

FINANCIAL REGULATORY DEVELOPMENTS FOCUS

In this week's newsletter, we provide a snapshot of the principal U.S., European and global financial regulatory developments of interest to banks, investment firms, broker-dealers, market infrastructure providers, asset managers and corporates.

[Click here](#) if you wish to access our Financial Regulatory Developments website.

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Brexit for Financial Services

UK Government Releases Post-Brexit Draft Legislation for Deposit Protection

On August 15, 2018, HM Treasury published draft Deposit Guarantee Scheme and Miscellaneous Provisions (Amendment) (EU Exit) Regulations 2018. The draft regulations are expected to be laid before Parliament in autumn 2018 and to come into force mostly on the day the U.K. withdraws from the EU. These draft regulations are part of HM Treasury's measures to onshore EU legislation under the provisions of the European Union (Withdrawal) Act 2018. The key changes proposed are:

- I. transferring the power to review, adjust and set the coverage level from EU bodies to the Prudential Regulation Authority, with approval from HMT; and
- II. removing the cooperation arrangement under which the U.K. Financial Services Compensation Scheme administers compensation payments to depositors at U.K. branches of EEA banks on behalf of EEA deposit guarantee schemes. A transitional provision will allow the FSCS to continue after Brexit to accept instructions and funds from EEA DGS should an EEA firm operating in the U.K. fail immediately before Exit Day.

The draft Regulations and explanatory guidance are available at:

<https://www.gov.uk/government/publications/draft-deposit-guarantee-scheme-and-miscellaneous-provisions-amendment-eu-exit-regulations-2018>.

Derivatives

Financial Stability Board Consults on Implementation of the Legal Entity Identifier

On August 16, 2018, the Financial Stability Board launched a thematic peer review on implementation of the Legal Entity Identifier and is inviting feedback on implementation of the LEI at the same time. The objective of the LEI system is for unique identifiers to be held by all legal entities participating in financial markets across the globe. It is envisaged that the LEI system will lead to better data aggregation, enhance systemic risk monitoring and reduce costs to market participants.

Using the peer review, the FSB will: (i) consider 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 of FSB member authorities; (iii) identify the challenges in further advancing the implementation and use of the LEI; and (iv) if appropriate, make recommendations for addressing any challenges.

The FSB is seeking feedback on implementation of the LEI and, in particular, on:

- I. identifiers used by financial institutions for legal entities established in their own or foreign jurisdictions, and the extent to which they are mapped to the LEI;
- II. awareness and adoption of the LEI, particularly the existence or prospect of any market-driven or voluntary adoption of the LEI by market participants;
- III. private sector uses of the LEI (e.g., to implement risk management frameworks, support financial integrity, reduce operational risks or support higher quality and more accurate financial data) as well as the benefits measured or anticipated from such uses;
- IV. challenges and costs encountered in acquiring and maintaining LEIs;
- V. the main obstacles to adoption and implementation of the LEI; and
- VI. ways to promote further adoption of the LEI.

Feedback on the implementation of the LEI can be provided until September 21, 2018.

The review's summary terms of reference are available at: <http://www.fsb.org/wp-content/uploads/P160818.pdf> and the FSB's press release is available at: <http://www.fsb.org/wp-content/uploads/R160818.pdf>.

Global Authorities Consult on Governance for OTC Derivatives Data Elements

On August 16, 2018, the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions published a consultation paper on governance arrangements for OTC derivatives data elements other than the Unique Transaction Identifier and the Unique Product Identifier. Critical data elements are an important aspect of reporting derivatives transactions to a trade repository. The consultation paper proposes the key criteria for the CDE maintenance and governance, the different areas of CDE governance and governance functions and allocation of the governance functions to different bodies.

Responses to the consultation should be submitted by September 27, 2018 using the dedicated response form, available through the links below.

The press release is available at: <https://www.bis.org/press/p180816.htm> and the consultation paper is available at: <https://www.bis.org/cpmi/publ/d182.htm>.

Upcoming Events

September 4, 2018: EBA public hearing on its consultation on draft RTS for calculation of KIRB for securitized exposures

September 4, 2018: EBA public hearing on its consultation on draft Guidelines on outsourcing arrangements

September 4 – 5, 2018: OECD blockchain conference: Unleashing the potential and facing the challenges of blockchain (registration closes August 30, 2018)

September 11, 2018: FCA annual public meeting at which the FCA's 2017/2018 Annual Report will be discussed

September 27 – 28, 2018: Annual ESRB conference

October 15, 2018: SRB Conference 2018 – 10 years after the crisis: are banks now resolvable?

November 28, 2018: EBA 7th Annual Research Workshop – Reaping the benefits of an integrated EU banking market

Upcoming Consultation Deadlines

August 24, 2018: U.K. CMA consultation on proposed remedies to adverse competition in the investment consultancy and fiduciary management markets

August 30, 2018: ESMA consultation on extending the exemption from the clearing obligation for intragroup transactions with third-country group entities

September 3, 2018: PSR discussion paper on use of data in the payments industry

September 4, 2018: CFTC's proposed amendments to SRO surveillance programs for FCMs

September 7, 2018: FMSB consultation on a draft statement of good practice on algorithmic trading

September 7, 2018: ESMA consultation on amendments to the MiFID II tick size regime

- September 7, 2018: FSB, IOSCO, Basel Committee and CPMI consultation on incentives to centrally clear OTC derivatives
- September 17, 2018: Comment deadline for Proposed Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds (proposed changes to the Volcker Rule)
- September 17, 2018: U.K. BEIS consultation on a draft Bill introducing a register of the beneficial owners for overseas legal entities that own U.K. property
- September 19, 2018: EBA consultation on draft RTS for calculation of KIRB for securitized exposures
- September 21, 2018: FCA interim report (MS 17/1.2) on its investment platform market study
- September 21, 2018: FSB consultation on implementation of the LEI
- September 24, 2018: EBA consultation on draft Guidelines on outsourcing arrangements
- September 25, 2018: PRA consultation on reflecting the Systemic Risk Buffer framework within the Leverage Ratio framework for U.K. systemic ring-fenced bodies
- September 26, 2018: ESMA consultation on revised Guidelines for periodic reporting by credit rating agencies
- September 27, 2018: CPMI and IOSCO consultation on governance arrangements for OTC derivatives data elements
- September 28, 2018: FCA call for input on the PRIIPs Regulation
- September 30, 2018: BoE consultation on term SONIA reference rates
- October 5, 2018: ESMA consultation on minimum information content of exempted documents under the Prospectus Regulation
- October 5, 2018: ESMA consultation on draft guidelines on risk factors under the Prospectus Regulation
- October 5, 2018: BoE/PRA/FCA Discussion Paper on operational resilience of firms and FMIs
- October 5, 2018: FCA consultation on a new workers directory
- October 5, 2018: Law Commission consultation on reform of the anti-money laundering regime for England and Wales
- October 12, 2018: ISDA consultation on fall backs based on overnight risk-free rates for certain derivatives
- October 14, 2018: Regulators (globally) consultation on a Global Financial Innovation Network
- October 27, 2018: FCA consultation on proposed changes to the rules governing P2P platforms
- November 2, 2018: FCA discussion paper on the potential introduction of a new duty of care for financial services firms

THIS NEWSLETTER IS INTENDED ONLY AS A GENERAL DISCUSSION OF THESE ISSUES. IT SHOULD NOT BE REGARDED AS LEGAL ADVICE. WE WOULD BE PLEASED TO PROVIDE ADDITIONAL DETAILS OR ADVICE ABOUT SPECIFIC SITUATIONS IF DESIRED. IF YOU WISH TO RECEIVE MORE INFORMATION ON THE TOPICS COVERED IN THIS PUBLICATION, YOU MAY CONTACT YOUR USUAL SHEARMAN & STERLING REPRESENTATIVE OR ANY OF THE FOLLOWING:

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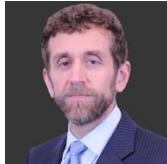
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