESMA has updated its validation rules regarding the <i>European Markets Infrastructure Regulation</i> (EMIR) with regards to the revised technical standards on reporting under Article 9 of EMIR.</p>
August 8, 2018	ESMA	<p><u>ESMA Issues Clarifications on the Clearing Obligation and Trading Obligation for Pension Scheme Arrangements</u> ESMA has issued an updated statement on the clearing obligation and trading obligation for pension scheme arrangements (PSAs), with the objective to avoid, to the extent possible, disruption to certain PSAs who may face potential challenges clearing their OTC derivative contracts and trading them on trading venues on 17 August 2018, when the current, and final, exemption from the clearing obligation under EMIR expires.</p>

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August 16, 2018	CPMI IOSCO	<u>Governance Arrangements for Critical OTC Derivatives Data Elements (Other Than UTI and UPI)</u> IOSCO and CPMI have published for public comment a consultative report on governance arrangements for over-the-counter (OTC) derivatives data elements. The report identifies key criteria, functions and bodies for the governance arrangements for critical data. It is a further step towards fulfilling the Group of 20's commitment to report all OTC derivatives contracts to trade repositories (TRs), to improve transparency, mitigate systemic risk and prevent market abuse.
August 2, 2018	IOSCO CPMI	<u>CPMI-IOSCO Assessment Concludes that Canada Has Broadly Implemented the PFMI</u> An assessment report concludes that Canada's legal, regulatory and oversight frameworks for financial market infrastructures are generally complete and consistent with the Principles for financial market infrastructures, with some exceptions. The report, <i>Implementation Monitoring of PFMI: Level 2 Assessment Report for Canada</i> , reflects the status of Canada's frameworks as of 30 June 2017.
August 1, 2018	IOSCO	<u>IOSCO Issues Recommendations to Help Trading Venues Manage Extreme Volatility</u> IOSCO has released a final report, <i>Mechanisms Used by Trading Venues to Manage Extreme Volatility and Preserve Orderly Trading</i> , to assist trading venues and regulatory authorities in the implementation of mechanisms to manage extreme volatility and preserve orderly trading. The report recommends that trading venues should have volatility control mechanisms to manage extreme volatility and these mechanisms should be appropriately calibrated and monitored.
August 1, 2018	IAIS	<u>Issues Paper on the Increasing Use of Digital Technology in Insurance and its Potential Impact on Consumer Outcomes</u> The purpose of this paper is to consider the impact of the increasing use of digital technology in insurance. It will consider consumer outcomes and discuss what digitalization means for insurance supervision. The focus is on the product design and underwriting along with marketing, sales and distribution aspects of the insurance value chain.

National Regulators

Date	Organization	Title & Abstract
August 21, 2018	OSFI	<u>Superintendent Formally Designates Canadian D-SIBs and Sets Minimum Loss Absorbency Capacity Requirements</u> The Superintendent issued orders to Canada's six largest banks, legally designating them as D-SIBs. This formalizes OSFI's identification of these banks as D-SIBs in March 2013. The Superintendent has issued orders to each D-SIB, setting the minimum risk-based TLAC ratio at 21.5% of risk-weighted assets and the minimum TLAC leverage ratio at 6.75%.

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August 10, 2018	OSFI	<p><u>Revisions to the Leverage Ratio Disclosure Requirements Guideline</u> OSFI is issuing proposed revisions to the <i>Leverage Ratio Disclosure Requirements</i> guideline. The revisions, which reflect the proposed changes to the <i>Leverage Requirements</i> guideline and the <i>Capital Adequacy Requirements (CAR)</i> guideline, incorporate a new line to capture the treatment of securitized assets that meet the operational requirements for recognition of significant risk transfer.</p>
August 1, 2018	OSFI	<p><u>Proposed Changes to the Leverage Requirements (LR) Guideline</u> OSFI is releasing proposed revisions to the <i>Leverage Requirements (LR)</i> guideline. The revisions will align the LR guideline with the upcoming modifications to Chapter 4 (Settlement and Counterparty Risk) and Chapter 7 (Securitization) of the <i>Capital Adequacy Requirements (CAR)</i> guideline. The revisions incorporate the Standardized Approach to Counterparty Credit Risk (SA-CCR) for calculating derivatives exposures.</p>
August 31, 2018	PRA	<p><u>Resolution Planning: SS 19/13</u> This SS was updated following PS11/18 <i>Resolution Planning: MREL Reporting</i>.</p>
August 3, 2018	PRA	<p><u>Would Macroprudential Regulation Have Prevented the Last Crisis?</u> How well equipped are today's macroprudential regimes to deal with a re-run of the factors that led to the global financial crisis? We argue that a large proportion of the fall in US GDP associated with the crisis can be explained by two factors: the fragility of financial sector - represented by the increase in leverage and reliance on short-term funding at non-bank financial intermediaries - and the build-up in indebtedness in the household sector. We describe and calibrate the policy interventions a macroprudential regulator would wish to make to address these vulnerabilities. We compare and contrast how well placed two prominent macroprudential regulators - the US Financial Stability Oversight Council and the UK's Financial Policy Committee - are to implement these policy actions.</p>
August 3, 2018	PRA	<p><u>The Prudential Regulation Authority's Approach to Enforcement: Statutory Statements of Policy and Procedure</u> This document was updated as part of the Bank of England's Policy Statement <i>Enforcement Decision Making Committee</i>.</p>
August 3, 2018	PRA	<p><u>Statutory Statements of Procedure in Respect of the Bank of England's Supervision of Financial Market Infrastructures</u> This document was updated as part of the Bank of England's Policy Statement <i>Enforcement Decision Making Committee</i>.</p>
August 3, 2018	PRA	<p><u>Enforcement Decision Making Committee – PS/EDMC2018</u> The policy statement sets out final procedures for the Enforcement Decision Making Committee (the EDMC), makes final amendments to the PRA's approach to enforcement: statutory statements of policy and procedure', and to the statutory statements of procedure in respect of the Bank of England's supervision of financial market infrastructures.</p>

Date	Organization	Title & Abstract
August 7, 2018	FCA	<p><u>FCA Collaborates on a New Consultation to Explore the Opportunities of a Global Financial Innovation Network</u></p> <p>The FCA has, in collaboration with 11 financial regulators and related organizations, announced the creation of the Global Financial Innovation Network (GFIN), building on the FCA's proposal earlier this year to create a 'global sandbox'. The consultation sets out the three main functions of the GFIN: i) act as a network of regulators to collaborate and share experience of innovation in respective markets, including emerging technologies and business models; ii) provide a forum for joint policy work and discussions; and iii) provide firms with an environment in which to trial cross-border solutions.</p>
August 1, 2018	FCA	<p><u>FCA Consults on Rule and Guidance to Improve Conduct and Communications in Payment Services and E-Money Firms</u></p> <p>The FCA is consulting on rules and guidance to improve conduct standards and communications in the payment services and e-money sectors. The consultation paper proposes to extend the application of the Principles for Businesses and certain specific rules about promotions and communications so that they cover wider categories of businesses that the FCA regulates.</p>
August 24, 2018	APRA	<p><u>APRA Corporate Plan 2018-2022</u></p> <p>APRA has released its latest Corporate Plan.</p>
August 14, 2018	APRA	<p><u>APRA Proposes Changes to Make the Australian ADI Capital Framework More Transparent, Comparable and Flexible</u></p> <p>The discussion paper outlines two general approaches designed to aid authorized deposit-taking institutions (ADIs) in representing and communicating their capital strength: i) ADIs would continue using existing definitions of capital and risk-weighted assets, but APRA would develop a methodology allowing them to improve the credibility and robustness of internationally comparable capital ratio disclosures; or ii) APRA would change the way ADIs calculate capital ratios to instead use more internationally harmonized definitions of capital and risk-weighted assets. To maintain the strength and risk-sensitivity of the capital framework, there would need to be corresponding increases in minimum ratio and/or capital buffer requirements.</p>
August 30, 2018	Reserve Bank of Australia	<p><u>Corporate Plan 2018/19</u></p> <p>The Bank has released its Corporate Plan for 2018/19. It sets out the key functions and purposes of the bank as well as: i) the Bank's assessment of the relevant environment in which those functions and purposes will be carried out; ii) how the Bank plans to achieve the relevant purposes and how it will measure and assess its performance in the achievement of those purposes; and iii) the key strategies and plans that the Bank proposes to implement with a view to achieving the relevant purposes.</p>
August 10, 2018	HKMA	<p><u>Mystery Shopping Programme (MSP) on Authorized Institutions' (AIs) Selling Practices in respect of Investment Products and Insurance Products</u></p> <p>The HKMA will institute an MSP on AIs' selling practices in respect of investment products and insurance products. The objective of the MSP is to ascertain the practices of AIs in customer risk profiling, financial needs analysis (as applicable to life insurance products), suitability of recommendations, and product and risk disclosure. AIs which engage in selling investment and/or insurance products will be subject to the MSP.</p>

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August 7, 2018	HKMA	<p><u>HKMA Collaborates on Consultation to Explore the Opportunities of a Global Financial Innovation Network</u> The HKMA, in collaboration with 11 financial regulators and related organizations, announced the initiative of the Global Financial Innovation Network (GFIN). Building on the UK FCA's proposal earlier this year, GFIN seeks to provide a more efficient way for innovative firms to interact with regulators, helping them navigate between jurisdictions as they look to scale new ideas. It will also create a framework for co-operation between financial services regulators on innovation related topics, sharing different experiences and approaches.</p>
August 6, 2018	Monetary Authority of Singapore	<p><u>MAS Accepts Recommendations from Corporate Governance Council and Issues Revised Code of Corporate Governance</u> The MAS has accepted all the recommendations by the Corporate Governance Council, and issued the revised Code of Corporate Governance.</p>
August 2018	Monetary Authority of Singapore	<p><u>Response to Feedback Received – Proposed Revisions to the Large Exposures Framework for Singapore-incorporated Banks</u> MAS report sets out feedback received and next steps.</p>
August 23, 2018	CFTC	<p><u>CFTC Unanimously Approves a Proposal to Amend the Clearing Requirement to Help End-Users</u> The CFTC approved a swap clearing requirement proposed rule that would reduce unnecessary burdens on bank holding companies, savings and loan holding companies, and community development financial institutions. The proposal would exempt from the clearing requirement swaps entered into by bank holding companies and savings and loan holding companies with consolidated assets of \$10 billion or less, and community development financial institutions that meet certain conditions.</p>
August 23, 2018	FDIC	<p><u>Agencies Issue Interim Final Rules Expanding Examination Cycles for Qualifying Small Banks and U.S. Branches and Agencies of Foreign Banks</u> Federal banking agencies issued interim final rules to expand the number of insured depository institutions and U.S. branches and agencies of foreign banks eligible for an 18-month on-site examination cycle. The interim final rules generally would allow qualifying insured depository institutions with less than \$3 billion in total assets to benefit from an extended 18-month on-site examination cycle. The rules also make parallel changes to the agencies' regulations governing the on-site examination cycle for U.S. branches and agencies of foreign banks.</p>
August 28, 2018	Federal Reserve Board	<p><u>Federal Reserve Board Issues Interim Final Rule Expanding the Applicability of the Board's Small Bank Holding Company Policy Statement</u> The Federal Reserve Board issued an interim final rule expanding the applicability of the Board's small bank holding company policy statement, as required by the <i>Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018</i>. The policy statement facilitates the transfer of ownership of small community banks by allowing their holding companies to operate with higher levels of debt than would normally be permitted.</p>

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August 17, 2018	Securities and Exchange Commission	<p><u>SEC Adopts Amendments to Simplify and Update Disclosure Requirements</u> The SEC has voted to adopt amendments to certain disclosure requirements that have become duplicative, overlapping, or outdated in light of other Commission disclosure requirements, U.S. Generally Accepted Accounting Principles (GAAP), or changes in the information environment. The amendments are intended to simplify and update the disclosure of information to investors, including long-term Main Street investors, and reduce compliance burdens for companies without significantly altering the total mix of information available to investors.</p>
August 8, 2018	US Commodity Futures Trading Commission	<p><u>CFTC Proposes Rules to Simplify Process for Foreign Clearing Organizations to Obtain DCO Registration Exemption</u> The CFTC approved a proposal to codify policies and procedures for clearing organizations located outside of the U.S. to obtain an exemption from registration as a derivatives clearing organization (DCO).</p>

International Organizations

Date	Organization	Title & Abstract
August 17, 2018	Accounting and Auditing Organization for Islamic Financial Institutions	<p><u>AAOIFI Issues Financial Accounting Standard No. 35 “Risk Reserves”</u> The AAOIFI has officially issued financial accounting standard (FAS) No. 35 “Risk Reserves”. The standard defines the accounting principles for risk reserves in line with the best practices of financial reporting and risk management. The standard encourages maintaining adequate risk reserves to safeguarding the interest of profit and loss stakeholders particularly against various risks including credit, market, equity investment risks, as well as, the rate of return risk including displaces commercial risk. This is expected to provide better stability to the Islamic finance industry in line with the best practices.</p>
August 2018	IMF	<p><u>A Behavioral Approach to Financial Supervision, Regulation, and Central Banking</u> This paper describes how behavioural elements are relevant to financial supervision, regulation, and central banking. It focuses on: i) behavioural effects of norms (social, legal, and market); ii) behaviour of others (internalization, identification, and compliance); and iii) psychological biases. It stresses that financial supervisors, regulators, and central banks have not yet realized the full potential that these behavioral elements hold. To do so, they need to devise a behavioural approach that includes aspects relating to individual and group behavior. The paper provides case examples of experiments with such an approach, including behavioural supervision. Finally, it highlights areas for further research.</p>

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July 2018	United Nations Capital Development Fund	<p><u>Examining Customer Journeys at Financial Institutions in Cambodia: Using Big Data to Advance Women's Financial Inclusion</u></p> <p>This study uses readily available big data from four financial service providers in Cambodia - covering approximately 21 percent of the loans and savings market - to examine how long customers stay with their financial institutions and what types of products they take up during their journey. It finds that although men and women have equal access to credit and saving services, the actual amounts of loans and savings mobilized are much lower for women than men. The paper offers business and policy recommendations for improving customer retention through better product development, and recommends incorporating savings mobilization for women and youth into the National Financial Inclusion Strategy.</p>

Industry

Date	Organization	Title & Abstract
August 2018	Geneva Association	<p><u>Advancing Accumulation Risk Management in Cyber Insurance</u></p> <p>Although cyber risk premiums have expanded sizeably in recent years and loss ratios compared favourably relative to other product lines, sustainable growth of the cyber insurance market should not be taken for granted. This report identifies three prerequisites that must be met to ensure sustainability. Despite recent advances, cyber risk creates unprecedented challenges. The report is nevertheless cautiously optimistic that cyber insurance can become manageable over time.</p>
August 2018	IIF	<p><u>Cloud Computing in the Financial Sector Part 1: An Essential Enabler</u></p> <p>This paper describes cloud computing as a technology that enables companies to compete in the new financial services landscape, highlighting benefits and identifying risks and mitigants. It also considers the risks associated with the scenario of not migrating to cloud.</p>

Other

Date	Organization	Title & Abstract
July 2018	GSMA MicroSave	<p><u>Distribution 2.0: The Future of Mobile Money Agent Distribution Networks</u></p> <p>This study was conducted to better understand how providers in the digital financial services (DFS) ecosystem are using various tactics to respond to the opportunities and challenges in their agent distribution networks. These DFS providers include mobile money providers, banks, agent network managers, fintech companies, microfinance institutions, and technology aggregators. The main focus of the study was what providers are doing differently to boost revenue margins from higher agent activity rates, higher quality agents, and increased service adoption. The study also explored how providers have been responding to agent needs for long-term profitability, support services, and greater business opportunities. This report documents these initiatives and how they are helping to usher in a new era of agent distribution networks.</p>