

Banking: Law-Now alerts, tools and latest news

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Latest news

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Reforming the financial regulation of banks and credit rating agencies

ESMA Central Rating Repository (CEREP)

ESMA has launched the above, which provides information on credit ratings issued by those 15 credit rating agencies) which are either registered or certified in the EU. The CEREP database will allow investors to assess for the first time on a single platform the performance and reliability of credit ratings on different types of ratings, asset classes and geo-graphical regions over the time period of choice. (2/02/12) <http://cerep.esma.europa.eu/cerep-web/homePage/displayAbout.xhtml>

ECB: Opinion of the ECB of 25 January 2012 on a proposal for a Directive on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and a proposal for a Regulation on prudential requirements for credit institutions and investment firms (1/02/12) http://www.ecb.int/ecb/legal/pdf/en_con_2011_5_f.pdf (NB: over 50 pages long)

EBA: Financial innovation and consumer protection – an overview of the objectives and work of the EBA's Standing Committee on Financial Innovation (SCFI) in 2011-2012

In this report (which will be published annually from now on), EBA sets out its priorities in the areas of financial innovation and consumer protection. With regard to the former, following a survey amongst Member States' supervisory authorities, further work by SCFI in 2012 will take place on a number of products, including collateralised commercial paper, CFDs and convertible bonds. With regard to the latter, EBA notes that it has decided to focus its work in 2012 on the analysis of the widespread concerns about consumer detriment in the context of the mortgage market and other indebtedness issues, including aspects such as advice, provisions, credit intermediation, credit cards, transparency, financial education, and complaints handling, adding that analysis of these matters could potentially lead to EBA guidance or recommendations, where appropriate. It also plans to organise a roundtable on consumer protection at which it can outline its consumer protection strategy and plans, and seek input from stakeholders. (1/02/12)

<http://www.eba.europa.eu/cebs/media/Publications/Consumer%20Protection/EBA-BS-2012-003-Financial-Innovation-and-Consumer-Protection--Overview-of-EBA-work-in-2011-2012.pdf> (NB: over 30 pages long)

BoE: Banking in a market economy – the international agenda

BoE has published the text of a book chapter by Paul Tucker (described as “taken from 'Investing in Change', AFME) in which he discusses, among other matters, macro-prudential reform, shadow banking and securities regulation. (31/01/12) <http://www.bankofengland.co.uk/publications/speeches/2012/speech543.pdf>

ASB: Revised proposals for the future of financial reporting standards in the UK & Republic of Ireland

ASB has published financial reporting exposure drafts (FREDs) 46 to 48 setting out revised proposals for the future of financial reporting in the UK and Republic of Ireland. These proposals include: replacing all current accounting standards with a single FRS and retaining the financial reporting standard for smaller entities. ASB is proposing that the revised proposals should take effect from for accounting periods beginning on or after 1 January 2015 with earlier adoption permitted. Responses are required by 30 April 2012. Subject to the feedback received, it is envisaged that the final standard will be issued by the end of 2012. (31/01/12) <http://www.frc.org.uk/asb/press/pub2702.htm> |

ESMA: Speech by Verena Ross: Credit rating agencies: what are the next steps? (24 January 2012)

Text of this speech, given to the European Parliament, follows. Topics include: ESMA’s current work with credit rating agencies and issues surrounding CRA3. (25/01/12) http://www.esma.europa.eu/system/files/2012-32_0.pdf

EC: Speech by Joaquin Almunia: Banking sector and State aid (24 January 2012)

Text of this speech given at a conference in Paris follows, in which he notes: “significant restructuring efforts will have to continue in the future. We can report good progress in some countries – such as Ireland; but in others – such as Greece – the situation is still very complex, given the lack of sustainable solutions to this country’s challenges. I can also tell you that we are still looking for adequate solutions for some banks in Portugal, Austria, Germany, Spain, Belgium, France and other countries as well ... As I have said several times in the past, we can no longer afford zombie banks as we struggle to generate growth”. (25/01/12) [EUROPA - Press Releases - Joaquín Almunia Vice President of the European Commission responsible for Competition Policy Banking sector and State aid Economist Conferences: “The third Future of Banking Summit” Paris, 24 January 2012](http://ec.europa.eu/press/2012/01/24/20120124_almunia_banking.htm)

BIS: Speech by Jaime Caruana: The need for effective international collaboration in times of financial stress (20 January 2012)

Text of the above, given at a seminar in Berlin, follows. He discusses challenges in the area of financial regulation, particularly with respect to the consistency of the calculations of risk-weighted assets, the treatment of sovereign exposures, and liquidity standards, and considers the prospects for Basel III. (24/01/12) [The need for effective international collaboration in times of financial stress](http://www.bis.org/secretariat/speeches/20120120_caruana.htm)

TSC: Independent Commission on Banking

TSC has published the uncorrected evidence from the hearing on the above topic held on 11 January 2012 which was attended by George Osborne and Tom Scholar (HMT). Topics include: issues arising from European regulatory proposals, including how it affects the implementation of the Vickers report and bank remuneration. (23/01/12) <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmtreasy/uc1534-vii/uc153401.htm>

EBA: Guidelines to the Incremental Default and Migration Risk Charge (IRC) (CP49)/Guidelines to the Stressed Value At Risk (CP48)

EBA has now published responses to the above-mentioned consultations, which are available to download via the following link. (23/01/12) [http://www.eba.europa.eu/News--Communications/Year/2012/The-EBA-publishes-responses-to-two-consultations-\(.aspx](http://www.eba.europa.eu/News--Communications/Year/2012/The-EBA-publishes-responses-to-two-consultations-(.aspx)

BIS: Speech by Stefan Ingves: SIFIs: is there a need for a specific regulation on systematically important financial institutions?

BIS has published the text of a speech given by Stefan Ingves at a seminar held by Deutsche Bank (19/20 January 2012). Topics include: Basel committee approach to the issue of global SIFIs and action taken by European authorities in UK, Switzerland and Sweden. (20/01/12) <http://www.bis.org/speeches/sp120120.htm>

BIS: Stress-testing macro stress testing: does it live up to expectations?

This working paper reviews the state of the art in macro stress testing, assessing its strengths and weaknesses and argues that they are ill-suited as “early warning” devices, but can be quite effective as crisis management and resolution tools. The report also discusses ways to improve their performance. (19/01/12) <http://www.bis.org/publ/work369.pdf>

HoC: Taxation of banking

HoC has published this library note on the above-mentioned topic, which looks at the public debate about reforming the tax treatment of the banking sector in the wake of the recent financial crisis, before discussing the different approaches taken by the Labour Government and its Coalition successor. (19/01/12) <http://www.parliament.uk/Templates/BriefingPapers/Pages/BPPdfDownload.aspx?bp-id=SN05251>

BoE: Speech by Andrew Haldane: Accounting for bank uncertainty (19 December 2011)

BoE has now published the text of this speech, given at the Information for Better Markets conference held by ICAEW. Topics include: fair value and financial crises; bank assets/liabilities against valuation certainties and maturity mismatches. It concludes: “accounting rules for banks have bent with the financial stability wind in ways which have amplified investor and regulatory uncertainty. To lean against the prevailing wind, accounting rules for banks may need to recognise more explicitly their differences ... A distinct accounting regime for banks would be a radical departure from the past. But if we are to restore investor faith in banking sector balance sheets, nothing less than a radical rethink may be required”. (19/01/12) <http://www.bankofengland.co.uk/publications/speeches/2012/speech540.pdf>

ESMA: Investment entities

ESMA has published the texts of letters it has sent to EFRAG and IASB with regard to IASB’s exposure draft on investment entities. (16/01/12) <http://www.esma.europa.eu/system/files/2012-18.pdf> <http://www.esma.europa.eu/system/files/2012-19.pdf>

ESMA: Annual report on the application Regulation on credit rating agencies as provided by Article 21(5) and Article 39a of the Regulation (EU) No 1060/2009 as amended by Regulation No 1095/2010.

This report is the first annual report on the application of Article 21(5) of the Regulation No (EC) 1060/2009 on credit rating agencies¹ as amended by the Regulation No (EC) 513/2011 (CRA Regulation), which mandates ESMA to publish annually a report on the application of the Regulation. Including an assessment of ESMA’s staffing and resource needs.. (13/01/12) <http://www.esma.europa.eu/system/files/2012-3.pdf>

EBA: Guidelines on Advanced Measurement Approach (AMA) - extensions and changes (GL 45)

The guidelines provide institutions with guidance on how to communicate AMA extensions and changes to the competent authorities and on how to define internal policies for AMA extensions and changes (AMA Change Policy) in line with supervisory expectations. The guidelines do not contain requirements regarding the modelling or risk management of institutions. (6/01/2012) [http://www.eba.europa.eu/cebs/media/Publications/Standards%20and%20Guidelines/2012/EBA-BS-2011-209-final-\(EBA-GL-on-AMA-extensions-and-changes\).pdf](http://www.eba.europa.eu/cebs/media/Publications/Standards%20and%20Guidelines/2012/EBA-BS-2011-209-final-(EBA-GL-on-AMA-extensions-and-changes).pdf) (NB: 30 pages long)

ESMA: List of registered and certified CRAs

ESMA has updated the above. (6/01/12) <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>

BIS: Speech by Jaime Caruana, Bank of Italy conference in honour of Tommaso Padoa-Schioppa (Rome, 16 December 2011)

BIS has now published the text of the above. Topics include: Basel III; bank supervision; payment systems and quantification of risk. (28/12/11) [In honour of Tommaso Padoa-Schioppa: panel remarks](#)

ESMA: Credit rating agencies

ESMA has published a number of reports regarding regulatory technical standards::

- Regulatory technical standards on the information for registration and certification of credit rating agencies - http://www.esma.europa.eu/system/files/2011_463.pdf (NB: over 40 pages long)
- Draft RTS on the content and format of ratings data periodic reporting to be requested from credit ratings agencies for the purpose of on-going supervision by ESMA: http://www.esma.europa.eu/system/files/2011_464.pdf (NB: over 40 pages long)
- Draft RTS on the assessment of compliance of credit rating methodologies with CRA Regulation http://www.esma.europa.eu/system/files/2011_462.pdf
- Regulatory Technical Standards on the presentation of the information that credit rating agencies shall disclose in accordance with Article 11(2) and point 1 of Part II of Section E of Annex I to Regulation (EC) No 1060/2009 http://www.esma.europa.eu/system/files/2011_461.pdf (NB: over 30 pages long) (23/12/11)

European Parliament: Draft report on the proposal for a regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms

This report suggests some proposed amendments to the Directive and commentary by the rapporteur. (23/12/12) <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fNONSGML%2bCOMPARL%2bPE-478.506%2b01%2bDOC%2bPDF%2bV0%2f%2fEN> (NB: over 70 pages long)

EBA: Draft implementing technical standards on supervisory reporting requirements for institutions

EBA has published the above consultation which aims to implement uniform reporting requirements necessary to ensure fair conditions of competition between comparable groups of credit institutions and investment firms. The consultation and annexes are available to download via the following link. Responses are required by 20 March 2012. (20/12/11) <http://www.eba.europa.eu/Publications/Consultation-Papers/All-consultations/CP41-CP50/CP50.aspx>

BIS: Core principles for effective banking supervision

BIS has issued for consultation its revised core principles for effective banking supervision. This updates its 2006 core principles and merges core principles and assessment methodology into a single comprehensive document. The revised set of 29 core principles have also been reorganised in order to highlight the difference between what supervisors do themselves and what they expect banks to do: Principles 1 to 13 address supervisory powers, responsibilities and functions, focusing on effective risk-based supervision, and the need for early intervention and timely supervisory actions. Principles 14 to 29 cover supervisory expectations of banks, emphasising the importance of good corporate governance and risk management, as well as compliance with supervisory standards. Responses are required by 20 March 2012. (20/12/11) <http://www.bis.org/publ/bcbs213.pdf> (NB: over 80 pages long)

HMT: The Independent Commission on Banking - Government response to the final report

The response agrees with the Independent Commission on Banking's recommendations and outlines how the Government will legislate to create a stable banking sector that supports lending to businesses and families, and removes the implicit taxpayer guarantee in the event of a bank failure. It is stated that the Government will implement the ICB's advice in stages with the full package of reforms completed by 2019. All necessary legislation will be put in place by the end of this Parliament. The Government will publish a White Paper in spring 2012 setting out further detail on how the recommendations will be implemented; in advance of that, the Government is open to views on how to implement these plans. The press release (first item below) gives a synopsis; the second link is to the main report and the third link is to

George Osborne's statement in HoC today. He notes: "large ring fenced retail banks will be required to hold equity capital of at least 10%. There will also be a minimum requirement for the loss absorbing capacity of big banks of at least 17%. This requirement will apply to the UK operations of British banks. It will also be applied to the non-UK operations of UK headquartered banks, except where they can demonstrate they do not pose a threat to the UK taxpayer. I can also confirm that this Government will introduce the principle of Depositor Preference. In other words: the principle that unsecured lenders to banks, who are better placed to monitor the risks that banks are taking on, should have to take losses ahead of ordinary depositors. We seek further views on the best way to implement this principle. ... We will also support the Treasury Select Committee's proposal to bring the Payments Council within the scope of regulation. And I can confirm that our Financial Services legislation next year will specify that one of the objectives of the Financial Conduct Authority is to promote effective competition in the interests of consumers. A new statutory competition remit will provide the FCA with a clear mandate for swifter more effective action to address competition problems in financial services ... On the advice of Sir John Vickers' and others, I will be bringing forward separate legislation to implement the ringfence. The Government's intention is that implementation should proceed in stages with the final changes related to loss absorbency fully completed by the beginning of 2019, in line with the Basel agreement. But I can confirm to the House today that primary and secondary legislation related to the ring fence will be completed by the end of this Parliament in May 2015 and banks will be expected to comply as soon as practically possible thereafter". (19/12/11) http://www.hm-treasury.gov.uk/press_145_11.htm http://cdn.hm-treasury.gov.uk/govt_response_to_icb_191211.pdf (NB: over 70 pages long) <http://www.hm-treasury.gov.uk/9320.htm>

BIS: Definition of capital disclosure requirements

BIS has published proposed disclosure requirements that aim to improve the transparency and comparability of a bank's capital base. Responses should be received by 17 February 2012. (19/12/11) <http://www.bis.org/publ/bcbs212.pdf> (NB: over 30 pages long)

TSC: Credit rating agencies

TSC has announced the above-mentioned new inquiry. It invites written submissions by 2 February 2012 on a number of points, listed in this press release. (16/12/11) [Treasury Committee announces new inquiry into Credit Rating Agencies - News from Parliament - UK Parliament](#).

BIS: Basel III definition of capital – FAQ

The FAQs published in this document correspond to the definition of capital sections of the Basel III rules text. These FAQs are in addition to the first set published in July 2011 and the second set published in October 2011. They are grouped according to the relevant paragraphs of the rules text. FAQs that have been added since the publication of the second version of this document are shaded in yellow. (16/12/11) <http://www.bis.org/publ/bcbs211.pdf>

EBA: Internal governance

EBA has published a compliance table regarding compliance to its guidelines on internal governance. (16/12/11) [http://eba.europa.eu/cebs/media/Publications/Consultation%20Papers/2010/CP44/EBA-2011-12-16-\(Confirmation-of-Compliance-table---GL44-Internal-Governance\).pdf](http://eba.europa.eu/cebs/media/Publications/Consultation%20Papers/2010/CP44/EBA-2011-12-16-(Confirmation-of-Compliance-table---GL44-Internal-Governance).pdf)

The Finance Act 2011 (Bank Levy: Amendment of Netting Agreements Provisions) Order 2011/3015 (previously reported on when in draft)

Schedule 19 to the Finance Act 2011 (c. 11) ("Schedule 19") introduced the bank levy. This Order amends the provisions of Schedule 19 which deal with netting. Article 1 deals with citation, commencement and effect. This Order will have effect in relation to chargeable periods ending on or after 1 January 2011, which is the first period in which the bank levy applied. The power to make an Order with retrospective effect is contained in paragraph 40(3) of Schedule 19. Articles 3 to 7 amend paragraphs 16, 18, 20, 22 and 25 of Schedule 19 which are the paragraphs that provide for netting where there are multi-lateral agreements. These amendments ensure that these paragraphs apply to cases where the bank or entity either receives securities as collateral (and subsequently sells them) or provides securities as collateral to a counterparty. The amendments ensure that, in the event of the insolvency of either party, the liabilities and assets recognised on the bank or the entity's balance sheet from these transactions will qualify for netting. (Date in force: 14/12/12) (16/12/12) <http://www.legislation.gov.uk/ukxi/2011/3015/made/data.pdf>

FSA: The failure of the Royal Bank of Scotland

FSA's Board has published the above-mentioned report, which concludes that the bank's failure ultimately resulted from poor decisions made by the RBS management and Board, but notes that "deficiencies in the global capital regime and liquidity regulations made the crisis much more likely. In addition, flaws in the FSA's supervisory approach provided insufficient challenge to RBS". The report details why FSA's Enforcement Division concluded that there was not sufficient evidence to bring enforcement action which has a reasonable chance of success in Tribunal or court proceedings. Adair Turner notes that the regulator was "too focused on conduct regulation at the time and its prudential supervision of major banks was inadequate. The FSA operated a flawed supervisory approach which failed adequately to challenge the judgement and risk assessments of the management of RBS. This approach reflected widely held, but mistaken assumptions about the stability of financial systems and existed against a backdrop of political pressures for a 'light touch' regulatory regime. The Report describes a historic approach to supervision, and one that has been radically reformed since 2007. The FSA is a different organisation now. We have more resources, better skills, a more intensive approach and far greater focus on capital, liquidity and asset quality ... The creation of the PRA, focused exclusively on prudential issues rather than spanning both prudential and conduct concerns, and of the FPC, will ensure that focus on prudential and systemic risks is maintained even when most of the world assumes, as it did before the crisis, that prudential risks are low". Adair Turner recommends that major bank acquisitions should in future, require explicit regulatory approval and also calls for a public debate about changes to rules, laws or remuneration policies which would ensure that bank executives and directors face personal consequences as a result of bank failure ("an automatic incentives-based approach involving either rules which automatically ban senior executives and directors of failed banks from future positions of responsibility, or major changes to remuneration to ensure that a very significant proportion of pay is deferred and forfeited in the event of failure. There are important pros and cons of these different ways forward, and complex and important legal issues which would need to be considered. But by one means or another, there is a strong argument for new rules which ensure that bank executives and boards place greater weight on avoiding failure"). FSA intends to publish a DP on the options in the New Year". (12/12/11) <http://www.fsa.gov.uk/pages/Library/Communication/PR/2011/110.shtml> <http://www.fsa.gov.uk/pubs/other/rbs.pdf> f (NB: over 450 pages long) [Statement by the Financial Secretary to the Treasury, Mark Hoban MP, on the FSA Report on RBS - HM Treasury](#) (text of Mark Hoban's speech in HoC)

FSA: Letter from Adair Turner to Andrew Tyrie re RBS report

FSA has published the text of the covering letter dated 11 December 2011 which Adair Turner sent to Andrew Tyrie, chairman of TSC with the report. He raises issues regarding "appropriate future arrangements for public reports", including timing of reports where there are also enforcement investigations and the appropriate authority to decide whether the circumstances justify a public report. He argues that "these issues merit careful debate by Parliament during the passage of the forthcoming Financial Services Bill. So do the issues regarding the rules relating to individual liability for failure which I raise in my Foreword to the report". Adair Turner also notes that he is attending an evidence session with TSC on 18 January 2012.. (13/12/11) http://www.fsa.gov.uk/pubs/other/tyrie_11dec11.pdf

TSC: Evidence to TSC by Bill Knight and Sir David Walker, specialist advisers to the Committee in relation to the report by FSA into the failure of the Royal Bank of Scotland

The evidence by special advisers to TSC notes changes in the FSA Report made at their request and draws special attention to certain matters relevant to future policy: CEO's responsibility for delegation; regulation of banking acquisitions; the relationship between the supervisor and the board and senior executive of a major financial institution and industry expertise on the board of PRA. (12/12/11) <http://www.parliament.uk/documents/commons-committees/treasury/RBS%20Evidence%20to%20TSC%20from%20BK%20and%20SDW.pdf>

HMRC: The Bank Levy (Double Taxation Arrangements) (Federal Republic of Germany) Regulations 2011 (Draft)

HMRC is inviting comments on the on draft regulations for Double Taxation Relief for groups and entities within the charge to the bank levy and the German bank levy, where Germany is the home state of the entity or group. (9/12/11) <http://www.hmrc.gov.uk/drafts/bank-levy-dtr-regs.pdf>

EBA: Recommendation and final results of bank recapitalisation plan

EBA has published figures, relating to EU banks' recapitalisation needs, together with a formal Recommendation which states that national supervisory authorities should require the banks included in the sample to strengthen their capital positions by building up an exceptional and temporary capital buffer against sovereign debt exposures to reflect market prices as at the end of September. In addition, banks will be required to establish an exceptional and temporary buffer such that the Core Tier 1 capital ratio reaches a level of 9% by the end of June 2012. The amount of any capital shortfall identified is based on September 2011 figures and the amount of the sovereign capital buffer will not be revised. Sales of sovereign bonds will not alleviate the buffer requirement to be achieved by June 2012. National supervisory authorities may, following consultation with EBA, agree to the partial achievement of the target by the sales of selected assets that do not lead to a

reduced flow of lending to the EU's real economy but simply to a transfer of contracts or business units to a third party. Following completion of the capital exercise conducted in close cooperation with the competent national authority, EBA has determined that the aggregated shortfall amounts to €114.7bn. A breakdown by country and on a bank-by-bank basis has also been published. Pursuant to the Recommendation, the national authorities will require banks to submit their plans detailing the actions they intend to take to reach the set targets by 20 January 2012. These plans will have to be agreed with National authorities and reviewed, shared and consulted on with EBA and with other relevant competent authorities within colleges of supervisors as appropriate. (9/12/11) <http://www.eba.europa.eu/News--Communications/Year/2011/The-EBA-publishes-Recommendation-and-final-results.aspx>

Directive 2011/89/EU of the European Parliament and of the Council of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate

This has now been published in the Official Journal. (8/12/11) <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:326:0113:0141:EN:PDF>

EBA: Recapitalisation exercise

EBA has announced that it will publish its formal recommendation and the final aggregate results of the recapitalisation exercise at 18:00 CET on 8 December 2011. On that same day, banks will publish their individual results on their respective websites at 18:00 CET and National Supervisory Authorities will re-publish them between 18:01 and 18:30. EBA will re-publish on its website banks' own results at 18:30 CET (7/12/11) [European Banking Authority - EBA - The EBA announces the publication date of the recapitalisation exercise](#)

HMT: Bank executive remuneration disclosure - consultation on draft regulations

Alongside the Project Merlin announcements in February 2011, the Government announced that it would consult on a mandatory requirement, from 2012, for large UK banks to publish pay details of their highest paid senior executive officers. This consultation sets out the Government's proposals in more detail. The proposals would extend transparency arrangements at large banks by requiring the eight highest-paid non-board executives to disclose their remuneration arrangements. (the disclosures will not include executives on the main board of a UK bank, as their remuneration agreements must already be disclosed). Although banks will not be required to publish the name or title of the recipient, disclosure must include the pay of each individual, split up into fixed, variable, deferred variable, long term incentive scheme vestings, pension accruals, joining benefits and severance benefits. The proposals will effect around 15 banks, including the largest UK banks and the UK banking operations of large foreign banks. The consultation includes draft legislation. Responses are required by 14 February 2012. (6/12/11) http://www.hm-treasury.gov.uk/d/condoc_bank_executive_remuneration_disclosure_6122011.pdf (NB: over 50 pages long)

BIS: The internal audit function in banks

This revised supervisory guidance has been published as a consultation and replaces the 2001 document "Internal audit in banks and the supervisor's relationship with auditors". It takes into account developments in supervisory practices and in banking organisations and incorporates lessons drawn from the financial crisis. The document is based on 20 principles, organised in three sections: supervisory expectations relevant to the internal audit function; the relationship of the supervisory authority with the internal audit function, and supervisory assessment of the internal audit function. An annex details responsibilities of a bank's audit committee. Responses should be received by 2 March 2012. (2/12/11) <http://www.bis.org/publ/bcbs210.pdf>

BoE: Financial stability report 30

The latest edition of the report notes that, at its 23 November 2011 meeting, the interim FPC agreed the following policy recommendations: if earnings are insufficient to build capital levels further, banks should limit distributions and give serious consideration to raising external capital in the coming months; reiterates its advice to FSA to encourage banks to improve the resilience of their balance sheets without exacerbating market fragility or reducing lending to the real economy and recommends that FSA encourages banks to disclose their leverage ratios, as defined in the Basel III agreement, as part of their regular reporting not later than the beginning of 2013. Other areas discussed include the potential consequences were a CCP to fail in a severe stress scenario; UK banks' assets and the allocation of regulatory capital and the final report of the Independent Commission on Banking. (2/12/11) <http://www.bankofengland.co.uk/publications/fsr/2011/fsrfull1112.pdf> (NB: over 60 pages long)

HoL Economic Affairs Committee: Report on the final report of the Independent Commission on Banking

The Committee held hearings from chairmen and CEOs of the major clearing banks and from Sir John Vickers, in order to assess the significance of the report to the banking sector and the banks' reactions. Following hearings it was clear that the banks did not share the ICB estimate of the cost of its reform package. The Committee also had concerns if there were enough suitably qualified candidates to provide the majority of board members of ring-fenced banks as recommended by the ICB and wrote to the banks and to FSA respectively, asking for more information and views on these two points. Their replies are published for the first time today as part of the report, which gives a short synopsis of the hearings and includes transcripts and correspondence. (1/12/11) <http://www.parliament.uk/documents/lords-committees/economic-affairs/reporticb/ResponseICBReport.pdf> (NB: over 60 pages long)

HMRC: Bank levy – amendment of netting agreements

HMRC has published this technical note in respect of the recently published draft SI (The Finance Act 2011 (Bank Levy: Amendment of Netting Agreements Provisions) Order 2011). (1/12/11) <http://www.hmrc.gov.uk/drafts/banklevy-net-tn.pdf>

EBA: Guidelines to the incremental default and migration risk charge (IRC) and on guidelines to stressed VaR

These two consultation papers are in response to the amendments to the CRD by Directive 2010/76/EU relating to stressed VaR and to the IRC in the trading book. Responses are required by 15 January 2012. A public hearing on these is to take place on 13 December 2011 at EBA's premises in London. (1/12/11)
[http://www.eba.europa.eu/cebs/media/Publications/Consultation%20Papers/2011/CP49/EBA-BS-2011-165-\(CP-on-GL-IRC\)-FINAL.pdf](http://www.eba.europa.eu/cebs/media/Publications/Consultation%20Papers/2011/CP49/EBA-BS-2011-165-(CP-on-GL-IRC)-FINAL.pdf) [http://www.eba.europa.eu/cebs/media/Publications/Consultation%20Papers/2011/CP48/EBA-BS-2011-166r-\(CP48-on-GL-Stressed-VaR\)-FINAL.pdf](http://www.eba.europa.eu/cebs/media/Publications/Consultation%20Papers/2011/CP48/EBA-BS-2011-166r-(CP48-on-GL-Stressed-VaR)-FINAL.pdf)

ECOFIN: 30 November 2011 meeting

Matters discussed at the meeting include CRD IV. (1/12/11)
http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/126455.pdf

TSC: Independent Commission on Banking

TSC has published the uncorrected evidence from the hearings on the above topic held on 23 November 2011 which was attended by representatives from RBS, HSBC, Lloyds and Santander. Topics include: relocating HQs; implementation costs of recommendations in the final report; ring-fencing; lending to small businesses; competition; ATMs and cheques. (30/11/11) [House of Commons - Uncorrected Evidence - HC 1534-v](http://www.houseofcommons.gov.uk/hc1534v)

EC: Regulation to increase the quality of audits of financial statements of public-interest entities/ Directive to enhance the single market for statutory audits

The EC has published its proposals with regard to the audit market. The proposals regarding the statutory audit of public-interest entities, such as banks, insurance companies and listed companies, envisage measures to enhance auditor independence and to make the statutory audit market more dynamic. The key measures in this respect are: mandatory rotation of audit firms after a maximum of six years (with some exceptions); mandatory tendering; the separate of audit and non-audit services in order to avoid conflicts of interest; regulation of the sector by ESMA and the creation of a single market for statutory audits by introducing a European passport for the audit profession. The texts of the Regulation and Directive published today are described as "provisional". (30/11/11)
<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/1480&format=HTML&aged=0&language=EN&guiLanguage=en> http://ec.europa.eu/internal_market/auditing/docs/reform/COM_2011_779_en.pdf (NB: over 80 pages long)
http://ec.europa.eu/internal_market/auditing/docs/reform/COM_2011_778_en.pdf
<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/856&format=HTML&aged=0&language=EN&guiLanguage=en> (FAQ)

HMT: Autumn Statement

Items affecting the banking sector mentioned in the Chancellor's statement:

- *Bank levy*: it is noted that the Government intends that the Bank Levy should raise at least £2½ billion each year, more than the net revenue from the one-off Bank Payroll Tax. To offset the forecast shortfall in receipts for 2011 and future years, the rate of the levy will increase to 0.088% from 1 January 2012.
- *National Loan Guarantee Scheme*: up to £20 billion of guarantees for bank funding will be made available over two years (correspondence between the Chancellor and the Governor of BoE follows - http://www.hm-treasury.gov.uk/d/chx_letter_291111.pdf <http://www.bankofengland.co.uk/monetarypolicy/pdf/govletter111129.pdf>)
- *UK covered bonds*: the Government intends to amend the regulations for UK covered bonds to provide greater transparency for investors and help banks use covered bonds to raise funding. (29/11/11) http://cdn.hm-treasury.gov.uk/autumn_statement.pdf (NB: over 90 pages long)

The Finance Act 2011 (Bank Levy: Amendment of Netting Agreements Provisions) Order 2011 (Draft)

The bank levy is charged upon the total chargeable equity and liabilities reported in a bank's or a banking group's balance sheet at the end of the chargeable period. In certain circumstances the liabilities on a balance sheet are permitted to be reduced by the netting off of any asset balances recognised on the balance sheet of a relevant member of the group. This SI amends the provisions of Schedule 19 to the Finance Act 2011 which detail the netting provisions. (29/11/11) <http://www.legislation.gov.uk/ukdsi/2011/9780111517321/data.pdf>

ESMA: Sovereign debt in IFRS financial statements

ESMA has published this statement, which covers issues relating to sovereign debt in IFRS annual financial statements ending 31 December 2011 and an Opinion in respect of IFRS interim financial statements ending 30 June 2011. (28/11/11) http://www.esma.europa.eu/data/document/2011_397.pdf

FSA: Speech by Andrew Bailey: Promoting a prudent and stable financial system (24 November 2011)

Text of the above, given at the Future of Retail Banking Conference, follows. Topics include: challenges on the prudential front for banks; investment banking activities within banks; pressures on retail banks; the Faster Payments Service. (24/11/11) [Promoting a prudent and stable financial system](#)

BoE: Speech by Robert Jenkins: Lessons in lobbying (22 November 2011)

BoE has published the above, given at the third Gordon Midgley Memorial Debate. He discusses bankers' lobbying against regulation, suggesting that "the latest lobby tactic is to convince pundits, public and politicians that encouraging prudence too soon will hit the economy too hard. ... This strategy is intellectually dishonest and potentially damaging. It is dishonest because it is untrue. Politicians could abandon Basel altogether and it would not change the market view of many banks. What you would achieve is further erosion of confidence in the banking system ... For the truth is that banks can strengthen their balance sheets without harming the economy. They can do so by cutting bonuses, by curtailing intra-financial risk-taking and by raising term debt and equity ... For in pursuing its short-sighted approach the banking lobby is unwittingly making the case for more intervention in an industry which refuses to reform". (23/11/11) <http://www.bankofengland.co.uk/publications/speeches/2011/speech533.pdf>

HMT: Statement by Mark Hoban: Northern Rock

HMT has published the text of Mark Hoban's statement in HoC on 21 November 2011, in which he discusses the sale of Northern Rock to Virgin Money. (23/11/11) http://www.hm-treasury.gov.uk/statement_fst_211111.htm

BIS: Basel III counterparty credit risk FAQ

BIS has published a document comprising frequently asked questions relating to the counterparty credit risk sections of the Basel III rules text. (21/11/11) <http://www.bis.org/publ/bcbs209.pdf>

HMRC: Bank levy manual

HMRC has published this guidance, to accompany Finance Bill 2011. (18/11/11) <http://www.hmrc.gov.uk/budget-updates/autumn-tax/bank-levy-manual.pdf> (NB: over 200 pages long)

HMT: Northern Rock

HMT is to sell Northern Rock to Virgin Money, noting that the Government will receive £747 million in cash on closing of the sale, with the potential in the future to receive over one billion pounds in total. Virgin Money has agreed that there will be no further compulsory redundancies, beyond those already announced, for at least three years from completion; will retain and eventually expand the number of branches; will extend support for the Northern Rock charitable foundation for a further year; and will make Newcastle the operational HQ for Virgin Money. There will be no changes in Northern Rock's customers' terms and conditions as a result of this announcement. (17/11/11) http://www.hm-treasury.gov.uk/press_129_11.htm

BIS: Speech by Stefan Ingves - Talk is cheap – putting policies into practice (16 November 2011)

Stefan Ingves, chairman of BIS, discusses the implementation of Basel III. (17/11/11) <http://www.bis.org/speeches/sp111116.pdf>

EC: Credit rating agencies – draft Directive and Regulation

The EC has published the above, noting that its main goals are to ensure that financial institutions do not blindly rely only on credit ratings for their investments; create more transparent and more frequent sovereign debt ratings; ensure diversity and stricter independence of credit rating agencies to eliminate conflicts of interest and to make credit rating agencies more accountable for the ratings they provide. The proposals now pass to the European Parliament and the Council for negotiation and adoption. (15/11/11) [EUROPA - Press Releases - Commission wants better quality credit ratings](http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/788&format=HTML&aged=0&language=EN&guiLanguage=en) <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/788&format=HTML&aged=0&language=EN&guiLanguage=en> (FAQ) http://ec.europa.eu/internal_market/securities/docs/agencies/COM_2011_746_en.pdf (draft Directive) http://ec.europa.eu/internal_market/securities/docs/agencies/COM_2011_747_en.pdf (draft Regulation - NB: over 40 pages long)

BIS: Bank heterogeneity and interest rate setting: What lessons have we learned since Lehman Brothers?

This paper considers how bank-specific characteristics and the bank-firm relationship have influenced interest rate setting since the collapse of Lehman Brothers. Data on a large sample of loans from Italian banks to non-financial firms suggest that close lending relationships kept firms more insulated from the financial crisis. In addition, spreads increased by less for the customers of well-capitalised, liquid banks and those engaged mainly in traditional lending business. (15/11/11) <http://www.bis.org/publ/work359.pdf> (NB: over 40 pages long)

EC: Proposal for a Directive of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings

The proposed Directive is intended to repeal the current Accounting Directives, replacing them and their subsequent amendments with a single new Directive. (15/11/11) <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0684:FIN:EN:PDF> (NB: over 80 pages long)

TSC: Independent Commission on Banking

TSC has published the uncorrected evidence from the hearing on the above topic held on 2 November 2011 which was attended by representatives from Which?, Consumer Focus and Citizens Advice Bureau, Topics include: competition issues; bank charges; switching accounts; portable bank account numbers. (10/11/11) <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmtreasy/uc1534-iv/uc153401.htm>

BIS: Global systemically important banks: assessment methodology and the additional loss absorbency requirement

The rules text sets out the framework on the assessment methodology for global systemic importance, the magnitude of additional loss absorbency that global systemically important banks (G-SIBs) should have and the arrangements by which the requirement will be phased in. The cover note to the rules text sets out a summary of responses received to the July 2011 consultative document. Additional loss absorbency requirements will range from 1% to 2.5% Common Equity Tier 1 (CET1) depending on a bank's systemic importance with an empty bucket of 3.5% CET1 as a means to discourage banks from becoming even more systemically important. The higher loss absorbency requirements will be introduced in parallel with the Basel III capital conservation and countercyclical buffers, ie between 1 January 2016 and year end 2018 becoming fully effective on 1 January 2019. (4/11/11) <http://www.bis.org/publ/bcbs207cn.pdf> f (summary) <http://www.bis.org/publ/bcbs207.pdf> (rules – NB: over 30 pages long)

PS11/12: Strengthening capital standards 3 - feedback and final rules for CRD3

Chapter 2 of this PS provides a summary of the responses FSA received to CP11/9. The rest of this paper is structured using the same chapter outline as CP11/9 (ie. strengthening capital requirements in the trading book (chapter 3); higher capital requirements for re-securitisations (chapter 4); and other CRD changes – Pillar 3, prudent valuation and technical amendments (chapter 5)). The rules and guidance included in this PS will come into force on 31 December 2011, and the changes to firms' reporting will take effect for reporting periods ending on or after that date. (3/11/11) http://www.fsa.gov.uk/pubs/policy/ps11_12.pdf (NB: over 100 pages long)

BIS: Capitalisation of bank exposures to central counterparties

BIS has issued its second consultative paper on the above. Its proposals relate to the capitalisation of bank exposures to a CCP and cover both capital requirements for default fund exposures and trade-related exposures to CCPs. BIS intends to finalise the rules around year end and expects that they will be implemented in its member jurisdictions by January 2013. Responses are required by 25 November 2011. (2/11/10) <http://www.bis.org/publ/bcbs206.pdf>

BoE: Speech by Robert Jenkins: The capital conundrum (19 October 2011)

BoE has now published the above, given at the Annual Conference of the International Centre for Financial Regulation. The speaker, a member of the FPC, argues that "banks have and continue to target Return on Equity (RoE) as their primary measure of profitability ... they do this because they have confused RoE with shareholder value" and suggests that "it is not only in the interests of regulators and taxpayers to increase capital requirements, it may very well be in banks shareholders interests as well". (2/11/11) <http://www.bankofengland.co.uk/publications/speeches/2011/speech527.pdf>

FSB: Shadow banking: strengthening oversight and regulation

The report outlines the overall approach being taken to strengthen the oversight and regulation of the shadow banking system and then sets out the details of the proposed recommendations for intensifying monitoring and enhancing regulation. (31/10/11) http://www.financialstabilityboard.org/publications/r_111027a.pdf (NB: over 40 pages long)

ESMA: Credit rating agencies – registration

ESMA has announced today the successful registrations of DBRS, Fitch Ratings, Moody's Investors Service, and Standard & Poor's as credit rating agencies (CRAs). In order to do business in the EU, the EU Regulation on Credit Rating Agencies¹ requires CRAs to be registered in compliance with the requirements of the Regulation. This press release also provides an update with regard to endorsement of third countries' ratings. (31/10/11) http://www.esma.europa.eu/data/document/2011_360.pdf

FSA: Remuneration - proportionality guidance - proposal to change the boundary between Tiers 2 & 3 for banks and building societies

In this guidance consultation, FSA proposes a change to the boundary between tiers 2 and 3 for banks and building societies to raise it from £50m capital resources to £100m for banks and building societies, aligning it with the corresponding boundary for BIPRU 730K firms (a full scope BIPRU investment firm). Responses are required by 28 November 2011. (28/10/11) [Remuneration - Proportionality Guidance - Proposal to Change the Boundary Between Tiers 2 & 3 for Banks and Building Societies](http://www.fsa.gov.uk/pubs/guidance/gc11_25.pdf) http://www.fsa.gov.uk/pubs/guidance/gc11_25.pdf

ESMA: Consultation on ESMA's Draft regulatory technical standards on the content and format of ratings data periodic reporting to be submitted from credit rating agencies

Responses to the above are now available to download via the following link. (28/10/11) [ESMA \[European Securities and Markets Authority\]](#)

FSB: Shadow banking - strengthening oversight and regulation.

This report provides FSB's recommendations on this subject that were requested by the G20 Leaders at the November 2010 Seoul Summit. The report's recommendations for effective monitoring set out high-level principles for the relevant authorities and a stylised monitoring process. This process calls on authorities to first assess the broad scale and trends of non-bank credit intermediation in the financial system, drawing on information sources such as Flow of Funds and Sector Balance Sheet data, and complemented with other information such as supervisory data. Based on this assessment, authorities should narrow down their focus to those types of non-bank credit intermediation that have the potential to pose systemic risks, by focusing in particular on those involving key risk factors. FSB will continue to conduct annual monitoring exercises to assess global trends and risks and the report also notes work plans for the five workstreams, which were announced in September 2011, that will assess in more detail the case for further regulatory action: (27/10/11) http://www.financialstabilityboard.org/publications/r_111027a.pdf (NB: over 40 pages long)

EBA: EU measures to restore confidence in the banking sector

In this press release, EBA sets out details of measures intended to restore confidence in the banking sector, including an announced "capital package" which requires banks to build up a temporary capital buffer against sovereign debt exposures to reflect current market prices. In addition, banks are required to establish a buffer such that the Core Tier 1 capital ratio reaches 9%. Banks will be expected to build these buffers by the end of June 2012. Banks will be required, by the end of 2011, to submit to their respective national authorities their plans detailing the actions they intend to take to reach the set targets. These plans will have to be agreed with national supervisory authorities and discussed with EBA. (27/11/11) [European Banking Authority - EBA - The EBA details the EU measures to restore confidence in the banking sector](#)

TSC: Independent Commission on Banking

TSC has published the written evidence provided by trade bodies and financial institutions in respect of the above-mentioned inquiry. (26/11/11) <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmtreasy/writev/1534/1534.pdf> (NB: over 80 pages long)

BoE: Speech by Andrew Haldane: Control rights (and wrongs) (24 October 2011)

In this speech, Andrew Haldane considers banking sector reform, which concludes: "righting that wrong needs investors, bankers and regulators to act on wonky risk-taking incentives at source". (25/10/11) <http://www.bankofengland.co.uk/publications/speeches/2011/speech525.pdf>

BIS: Treatment of trade finance under the Basel capital framework

BIS has adopted two changes to the treatment of trade finance in the Basel II and III capital adequacy framework. They waive the one-year maturity floor for certain trade finance instruments under the advanced internal ratings-based approach (AIRB) for credit risk; and waive the so-called sovereign floor for certain trade-finance related claims on banks using the standardised approach for credit risk. (25/10/11) <http://www.bis.org/publ/bcbs205.pdf>

TSC: Bank liquidity

Andrew Tyrie has written to BoE and FSA to raise concerns about the negative impact that a squeeze on bank liquidity is having on banks' ability to extend credit to support the economic recovery. (24/10/11) <http://www.parliament.uk/documents/commons-committees/treasury/111020%20-%20Chairman%20to%20Governor%20re%20Liquidity.pdf> <http://www.parliament.uk/documents/commons-committees/treasury/111020%20-%20Chairman%20to%20FSA%20liquidity.pdf>

BIS: Progress report on Basel III implementation

This report provides an update on the regulatory adoption of Basel III by each Committee member. There are also plans to review the consistency of members' regulations with internationally agreed standards and reviews of the consistency of the measurement of risk-weighted assets across banks and jurisdictions, covering both the banking book and the trading book. The present report focuses on the status of domestic rule-making processes to ensure that the Committee's capital standards are transformed into national law or regulation according to the internationally agreed timeframes. (18/10/11) <http://www.bis.org/publ/bcbs203.pdf>

TSC: Independent Commission on Banking

TSC has published the uncorrected evidence from the hearing on the above topic held on 10 October 2011 which was attended by commissioners from the Independent Commission on Banking. Topics include: costs of implementation of the final report's recommendations; competition issues and ring-fencing. (17/10/11) [Uncorrected Evidence - Independent commission on banking](#). (17/10/11) [Uncorrected Evidence - Independent commission on banking](#)

EBA: Follow-up review of banks' transparency in their 2010 Pillar 3 reports

The review welcomes the efforts made by banks to improve their disclosures and to convey their risk profile, but calls for further improvements and the need for greater harmonisation of the disclosures provided. EBA states that it will continue its efforts in assessing banks' Pillar 3 disclosures in the future. (17/10/11) [http://www.eba.europa.eu/cebs/media/Publications/Other%20Publications/Others/2011/EBA-BS-2011-132-\(Follow-up-review-of-banks--transparency-in-their-2010-Pillar-3-reports\)---FINAL.pdf](http://www.eba.europa.eu/cebs/media/Publications/Other%20Publications/Others/2011/EBA-BS-2011-132-(Follow-up-review-of-banks--transparency-in-their-2010-Pillar-3-reports)---FINAL.pdf) (NB: over 30 pages only)

BIS: Speech by Jaime Caruana: Basel III and the new challenges for supervisors, risk managers and auditors (14 October 2011)

In addition to discussing the above, Jaime Caruana notes: "Basel III is only part of the new regulation we aim for. We must complete the regulatory agenda, and in particular the further FSB-led work on SIFIs ... resolution regimes, OTC derivatives and CCPs, and shadow banking". (17/10/11) [Basel III: New strains and old debates - challenges for supervisors, risk managers and auditors](#)

IMF: Making banks safer: can Volcker and Vickers do it?

This IMF working paper focuses on the motivation, content, operational challenges, and potential costs of proposals made by Dodd-Frank and the Independent Commission on Banking to narrow the scope of banking business (17/10/11) <http://www.imf.org/external/pubs/ft/wp/2011/wp11236.pdf> (NB: over 30 pages long)

HoC Select Committee on Economic Affairs: Independent Commission on Banking

The Committee has published the uncorrected transcript of a hearing held on 11 October 2011, which was attended by execs from the major UK banks (Sir Win Bischoff, Ana Botin, Bob Diamond, Douglas Flint and Stephen Hester). Topics include: regulatory costs; ring-fencing; and corporate governance. (14/10/11) <http://www.parliament.uk/documents/lords-committees/economic-affairs/final%20report%20of%20the%20independent%20commisson%20on%20banking/ucEAC11102011EV1.pdf> (NB: over 40 pages long)

BoE: Systemic capital requirements

This working paper describes a system-wide risk management approach to deriving capital requirements for banks that reflect the impact their failure would have on the wider banking system and the likelihood of contagious losses occurring. (14/10/11) <http://www.bankofengland.co.uk/publications/workingpapers/wp436.pdf> (NB: over 30 pages long)

HMT: HoL EU Economic and Financial Affairs and International Trade Sub-Committee's report: Sovereign credit ratings: shooting the messenger?

As part of its response to the above-mentioned report, HMT sets out its views on credit rating agency reform. (13/10/11)
<http://www.parliament.uk/documents/lords-committees/eu-sub-com-a/Creditrating/GovernmentResponseCRA.pdf>

ESRB: Statement by Jean-Claude Trichet/Lending in foreign currencies

ESRB has published the text of Jean-Claude Trichet's statement at a hearing on the ESRB before the Committee on Economic and Monetary Affairs of the European Parliament. He notes ESRB's responses to ESMA consultations on UCITS ETFs and high frequency trading. He also notes that ESRB has published recommendations on lending in foreign currencies addressed to the Member States of the EU, their national supervisory authorities and EBA. The recommendations cover borrowers without a natural or financial hedge and address the risks identified by ESRB. It is also recommended that borrowers be given the appropriate information to make well-informed decisions; that credit institutions incorporate foreign currency lending risks into their internal risk management systems and recommends that national authorities further tighten their rules on foreign currency lending. Recommended implementation deadlines vary between June 2012 and December 2013 depending on the recommendation and addressee. (11/10/11)
<http://www.esrb.europa.eu/news/pr/2011/html/sp111011.en.html>
<http://www.esrb.europa.eu/news/pr/2011/html/pr111011.en.htm> (press release on lending in foreign currencies)
<http://www.esrb.europa.eu/pub/pdf/recommendations/ESRB-2011-1.pdf?282ab3ee03086d52f209e25f087221ce> (formal text) <http://www.esrb.europa.eu/pub/pdf/recommendations/ESRB-2011-1-annex.pdf?b414d1c1346fc171d1c8b39a5567438f> (Annex – NB: over 50 pages long)

FSB: Understanding financial linkages: a common data template for global systemically important banks

This consultation paper seeks the views of interested parties on a set of options and proposals to improve the data on linkages between global systemically important banks and on their exposures and funding dependencies. Responses are required by 8 November 2011. (6/10/11) http://www.financialstabilityboard.org/publications/r_111006.pdf (NB: over 40 pages long)

European Parliament; Bank capital requirements legislation under way in Parliament

The press release reports on discussions taking place on CRD IV. A draft report is expected to be presented late in January 2012, with a vote in ECON expected for the end of April. After that, negotiations with the Member States will begin with a deal hoped to be reached by the summer. (5/10/11)
http://www.europarl.europa.eu/pdfs/news/expert/infopress/20111003IPR28096/20111003IPR28096_en.pdf

European Parliament; Assessment of cumulative impact of various regulatory initiatives on the European banking sector

The study considers six distinct stability objectives (reduction of procyclicality, reduction of misguided incentives, creation of a level playing field, internalisation of social costs, increasing transparency and increasing consumer/investor confidence). According to the survey conducted for this study among German financial market experts, the current state of effective regulation is deemed to be exceptionally insufficient with regard to the first three stability objectives. This study implies that for those objectives the impact of the entirety of regulatory efforts is likely to be most salient, but also most ambiguous. The assessment indicates where the design of effective regulation may be particularly challenging and points out possible detrimental effects on financial stability. (5/10/11)
<http://www.europarl.europa.eu/activities/committees/studies/download.do?language=en&file=42971> (NB: over 90 pages long)

EBA: Q&A on guidelines to Article 122a of the Capital Requirements Directive

This Q&A document provides answers to technical and interpretive questions raised by competent authorities and market participants after the December 2010 publication of the guidelines. (30/09/11)
[http://www.eba.europa.eu/cebs/media/Publications/Standards%20and%20Guidelines/2011/EBA-BS-2011-126-rev1\(QA-on-guidelines-Art122a\).pdf](http://www.eba.europa.eu/cebs/media/Publications/Standards%20and%20Guidelines/2011/EBA-BS-2011-126-rev1(QA-on-guidelines-Art122a).pdf)

PS11/11: Use of non-EEA rules in calculating group capital requirements - feedback on CP11/6 and final rules

The CP set out proposals for removing the rules permitting the use of non-EEA regulators' rules in calculating the group capital requirements of a UK banking/investment firm group on a standardised approach.. FSA received three industry responses to this which set out four alternative options which the regulator argued would not achieve the aims of revoking the equivalence provisions. One respondent asked for clarification that FSA does not intend to set the capital requirement that must be held in a non-EEA subsidiary going forward and the regulator confirms that, in the event that the FSA consolidated capital requirement for a non-EEA subsidiary is higher than the local requirement, FSA's rules do not require the FSA amount to be held in the non-EEA subsidiary. It is noted that minor changes to the new BIPRU 8.7.38A R have been made to reflect the GLOSS definition of "sectoral rules" refers to FSA rules in a group context, whereas this rule is concerned with corresponding rules maintained or administered by a non-EEA regulator. Changes set out in this PS will come into force on 31 December 2011. (26/09/11) http://www.fsa.gov.uk/pubs/policy/ps11_11.pdf

BIS: Basel III implementation monitoring

BIS has updated its implementation monitoring workbook, accompanying instructions and FAQ, all available to download via the following link. The deadline for submission of end-June 2011 data by participating banks is 7 October 2011. (21/09/11) <http://www.bis.org/bcbs/gis/index.htm>

ESMA: Credit rating agencies – regulatory technical standards

ESMA has published its first set of proposed future regulatory technical standards in draft. These detail information that CRAs would have to disclose and the rules they would have to comply with in order to fulfil the requirements of the CRA Regulation. ESMA is seeking stakeholders' views in respect of specific technical issues specified under Article 21 (4) of the CRA Regulation by 21 October 2011. The proposals cover the following technical areas of conduct: information to be provided by a CRA in its application for registration and certification, and for the assessment of the systemic importance to the financial stability or integrity of financial markets; the presentation of the information, including structure, format, method and period of reporting that a CRA must disclose; the assessment of compliance of CRAs with the requirements set out in Article 8(3) on the credit rating methodologies; and the content and format of ratings data to be requested from CRAs as part of their periodic reporting for the purpose of the on-going supervision by ESMA. (19/09/11) <http://www.esma.europa.eu/popup2.php?id=7834> (press release) <http://www.esma.europa.eu/popup2.php?id=7830> (NB: 60 pages long) <http://www.esma.europa.eu/popup2.php?id=7831> <http://www.esma.europa.eu/popup2.php?id=7832> (NB: over 30 pages long) <http://www.esma.europa.eu/popup2.php?id=7833> (NB: 50 pages long)

TSC: Independent Commission on Banking

TSC is to hold an evidence session with the ICB Commissioners on 10 October 2011 and is inviting written submissions from interested parties ahead of the session on points in the Independent Commission on Banking's final report that they believe TSC will find relevant for its cross-examination. (16/09/11) [Committee to take evidence from the ICB Commissioners - News from Parliament - UK Parliament](#)

Hansards: Debate on the Independent Commission on Banking

Hansards has published a transcript of the highly critical HoL debate which took place on 15 September 2011. . Concerns are raised over the timing of implementation and proprietary trading, amongst other matters. (16/09/11) [Lords Hansard text for 15 Sep 2011 15 Sep 2011 \(pt 0001\)](#)

BoE: Speech by Adam Posen: How to do more (13 September 2011)

In this speech, Adam Posen suggests that the Government sets up two new public institutions to address the investment gap by increasing the availability of credit to SMEs and to new firms; one to be a public bank or authority for lending to small business, as already exists in many other countries and the other to bundle and securitise loans made to SMEs, which he describes as "a good version of Fannie Mae and Freddie Mac". He also notes that "my research published prior to joining the MPC suggests that the negative impact of forcing banks to hold sufficient capital on lending is usually vastly exaggerated by self-interested parties". (14/09/11) <http://www.bankofengland.co.uk/publications/speeches/2011/speech517.pdf>

ESMA: List of registered and certified credit rating agencies

ESMA has published a list of credit rating agencies registered or certified in accordance with the Credit Rating Agencies Regulation as at 13 September 2011. (14/09/11) <http://www.esma.europa.eu/popup2.php?id=7692>

HMT: George Osborne's statement to HoC on the publication of the Independent Commission on Banking report (12 September 2011)

George Osborne's statement which discusses the final report follows. He notes that "we will consult on the costs and benefits of the most appropriate way to implement these changes. And we will provide a response by the end of this year ... we will legislate in this Parliament to put the needed changes into law. We will consider which changes can be in the existing Financial Services Bill and which will need a new Bill, and we will discuss these changes with international partners to ensure consistency with international agreements and EU law". (12/09/11) [Statement by the Chancellor of the Exchequer, Rt Hon George Osborne MP, on the publication of the Independent Commission on Banking report - HM Treasury](#)

Independent Commission on Banking: Final Report

The Commission's main recommendations are as follows:

- Ringfencing. The Commission has concluded that the best policy approach is to require banks' UK retail activities to be carried out in separate subsidiaries. The UK retail subsidiaries would be legally, economically and operationally separate from the rest of the banking groups to which they belonged. They would have distinct governance arrangements, and should have different cultures. It argues that the following activities should not be carried on inside the ring-fence: services to non-EEA customers, services (other than payments services) resulting in exposure to financial customers, trading book activities, services relating to secondary markets activity (including the purchases of loans or securities), and derivatives trading (except as necessary for the retail bank prudently to manage its own risk). Subject to limits on wholesale funding of retail operations, other banking services – including taking deposits from customers other than individuals and SMEs and lending to large companies outside the financial sector – should be permitted (but not required) within the ring-fence. The UK retail subsidiary of a wider banking group should meet regulatory requirements for capital, liquidity, funding and large exposures on a standalone basis and the permitted extent of its relationships with other parts of the group should be no greater than regulators generally allow with third parties, and should be conducted on an arm's length basis. Boards of such UK retail subsidiaries should have a majority of independent directors, one of whom is the chair. For the sake of transparency, the subsidiary should make disclosures and reports as if it were an independently listed company. Subject to the standalone capital and liquidity requirements, benefits from the diversification of earnings would be retained for shareholders and (group level) creditors. Capital could be injected into the UK retail subsidiary by the rest of the group if it needed support and agency arrangements within the group would allow 'one-stop' relationships for customers wanting both retail and investment banking services. Expertise and information could be shared across subsidiaries, which would retain any economies of scope in this area and operational infrastructure and branding could continue to be shared.
- Capitalisation: large UK retail banks should have equity capital of at least 10% of risk-weighted assets, which exceeds the Basel III minimum. Retail and other activities of large UK banking groups should both have primary loss-absorbing capacity of at least 17%-20%. Within the 17%-20% range there would be regulatory discretion about the amount and type of loss-absorbing capacity. The Commission also recommends depositor preference for deposits insured by FSCS.
- Competition: the report reports that the prospects for competition in UK retail banking would be improved by the creation of a strong and effective new challenger by way of the Lloyds divestiture; recommends the early introduction of a redirection service for personal and SME current accounts which can transfer accounts within seven working days and be free of risk and cost to customers. The report urges that the current proposed wording of the duties of FCA be strengthened in order to ensure that the new body make markets work better for consumers, including tackling barriers to the entry and growth of smaller banks. Further to the interim report, the report now concludes that relevant authorities should not refer any banking markets to the CC for independent investigation and possible use of its powers to implement remedies under competition law before policy questions are resolved, but does not rule such a measure out for the future. It sets out a number of conditions and argues that if one or more of these conditions is not achieved by 2015, a market investigation reference should be actively considered if OFT has not already made one following its proposed review in 2012 of the personal current account market.

It is recommended that implementation of reforms should be completed at the latest by the Basel III date of the start of 2019. (12/09/11) <http://bankingcommission.s3.amazonaws.com/wp-content/uploads/2010/07/ICB-Final-Report.pdf> (NB: over 360 pages long)

FSB: Shadow banking

FSB has published a press release concerning its work on shadow banking, which notes that it has developed general principles for designing and implementing regulatory measures. It has also conducted a regulatory mapping exercise to take stock of existing national and international initiatives on broad categories of possible regulatory measures and has now identified five areas where more detailed work is required. FSB then decided to set up dedicated workstreams to focus on

each area. The workstreams will develop preliminary work plans shortly, and report their progress as well as the proposed policy recommendations to the FSB by July 2012 (or end-2012 for securities lending/repos). FSB intends to elaborate on shadow banking in a report for the G20 in October 2011. (5/09/11)
http://www.financialstabilityboard.org/press/pr_110901.pdf

ESMA: European money markets

The purpose of this document is to promote common supervisory approaches and practices in the application of the guidelines on a common definition of European money market funds by providing responses to questions posed by the general public and competent authorities. It is intended that the document will be revised as and when new questions are received. (26/09/11) <http://www.esma.europa.eu/popup2.php?id=7717>

ESMA: List of registered and certified credit rating agencies

ESMA has published a list of credit rating agencies registered or certified in accordance with the Credit Rating Agencies Regulation as at 16 August 2011. (19/08/11) http://www.esma.europa.eu/data/document/2011_47.pdf

OECD: Bank competition and financial stability

This report examines the interplay between banking competition and financial stability, taking into account the experiences of the recent global crisis and the policy response to date. Specific topics include: retail banking; competition in derivative markets and bank competition and government guarantees. (15/08/11) <http://www.oecd.org/dataoecd/14/49/48501035.pdf>
(NB: 80 pages long)

BoE: Project Merlin

BoE has published data for lending to UK businesses, including figures relating to Project Merlin. (12/08/11)
<http://www.bankofengland.co.uk/publications/other/monetary/additionaldata.htm>

ESMA: List of registered and certified credit rating agencies

ESMA has published a list of credit rating agencies registered or certified in accordance with the Credit Rating Agencies Regulation as at 28 July 2011. (4/08/11) http://www.esma.europa.eu/data/document/2011_247.pdf

Independent Commission on Banking: 1 August 2011 meeting

The Commission has published a very short press release in which it notes that at this meeting it reviewed and discussed further analysis of reform options including a UK retail ring-fence, measures to increase loss absorbency and measures to promote competition in UK retail banking. (2/08/11) <http://bankingcommission.independent.gov.uk/wp-content/uploads/2011/08/ICB-Press-Release-18.pdf>

EBA: Guidelines for data collection on bank remuneration practices

EBA has published two consultation papers on guidelines for data collection on bank remuneration practices. EBA, after discussion with its Banking Stakeholder Group, is proposing two guideline documents for a common approach across the EU for remuneration data collection, via templates to be used by financial institutions for reporting to their national supervisors. Responses are required by 2 September 2011. The documents are available via the following link. (28/07/11)
<http://www.eba.europa.eu/News--Communications/Year/2011/EBA-cp46-and-cp47-guidelines-on-bank-remuneration.aspx>

BIS/BERR: Speech by Vince Cable (26 July 2011)

Text of the above, given at the Which? banking reform debate, follows. He discusses issues arising from the Independent Commission on Banking review, including competition, bonuses and lending. (27/07/11) [The banking landscape since the general election | News | BIS](#)

FSA: UK owned banks' exposures to EEA sovereigns and financials

In response to a recommendation from the interim FPC, FSA has published the aggregated exposures of 47 UK-owned building societies and the remaining 30 UK-owned banks to non-UK EEA sovereigns and financial (excl. UK) institutions as of 31 December 2010. Annex 1 lists the UK financial institutions included in the sample. (22/07/11) [UK owned banks' exposures to EEA sovereigns and financials](#)

HMRC: Update on amendments to the Corporation Tax rules on loan relationships and derivative contracts arising from the introduction of IFRS 9

HMRC responses to an earlier discussion paper on the above in the light of recent announcements from IASB on the implementation of the IFRS 9 project. (20/07/11) <http://www.hmrc.gov.uk/ct/loans-derivatives-rules.pdf>

TSC: Independent Commission on Banking - Nineteenth Report of Session 2010–12

TSC's inquiry sought to focus on the key questions which it believes the Independent Commission on Banking will need to address in its final report as well as areas where TSC thinks it is necessary for the ICB to secure some measure of agreement with the banks. The report particularly considers the retail ringfencing proposal and suggests "the lack of detailed analysis of the benefits and costs of alternatives to a ring-fence was a disappointing feature of the Interim Report. Arguments for and against alternatives to a retail ring-fence have been put to us in evidence and should play a larger role in the debate about fundamental reforms to the banking system. It is crucial that the ICB does everything possible in its final report to remedy this omission". (20/07/11) <http://www.parliament.uk/documents/commons-committees/treasury/CRC%20HC%201069%20-%20Nineteenth%20Report%20-%20ICB.pdf> (NB: over 40 pages long)

BIS: Global systemically important banks: - assessment methodology and the additional loss absorbency requirement

This consultation sets out the proposal from BIS on the assessment methodology for global systemic importance, the magnitude of additional loss absorbency that global systemically important banks should have, and the arrangements by which they will be phased in. Responses are required by 26 August 2011. (20/07/11) <http://www.bis.org/publ/bcbs201.pdf> (NB: over 30 pages long)

EC: CRD IV

The proposal contains two parts: a directive governing the access to deposit-taking activities and a regulation governing how activities of credit institutions and investment firms are carried out. The proposal is accompanied by an impact assessment which demonstrates that this reform will significantly reduce the probability of a systemic banking crisis. (19/07/11) <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/915&format=HTML&aged=0&language=EN&guiLanguage=en> (press release)
http://ec.europa.eu/internal_market/bank/docs/regcapital/CRD4_reform/20110720_directive_proposal_en.pdf (Directive)
http://ec.europa.eu/internal_market/bank/docs/regcapital/CRD4_reform/20110720_regulation_proposal_part1_en.pdf
http://ec.europa.eu/internal_market/bank/docs/regcapital/CRD4_reform/20110720_regulation_proposal_part2_en.pdf
http://ec.europa.eu/internal_market/bank/docs/regcapital/CRD4_reform/20110720_regulation_proposal_part3_en.pdf (Regulation – parts 1-3) http://ec.europa.eu/internal_market/bank/docs/regcapital/CRD4_reform/IA_regulation_en.pdf (impact assessment):
<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/527&format=HTML&aged=0&language=EN&guiLanguage=en> (FAQ)
<http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/11/533&format=HTML&aged=0&language=EN&guiLanguage=en> (speech by Michel Barnier)

EBA: Stress test

EBA has published an aggregate report in respect of its 2011 stress test exercise, including recommendations for further action. (18/07/11) http://stress-test.eba.europa.eu/pdf/EBA_ST_2011_Summary_Report_v6.pdf (NB: over 30 pages long)

Independent Commission on Banking: Responses to interim report

ICB received over 170 submissions in response to its April 2011 consultation report and has published all non-confidential responses alongside this summary of the views received. (14/07/11)
http://bankingcommission.independent.gov.uk/?page_id=835

EC: Council Statement on backstop mechanisms

It is noted that the Council has reviewed, as part of a coordinated strategy, the availability and soundness of the backstop measures in place to address decisively any remaining pockets of vulnerability in the EU banking sector. The Council confirmed that necessary remedial actions will be taken once the stress test results are known. (13/07/11)
http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/123630.pdf

EC: Speech by Michel Barnier: The new European Securities and Markets Authority - helping enhance the resilience of financial markets (11 July 2011)

Text of the above follows. Michel Barnier discusses ESMA's powers in the light of forthcoming regulation. He notes: "I am now working on new initiatives to respond to new challenges. They will focus on tackling in particular our overreliance on ratings CRA ratings are too embedded in our legislation, and I intend to reduce as much as possible the references made to those ratings in our prudential rules. ... I can already tell you that the first of these measures to limit overreliance will be integrated into the upcoming modification of the Capital Requirements Directive, otherwise known as CRD IV and which is the effective translation of Basel III into EU law. I will make these proposals on 20 July. To limit overreliance, we will be strengthening the requirement for banks to carry out their own analysis of risk, and not rely on external ratings in an automatic and mechanical way. We will also make other concrete proposals before the end of the year to limit overreliance to deal with the insurance, asset management and investment fund sectors" (11/07/11)
<http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/11/514&format=HTML&aged=0&language=EN&guiLanguage=en>

EBA: Stress tests

In this press release, EBA notes that the publication date for the EBA stress tests will take place on Friday, 15 July 2011. (8/07/11) <http://www.eba.europa.eu/News--Communications/Year/2011/The-EBA-announces-stress-test-publication-date.aspx>

EC: Overview of responses to credit rating agencies consultation

EC has published a short document summarising responses to the above. (5/07/11)
http://ec.europa.eu/internal_market/securities/docs/agencies/summary-responses-cra-consultation-20110704_en.pdf

FSCP: Response to the ICB interim report

FSCP has published the above. The response focuses particularly on competition powers for the regulator and resources to deliver consumer protection and access to financial services. (4/07/11) http://www.fs-cp.org.uk/publications/pdf/response_icb_report.pdf

HMRC: The Bank Levy (Double Taxation Relief) Regulations 2011 (Draft)

HMRC is inviting comments on draft regulations for Double Taxation Relief for groups and entities within the charge to the Bank Levy and the French bank levy, and where France is the home state of the entity or group. (1/07/11) [HM Revenue & Customs: The Bank Levy \(Double Taxation Relief\) Regulations 2011](http://www.hmrc.gov.uk/drafts/bank-levy-dtr-regs.pdf) <http://www.hmrc.gov.uk/drafts/bank-levy-dtr-regs.pdf>

Payment systems and non-consumer banking

BoE: Speech by Chris Salmon: Towards a new architecture for payment arrangements (24 January 2012)

Text of this speech, given at the BAFT-IFSA Global Annual Meeting discusses how the financial crisis has influenced the perspective of financial stability policymakers towards payment operations. He argues that authorities are likely to place more attention on the overall network of payment operations within a financial system; and in the context of resolution plans, are likely to ask more questions about the internal organisation of firms' operations. He concludes by encouraging those in the transactions banking world to consider the attitudes of financial stability authorities and the broader regulatory back-drop when developing their medium-term planning. (26/01/12)

<http://www.bankofengland.co.uk/publications/speeches/2012/speech542.pdf>

FSA: The FSA's role under the Payment Services Regulations 2009 – our approach

FSA has published a new version of this document, together with a tracked changes version to show changes made since the last version. It is intended to reflect the end of the transitional provisions, including the provision which allowed payment service providers to agree with their customers that funds would take up to three business days longer to be credited than required under the PSRs (which ended on 31 December 2011), and now also includes information on how to make a complaint about FSA. (4/01/12) http://www.fsa.gov.uk/pubs/other/psd_approach_jan12.pdf (NB: over 150 pages long) http://www.fsa.gov.uk/pubs/other/psd_amends_jan12.pdf (NB: over 140 pages long)

EU: Single euro payments area: Council confirms agreement with Parliament

This press release notes that the Presidency has received the go-ahead to confirm an agreement with the European Parliament on a draft regulation on technical requirements for credit transfers and direct debit transactions in euros. The regulation sets 1 February 2014 as the migration deadline for credit transfers and (in respect of most requirements) for direct debits. It also provides for a phasing out of multilateral interchange fees which currently apply to direct debit transactions in certain member states, by 1 February 2017 for national payments and by 1 November 2012 for cross-border payments. (21/12/11) http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/127071.pdf

EC: Proposal for a Regulation establishing technical requirements for credit transfers and direct debits in euros and amending Regulation (EC) No 924/2009

This proposes to set EU-wide end-dates for the migration of the old national credit transfers and direct debits to the recently created SEPA instruments. In order to ensure interoperability, the use of certain common standards and technical requirements such as the use of international bank account numbers (IBAN), bank identifier codes (BIC) and a financial services messaging standard (ISO 20022 XML) will be mandatory for all bank account payments in euro in the EU. The proposed regulation also takes into account user concerns such as the possibility to limit a direct debit collection to a certain amount and/or frequency of payments. The proposed Regulation is also intended to increase transparency and competition between payment services providers and between payment services themselves. (19/12/20) <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0775:FIN:EN:PDF> (NB: 30 pages long) <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/688&format=HTML&aged=0&language=EN&guiLanguage=en> (FAQ)

Payments Council: Governance review and assessment of performance

This consultation follows a review of the Payments Council by OFT after its first two years of operation, which had suggested that the Payments Council conduct its own review in 2011, providing a self-assessment against progress on: its strategic vision and openness and accountability objectives; recommendations where these had not been met in the OFT's 2009 review; specific recommendations from the OFT's 2009 review; and after an assessment on progress against the integrity objective by an accountancy firm, a self-assessment against integrity should also form part of this process. It is noted that the review is being led by an independent director who is shortly to leave the Council's board. Responses are required by 30 November 2011 and the Council intends to publish its report in February 2012. (10/11/11) http://www.paymentscouncil.org.uk/files/payments_council/governancereview/governancereview_nov11.pdf

EC: Speech by Joaquín Almunia: Europe's future payments market (12 October 2011)

Text of the above, given at the Next Generation Cards and Payments conference, follows. He discusses the need to remove remaining barriers in the internal market for cards and electronic payments; the need to make payments more transparent and cheaper; and the need to open the market to new entrants, new technologies, and new business models to promote innovation. (12/10/11) [EUROPA - Press Releases - Joaquín Almunia Vice President of the European Commission responsible for Competition Policy Building Europe's future payments market Next Generation Cards and Payments conference Brussels, 12 October 2011](#)

ECOFIN: Staff working paper on anti-money laundering supervision of and reporting by payment institutions in various cross-border situations

The purpose of this document is to provide guidance to EU supervisors and private stakeholders as regards the interaction of the Payment Services Directive and the Anti-Money Laundering Directive with respect to the supervision of payment institutions and their reporting obligations under the AML Directive in various cross-border situations. (11/10/11) <http://register.consilium.europa.eu/pdf/en/11/st15/st15288.en11.pdf>

EC: European Payments Council

The EC has opened an antitrust investigation into e-payments undertaken by the EPC. It intends to investigate whether the e-payments standardisation process will not unduly restrict competition, for example through the exclusion of new entrants and payment providers who are not linked to a bank. Such restrictions, if established, could harm merchants and consumers in the market of e-payments. It is noted that the EC has received a complaint which will form part of this investigation. (26/09/11) <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/1076&format=HTML&aged=0&language=EN&guiLanguage=en>

EC: Call for applications for the selection of members of the Payment Systems Market Expert Group

The EC is re-casting membership of the Payment Systems Market Expert Group in order to achieve a better balance between payment server users and providers, and to increase the participation of consumer representatives and civil society. Interested candidates are invited to send an application to the EC by 7 October 2011. The call for applications is addressed to experts in payments, including fraud prevention, coming from the payment industry, the payment user side or the academic world. A maximum of 40 experts will be selected. (8/09/11) http://ec.europa.eu/internal_market/payments/docs/psmeg/call_applications_en.pdf

BIS: Payment, clearing and settlement systems in the CPSS countries

This is the first volume of a reference work on the payment systems and other financial market infrastructures of various countries ("Red Book"). The Red Book for the CPSS countries was last published in April 2003. After the enlargement of the CPSS to 24 countries in 2009, this edition of the Red Book for the CPSS countries is in two volumes. This first volume comprises 10 CPSS countries: Australia, Brazil, Canada, India, Korea, Mexico, Russia, Singapore, Sweden and Switzerland. The second volume, which covers Belgium, China, France, Germany, Hong Kong SAR, Italy, Japan, the Netherlands, Saudi Arabia, South Africa, Turkey, UK and US and also has chapters on the euro area and international payment arrangements, is planned to be published in 2012. (2/09/11) <http://www.bis.org/publ/cpss97.pdf> (NB: over 400 pages long)

EC: Commission Decision of 29 August 2011 setting up a Payment Systems Market Expert Group

The above Decision, which establishes a Payment Systems Market Expert Group, has been published in the Official Journal. (31/08/11) <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:253:0003:0005:EN:PDF>

FSA: The FSA's role under the Payment Services Regulations 2009 – our approach

FSA has published a new version of this document. Unlike earlier versions of the report, this does not appear in a marked-up version, but the preface draws particular attention to a number of specific changes. (19/08/11) http://www.fsa.gov.uk/pubs/other/PSD_approach_latest.pdf (NB: 160 pages long)

Payments Council: Payment Services Regulations - industry best practice - the UK payment schemes in the context of the PSRs conduct of business requirements

This guidance document is intended to aid interpretation of, and compliance with PSRs and sets out some of the relevant features of the UK payment schemes in the context of the PSRs conduct of business requirements, particularly the maximum execution time requirement of D+1 (Regulation 70), which will take effect on 1 January 2012. It is written from the scheme perspective so therefore largely focuses on direct members rather than getting into the detail of the implications for agency PSPs or indirect members. (26/07/11)

http://www.paymentscouncil.org.uk/files/payments_council/guidance_document_2011_v2.pdf

BoE: Speech by Chris Salmon: The case for more CHAPS settlement banks (5 July 2011)

Text of the above, given at the Yorkshire and Humberside Network of the IFS School of Finance, follows. Chris Salmon considers key design features of CHAPS and CREST, and why those features enabled the payment systems to operate reliably during the financial crisis. He also discusses technical reforms for payment systems and notes that BoE will be engaging with correspondent and customer banks to encourage greater direct membership of payment systems. He concludes: "the Bank has long held the view that extensive indirect membership means that the UK payments infrastructure is not as robust as it could be, a perspective which has been reinforced by the lessons of the financial crisis. The Bank is actively working to address this issue". (5/07/06)". (5/07/11)

<http://www.bankofengland.co.uk/publications/speeches/2011/speech508.pdf>

EC: Guidelines on Electronic Money Directive passport notifications/Payment Services Directive passport notifications

EC has published guidelines on with regard to the implementation of the passport notification provisions of EMD, together with revised guidelines for PSD activities. (4/07/11)

http://ec.europa.eu/internal_market/payments/docs/emoney/passporting_guidelines_en.pdf f (NB: 30 pages long)

http://ec.europa.eu/internal_market/payments/docs/framework/transposition/passporting_guidelines_en.pdf

Building societies and mutuals

FSA: Credit unions – annual return (CY) validation checks (1/02/12) <http://www.fsa.gov.uk/static/pubs/other/cuvalidation.pdf>

FSA: Credit unions

FSA has published a number of documents in relation to the changes made by the implementation of the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2010 on 8 January 2012 and the new CREDS sourcebook, which apply to credit unions in Great Britain. These are noted within a letter sent to all credit unions by FSA which includes a link to newly available materials. (9/01/12)

http://www.fsa.gov.uk/smallfirms/your_firm_type/credit/pdf/legislative_reform_order_creds_sourcebook_letter.pdf

PS11/18: FSA Regulation of credit unions in Northern Ireland

Further to CP11/17, FSA has published a joint PS with HMT which confirms that Northern Ireland's credit union customers will have their deposits protected to the value of £85,000. The change will come into effect on 31 March 2012 when regulation of all 177 credit unions passes from the Northern Ireland Department of Enterprise and Investment to FSA. As well as bringing customers within the scope of FSCS, this move will also give them access to FOS. (9/12/11) [FSA and HM Treasury confirm rules on the transfer of regulatory responsibility for credit unions in Northern Ireland](http://www.fsa.gov.uk/pubs/policy/ps11_18.pdf) http://www.fsa.gov.uk/pubs/policy/ps11_18.pdf (NB: over 160 pages long)

The Financial Services and Markets Act 2000 (Exemption) (Amendment No. 2) Order 2011/2716 (previously reported on when in draft)

The Exemption Order exempts certain persons from the general prohibition set out in s19 FSMA, which provides that no person may carry on a regulated activity within the UK unless he is an authorised person or an exempt person. Article 2 revokes paragraph 24A in Part 2 of the Schedule to the Exemption Order, which created an exemption from the general prohibition in respect of accepting deposits for credit unions within the meaning of the Credit Unions (Northern Ireland) Order 1985 (S.I. 1985/1205), so that from 31 March 2012 Northern Irish credit unions will need to be authorised by FSA. Article 3 requires HMT to review the effect of this Order and publish a report by 31 March 2017 and within every five years after that. Following a review it will fall to the HMT to

reconsider the regulatory status of Northern Ireland credit unions. A further instrument would be needed to amend the Exemption Order and make consequential and transitional provisions. (Date in force: 31/3/12) (28/11/11)
http://www.legislation.gov.uk/ukxi/2011/2716/pdfs/ukxi_20112716_en.pdf

The Financial Services and Markets Act 2000 (Permissions, Transitional Provisions and Consequential Amendments) (Northern Ireland Credit Unions) Order 2011/2832

This Order makes transitional provisions and consequential amendments relating to the revocation, on 31 March 2012, of the exemption for Northern Ireland credit unions from the general prohibition imposed by s10 FSMA. The exemption, contained in paragraph 24A of the Schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001 (S.I. 2001/1201), is revoked by S.I. 2011/2716. (Dates in force: 15/11/11 for the purposes of articles 1 and 10; 31/12/11 for the purposes of articles 5 to 9; and 31/3/12 for all other purposes). (28/11/11) http://www.legislation.gov.uk/ukxi/2011/2832/pdfs/ukxi_20112832_en.pdf

The Money Laundering (Amendment No.2) Regulations 2011/2833

These Regulations amend the Money Laundering Regulations 2007 (S.I. 2007/2157) which implement in part Directive 2005/60/EC of the European Parliament and of the Council (OJ No L 309, 25.11.2005, p. 15) on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. Regulation 2 changes the supervisory authority for credit unions in Northern Ireland from the Department of Enterprise, Trade and Investment in Northern Ireland to FSA. Regulation 3 requires HMT to review the operation and effect of these Regulations and publish a report within five years after they come into force and within every five years after that. Following a review it will fall to HMT to consider whether the Regulations should remain as they are, or be revoked or amended. A further instrument would be needed to revoke or amend the Regulations. (Date in force: 31/3/12) (28/11/11)
http://www.legislation.gov.uk/ukxi/2011/2833/pdfs/ukxi_20112833_en.pdf

The Terrorist Asset-Freezing etc. Act 2010 (Commencement) Order 2011/2835 (C.99)

This Order brings into force those provisions of the Terrorist Asset-Freezing etc. Act 2010 (c.38) which are not already in force to effect the transfer to FSA of the supervisory responsibilities of the Department of Enterprise, Trade and Investment in Northern Ireland for Northern Ireland credit unions contained in Schedule 7 to the Counter-Terrorism Act 2008 (c.28) (terrorist financing and money laundering). (Date in force: 31/3/12) (28/11/11) http://www.legislation.gov.uk/ukxi/2011/2835/pdfs/ukxi_20112835_en.pdf

The Financial Services and Markets Act 2000 (Exemption) (Amendment No. 2) Order 2011/2706

This Order brings Northern Irish credit unions under the regulatory regime contained in FSMA. The purpose of the instrument is therefore to effect a transfer of the regulatory functions DETI in respect of Northern Ireland credit unions to FSA. Once authorised by FSA, depositors with Northern Irish credit unions will have access to the FSCS in the event of a default, and FOS. (Date in force: 31/3/12) (15/11/11) http://www.legislation.gov.uk/ukxi/2011/2716/pdfs/ukxi_20112716_en.pdf

HMT: Speech by Mark Hoban at BSA (10 November 2011)

Topics include: savings; mortgages; UK and European regulatory reform and FSCS. Mark Hoban notes that the Government is planning to consult in the New Year on how the regulatory framework for payment systems can be enhanced. (14/11/11) [Speech by the Financial Secretary to the Treasury, Mark Hoban MP at the Building Societies Association - HM Treasury](#)

The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011/2687

This Order removes a number of burdens imposed by the Industrial and Provident Societies Act 1965 (c.12), the Friendly and Industrial and Provident Societies Act 1968 (c.53) and the Credit Unions Act 1979 (c.34). Changes will include: allowing credit unions to accept new types of members, such as partnerships and limited companies; allowing interest to be offered on deposits; amending common-bond and membership requirements to allow expansion, consolidation and merger; and giving societies the flexibility to choose their own year ends and removing the requirement to have interim accounts audited. (Date in force: 8/1/11) (9/11/11) http://www.legislation.gov.uk/ukxi/2011/2687/pdfs/ukxi_20112687_en.pdf

HMT/DETI: The regulatory reform of credit unions in Northern Ireland

Responses to the 2010 consultation on the above have now been published. The Government will now implement legislation to transfer the regulation of Northern Ireland credit unions to FSA and has set out a timetable for this in section 4

of this document. (18/10/11) http://www.hm-treasury.gov.uk/d/condoc_regulatory_reform_credit_unions_northern_ireland.pdf

International Credit Union Regulators' Network: Guiding principles for the effective prudential supervision of cooperative financial institutions

This document has been developed as guidance for supervisory authorities involved in the prudential supervision of cooperative financial institutions such as credit unions, caisses populaires, savings and credit co-operatives and savings and credit associations. It comprises 20 principles categorised into six groups (objective, independence, powers, transparency and cooperation; licensing and ownership; prudential regulation and requirements; methods of ongoing supervision; accounting and disclosure and enforcement). (14/10/11) http://www.curegulators.org/functions/view_document.php?id=ICURN_Guiding_Principles

FSA: Norwich & Peterborough Building Society/Yorkshire Building Society

FSA has confirmed the proposed transfer of the engagements of the Norwich & Peterborough Building Society to the Yorkshire Building Society and published its written decision on the matter. No representations were received by FSA. (23/09/11) http://www.fsa.gov.uk/pubs/other/yorkshire_norwichpeterborough_merger_decision.pdf

CP11/17**: FSA regulation of credit unions in Northern Ireland

This joint FSA/HMT CP sets out proposals for the transfer of the regulation of Northern Ireland credit unions from the NI Department of Enterprise, Trade and Investment (DETI) to FSA, bringing enhanced consumer protection to the 177 NI credit unions and their members. The transfer is due to take place on 31 March 2012. It is proposed NI credit unions will come within FSCS and within the compulsory jurisdiction of FOS and that prudential standards for NI credit unions will be aligned to those of other credit unions in Great Britain with a focus particularly on capital, liquidity and financial reporting. Responses are required by 31 October 2011. (31/08/11) [FSA and HM Treasury publish joint consultation paper on the transfer of regulatory responsibility for credit unions in Northern Ireland](http://www.fsa.gov.uk/pubs/cp/cp11_17.pdf) http://www.fsa.gov.uk/pubs/cp/cp11_17.pdf (NB: over 200 pages long)

FRC: The audit of friendly societies in the UK

This is a practice note containing guidance on the application of auditing standards issued by the Auditing Practices Board to the audit of friendly societies carrying on insurance business in the UK. It also contains guidance on auditor's reports in connection with regulatory returns and the auditor's duty to report to FSA. (29/07/11) <http://www.frc.org.uk/images/uploaded/documents/PN24%20Web%20Optimized%20July%202011.pdf> (NB: over 100 pages long)

FSA: Credit Union Newsletter Issue 14

Topics include: approved persons; growth fund assets; credit union insurance and a case study. (13/07/11) http://www.fsa.gov.uk/pubs/newsletters/cu_newsletter14.pdf

Archived material on the sector is available via the following links: [January-June 2009](#), [July-December 2009](#), [January-December 2010](#) and [January-July 2011](#).

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