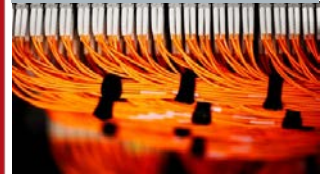


Financial Regulatory Developments Focus



In this issue:

- Derivatives
- Bank Prudential Regulation
- Financial Services
- Enforcement
- People
- Events

In this newsletter, we provide a snapshot of the principal European, US and global financial regulatory developments of interest to banks, investment firms, broker-dealers, market infrastructures, asset managers and corporates.

Derivatives

Implementing Regulation on Hypothetical Capital of a CCP under CRR and EMIR

On 13 May 2014, the regulation setting out implementing technical standards (“ITS”) for the hypothetical capital of a central counterparty (“CCP”) under the European Market Infrastructure Regulation (“EMIR”) was published in the Official Journal of the EU. The ITS provide the frequency, dates of the calculation and format of reporting by CCPs of information on the derivatives it clears for all its clearing members covered by its default fund. The requirements under the ITS apply from 2 June 2014 except for the higher frequency reporting requirements that may be imposed by national regulators during stress situations, which will apply from 1 January 2015.

http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2014_138_R_0007&from=EN.

Bank Prudential Regulation

Revised Incorrect Validation Rules in ITS on Supervisory Reporting

On 19 May 2014, the European Banking Authority (“EBA”) released a revised list of incorrect validation rules contained in its ITS on supervisory reporting. The EBA first announced on 16 April 2014 that certain validation rules in its ITS were incorrect (see [Issue 13](#) of this weekly newsletter). The issue came to the EBA’s attention following tests based on real data from reporting firms as well as answers submitted via the EBA’s Q&A tool. The EBA expects the list of incorrect validation rules to increase as more data becomes available and an updated list of incorrect rules will be published again.

The EBA announcement is available at: <http://www.eba.europa.eu/-/eba-publishes-revised-list-of-incorrect-its-validation-rules>.

Updated Template for CVA Data Collection Released

On 16 May 2014, the EBA released an updated template for the data collection exercise on Credit Valuation Adjustment (“CVA”). Participating volunteer banks are requested to use the updated template. The EBA launched the CVA data collection exercise on 30 April 2014.

The updated template is available at: <http://www.eba.europa.eu/-/eba-releases-updated-template-for-the-data-collection-exercise-on-cva>.

PRA Revised Schedule and Information on CPB offset and Applications for Capital Relief

On 15 May 2014, the Prudential Regulation Authority (“PRA”) published a revised schedule and information for UK banks on the calculation of the capital planning buffer (“CPB”) offset and applications for capital relief. The PRA will only take net new lending to private non-financial corporates from 30 June 2012 to 30 January 2015 for any claims for capital relief. The CPB offset is a temporary adjustment to the PRA’s capital regime and is intended to ensure that the PRA’s capital framework does not unduly impact the HM Treasury and Bank of England macro-prudential policy.

The PRA’s revised schedule is available at:

<http://www.bankofengland.co.uk/pradocuments/supervision/cpboffset/cpboffset150514.pdf>.

Financial Services

Commission Publishes Package of Documents on First Comprehensive Review of EU’s Financial Regulation Agenda

On 15 May 2014, the European Commission published a package of documents on its comprehensive economic review of the EU’s financial regulation reforms since the financial crisis. The package includes a press release, a commission staff working document, a communication from the Commission to the European Parliament and a FAQs document. The review examines the overall coherence of EU financial services legislation reforms between 2009 and the first quarter of 2014, and their impact. The press release is available here:

http://europa.eu/rapid/press-release_IP-14-564_en.htm.

The Commission Staff Working Document is available here:

http://ec.europa.eu/internal_market/finances/docs/general/20140515-erfra-working-document_en.pdf.

The Communication from the Commission to the European Parliament is available here:

http://ec.europa.eu/internal_market/finances/docs/general/20140515-erfra-communication_en.pdf.

The FAQs document is available here: http://europa.eu/rapid/press-release_MEMO-14-352_en.htm.

UK Banking Standards Review Recommendations

On 19 May 2014, the report of the Banking Standards Review, led by Sir Richard Lambert, was published. The report follows a request by seven UK banks (Barclays, HSBC, Lloyds Banking Group, Nationwide, Royal Bank of Scotland, Santander and Standard Chartered) for recommendations for a professional body to promote high standards in the banking industry. The key recommendation of the report is that a Banking Standards Review Council (“BSRC”) should be set up through the appointment of an independent panel as soon as possible, for the appointment of a Chairman and Chief Executive. Further next steps include the development of a detailed business plan and agreement on subscription levels for different types of institutions. It is intended that the BSRC would aid the improvement in behavior of all banks and building societies doing business in the UK by, amongst other things, requiring the participating institutions to commit to an improvement programme on which they would publicly report on their performance annually, setting standards of good practice and developing a single principles-based code of practice which aligns with the high-level principles currently being considered by the UK regulators.

The report is available at:

<http://www.bankingstandardsreview.org.uk/assets/docs/may2014report.pdf>.

OCC Proposes Revisions to Assessment of Fees

On 16 May 2014, the Office of the Comptroller of the Currency (“OCC”) issued a proposed rule that would increase the amount of the OCC’s semiannual assessment on national banks and federal savings associations with more than \$40 billion in assets. The proposal would not change the assessment amounts for banks and federal savings associations with less than \$40 billion in assets. The proposal would raise the marginal assessment rates on assets in excess of \$40 billion by 14.5 percent. The total increase in the assessment amount for an individual bank or federal savings association would depend on its total assets, with increases ranging from between 0.32 percent and 14 percent. The increase in assessments would be effective for the assessment due on 30 September 2014.

The full text of the OCC proposed rule is available at: <http://www.occ.gov/news-issuances/bulletins/2014/bulletin-2014-21a.pdf>

Enforcement

FCA Fines Broker Dealer for Misconduct relating to LIBOR

On 15 May 2016, the Financial Conduct Authority (“FCA”) published the final notice issued against Martin Brokers (UK) Ltd for misconduct relating to the JPY LIBOR and for failing to have adequate risk management systems or effective controls in place to monitor its broking activity. The FCA fined the broker-dealer £630,000, an amount reduced by 75 percent because of the inability of Martin Brokers to pay the full fine.

The final notice is available at: <http://fca.org.uk/static/documents/final-notices/martin-brokers-uk-ltd.pdf>.

People

Payment Systems Regulator Appoints Hannah Nixon as First Managing Director

On 13 May 2014, the FCA announced that the new Payment Systems Regulator (“PSR”) that was created under the Financial Services (Banking Reform) Act 2013 has appointed Hannah Nixon as its first managing director. Full operational launch of the PSR is planned for April 2015, when regulation begins. Ms. Nixon was previously a senior partner at Ofgem and will begin her new role on 14 July 2014.

Events

21 May 2014: US House Committee on Financial Services hearing on legislative proposals designed to promote greater transparency and accountability at the Consumer Finance Protection Bureau.

27 May 2014: EBA public hearing on its consultation on draft regulatory technical standards (“RTS”) on the treatment of equity exposures under the IRB approach.

27 May 2015: EBA public hearing on its consultation on draft RTS on data waiver permission.

2 June 2014: EBA public hearing on its consultation on draft RTS on risk-mitigation techniques for OTC-derivative contracts not cleared by a CCP.

3 June 2014: Commodity Futures Trading Commission (“CFTC”) to hold public meeting of CFTC Technology Advisory Committee to discuss issues related to 1) high-frequency trading, 2) the CFTC’s surveillance program, and 3) swap execution facilities.

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.

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