Jurisdiction: United Kingdom

2018 IMN Survey of National/Regional Progress in the Implementation of G20/FSB Recommendations

National authorities from FSB member jurisdictions should complete the survey and submit it to the FSB Secretariat (imn@fsb.org) by **Friday, 8 June 2018** *(representing the most recent status at that time).* The Secretariat is available to answer any questions or clarifications that may be needed on the survey. Please also provide your contact details for the person(s) completing the survey and an index of abbreviations used in the response.

National authorities are expected to submit the information to the FSB Secretariat using the Adobe Acrobat version of the survey. The Microsoft Word version of the survey is also being circulated to facilitate the preparation/collection of survey responses by relevant authorities within each jurisdiction.

Jurisdictions that previously reported implementation as completed in a particular recommendation are only required to include information about main developments since last year's survey and future plans (if applicable) ("Update and next steps" table). New reforms to enhance the existing framework in that area should be described, but should not lead to a downgrade from implementation completed to ongoing. Jurisdictions that do not report implementation as completed are required to include full information both in the "Progress to date" and "Update and next steps" tables.

As with previous IMN surveys, the contents of this survey for each national jurisdiction will be published on the FSB's website at around the time of the 2018 G20 Summit in Buenos Aires. The FSB Secretariat will contact member jurisdictions ahead of the Summit to check for any updates or amendments to submitted responses before they are published.

1. Registration, appropriate disclosures and oversight of hedge funds

G20/FSB Recommendations

We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds. (Seoul)

Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management. (London)

Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2016 IMN survey. Given this, the reporting of progress with respect to this recommendation will take place every 2-3 years henceforth (i.e. in 2019 or 2020).

2. Establishment of international information sharing framework

G20/FSB Recommendations

We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009. (London*)*

Remarks

Jurisdictions should indicate the progress made in implementing recommendation 6 in IOSCO's *Report on Hedge Fund Oversight (Jun 2009)* on sharing information to facilitate the oversight of globally active fund managers.

In addition, jurisdictions should state whether they are:

- Signatory to the IOSCO MMoU in relation to cooperation in enforcement
- Signatory to bilateral agreements for supervisory cooperation that cover hedge funds and are aligned to the 2010 IOSCO *Principles Regarding Cross-border Supervisory Cooperation*.

Jurisdictions can also refer to Principle 28 of the 2017 IOSCO Objectives and Principles of Securities Regulation, and take into account the outcomes of any recent FSAP/ROSC assessment against those Principles.

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** The AIFMD came into

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

2. Establishment of international information sharing framework

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☑ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

The FCA has an extensive set of information sharing gateways which can be used to facilitate information exchange with other regulatory authorities in respect of regulated asset managers (including hedge fund managers). Internationally, the FCA works with IOSCO and shares aggregated hedge fund data across global jurisdictions with other regulators. Other actions: The FCA has bilateral information sharing arrangements covering various major centres in which funds are located and separately we share information with the FSB, IOSCO and ESMA (AIFMD).

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

2. Establishment of international information sharing framework

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
Through ESMA, the FCA (as other EU regulators) has established MoUs with a series of non-EU jurisdictions to ensure appropriate exchange of information that allows the EU jurisdiction to carry out its duties in accordance with the AIFMD. This is to allow the FCA (and other EU regulators) to ensure they can effectuate their supervisory duties on entities that impact their market. Delegated Regulation 231/2013 of the European Commission, chapter V "Transparency Requirements, Leverage, Rules Relating To Third Countries And Exchange Of Information On The Potential Consequences Of AIFM Activity", specifically Section 3 on specific rules relating to third countries set out the requirements that cooperation arrangements between EU and non-EU jurisdictions should cover, including the mechanisms and instruments necessary to allow the EU jurisdiction to cover its supervisory duties. This section also covers the exchange of information on the potential systemic risk caused by AIFMs. IOSCO is furthering information sharing on asset management in general and HFs in particular. In Nov 2017, IOSCO released the fourth report on the Global HF Survey with data as at Sep 2016 (link below). The FCA played a leading role in producing this report. A fifth data collection effort will begin in 2018, and the FCA has committed to actively participating in this effort.	

Relevant web-links

Web-links to relevant documents	http://www.iosco.org/library/pubdocs/pdf/IOSCOPD587.pdf

3. Enhancing counterparty risk management

G20/FSB Recommendations

Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures. (London)

Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties. (Rec. II.17, FSF 2008)

Remarks

Jurisdictions should indicate specific policy measures taken for enhancing counterparty risk management and strengthening their existing guidance on the management of exposure to leveraged counterparties.

In particular, jurisdictions should indicate whether they have implemented recommendation 3 of the IOSCO *Report on Hedge Fund Oversight (Jun 2009)*.

In their responses, jurisdictions should not provide information on the portion of this recommendation that pertains to Basel III capital requirements for counterparty risk, since it is monitored separately by the BCBS.

Jurisdictions can also refer to Principle 28 of the 2017 IOSCO *Objectives and Principles of Securities Regulation*, and take into account the outcomes of any recent FSAP/ROSC assessment against those Principles.

Progress to date

- ◯ **Not applicable**
- ◯ **Applicable but no action envisaged at the moment**
- ◯ **Implementation ongoing**
- ◉ **Implementation completed as of** Basel III rules on coun

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- ◯ Final rule (for part of the reform) in force since

3. Enhancing counterparty risk management

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☐ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

Articles 286 - 294 of the CRR define standards for management of counterparty credit risk (CCR), organisational structures, stress testing, management of wrong-way risk and validation.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

3. Enhancing counterparty risk management

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
The Bank has an on-going continuous assessment cycle for major firms. This includes frequent meetings that involve discussion of key exposures with management. The Bank's Statement of Policy provides qualitative standards that firms must meet in order to use the advanced model for CCR and should be the basis for assessing CCR risk management by all firms. Firms' management standards for CCR are assessed against these qualitative standards. Firms may be required to hold additional capital under Pillar 2 to address material deficiencies.	

Relevant web-links

Web-links to relevant documents	Bank of England Pillar 2 guidance: http://www.bankofengland.co.uk/pra/Documents/publications/sop/2017/p2methodologiesupdate.pdf Draft update to EU legislation on banking prudential requirements: http://ec.europa.eu/info/node/6104

4. Strengthening of regulatory and capital framework for monolines

G20/FSB Recommendations

Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit. (Rec II.8, FSF 2008)

Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2016 IMN survey. Given this, the reporting of progress with respect to this recommendation will take place every 2-3 years henceforth (i.e. in 2019 or 2020).

5. Strengthening of supervisory requirements or best practices for investment in structured products

G20/FSB Recommendations

Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products. (Rec II.18, FSF 2008)

Remarks

Jurisdictions should indicate the due diligence policies, procedures and practices applicable for investment managers when investing in structured finance instruments and other policy measures taken for strengthening best practices for investment in structured finance products.

Jurisdictions may reference IOSCO's report on *Good Practices in Relation to Investment Managers' Due Diligence When Investing in Structured Finance Instruments (Jul 2009)*.

Jurisdictions may also refer to the Joint Forum report on *Credit Risk Transfer-Developments from 2005-2007 (Jul 2008)*.

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ● **Implementation completed as of** Completed as of end 2

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5. Strengthening of supervisory requirements or best practices for investment in structured products

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☐ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

On structured products as securitisation products (See also Q6): For banks and investments firms: The Basel Committee adopted revisions to the Basel II framework to strengthen due diligence requirements (Basel 2.5) for investing institutions in securitisation. Former CRD2, now CRR/CRD2 (implementing Basel 2.5 in the EU) implemented these requirements by requiring that investors ensure key information is made available to them and conduct appropriate due diligence and stress testing. These came into force on 31 Dec 2010 and are now part of the CRR. For insurance companies, this involved Solvency II delegated acts including a distinction between type 1 and type 2 securitisations. Similarly, for asset managers of UCITs or AIFs, AIFMD introduced enhanced due diligence requirements.
On structured products, more broadly speaking, the FCA is concerned that increasing product complexity is placing a strain on firms' systems and controls. Previous supervisory work has also identified a lack of robustness in firms' product development and marketing processes which can increase the risk of poorly designed products and lead to mis-selling, or mis-buying by consumers. The FCA has supervised sales of structured products over recent years (following the collapse of Lehman Brothers, for example: http://www.fsa.gov.uk/library/other_publications/structured) and in 2012 published guidance on the design of structured products. The FCA continues to supervise the market.
On securitisation, the European Commission has adopted a new integrated approach to securitisation regulation in the EU in Sep 2015, which will come into application on 1 Jan 2019. The package consists of (i) a "Securitisation Regulation" which applies across all issuers and regulated institutional investors, and (ii) amendments to the Capital Requirements Regulation (CRR). European Commission also plans to adopt Delegated Acts for Solvency II and the Liquidity Coverage Ratio to incorporate specific treatment for Simple, Transparent and Standardised (STS) securitisations. The Bank supports the EU framework for securitisation as part of our longer-term objective of growth in stable, market-based financing markets alongside bank lending. A uniform set of criteria for STS securitisation can play an essential role in helping the market to develop on a sustainable track and attracting a broader investor base.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

5. Strengthening of supervisory requirements or best practices for investment in structured products

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
The final EU Securitisation Regulation and associated CRR amendments were both adopted into the Official Journal of the European Union on 28 Dec 2017. The new framework applies from 1 Jan 2019. The PRA has issued on 22 May 2018 a Consultation Paper which outline's the PRA approach to implementing the EU Securitisation Regulation and associated CRR amendments. It is proposed that firms should be able to demonstrate, on request that they have in place adequate due diligence arrangements, processes and mechanisms to ensure compliance with the requirements regarding institutional investors found in the Securitisation Regulation. On 14 May 2018 BCBS-IOSCO issued the final criteria and capital treatment for simple, transparent and comparable short-term securitisations. Many of the recommendations in these standards have already been included in the EU framework for securitisation. On 12 Mar 2018 the European Commission published a proposal for an EU framework on covered bonds. This includes proposed disclosure standards for covered bonds and minimum requirements regarding the cover pool and structure of the covered bond. The feedback period for the proposal closed on 16 May 2018.	

Relevant web-links

Web-links to relevant documents	Bank of England/ECB Joint response to the European Commission CP on securitisation http://www.bankofengland.co.uk/financialstability/Pages/securitisation/default.aspx Securitisation Regulation https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32017R2402 (Securitisation Regulation) https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:32017R2401 (CRR amendments) On structured products more generally https://www.esma.europa.eu/system/files_force/library/2015/11/2014-332_esma_opinion_u_structured_retail_products_-_good_practices_for_product_governance_arrangements.pdf?download=1 http://www.fca.org.uk/your-fca/documents/finalised-guidance/fsa-fg129

6. Enhanced disclosure of securitised products

G20/FSB Recommendations

Securities market regulators should work with market participants to expand information on securitised products and their underlying assets. (Rec. III.10-III.13, FSF 2008)

Remarks

Jurisdictions should indicate the policy measures and other initiatives taken in relation to enhancing disclosure of securitised products, including working with industry and other authorities to continue to standardise disclosure templates and considering measures to improve the type of information that investors receive.

See, for reference, IOSCO's *Report on Principles for Ongoing Disclosure for Asset-Backed Securities (Nov 2012), Disclosure Principles for Public Offerings and Listings of Asset-Backed Securities (Apr 2010)* and *report on Global Developments in Securitisation Regulations (November 2012)*, in particular recommendations 4 and 5.

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** Revisions to CRR cap

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- ○ Draft published as of
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6. Enhanced disclosure of securitised products

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [ ] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

Short description of the content of the legislation/regulation/guideline/other actions
See also Q5. The latest revision to Credit Rating Agencies Regulation (CRA3) mirrors these requirements by ensuring adequate disclosure for securitisation (initial and ongoing) to investors. It requires EU securitisers to disclose to the public information on securitisation (e.g. credit quality, and performance of the underlying assets, structure, cash flows and any information necessary to conduct comprehensive and well informed stress tests). The European Commission adopted a delegated act with more precise requirements on information to be reported under a public website to be set up by ESMA. This website was due to be set up by 1 Jan 2017 but it has currently been delayed. The European Securitisation Regulation (which applies from 1 Jan 2019) aims to strengthen and harmonise existing disclosure requirements. The Securitisation Regulation also proposes that information on securitisations for which a prospectus must be drawn up under EU law must be reported 'securitisation repositories' which are accessible by all regulators, investors and potential investors. If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

6. Enhanced disclosure of securitised products

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
ESMA has recently consulted on a draft Regulatory Technical Standard which further specifies the disclosure requirements for securitisation issuance as well as operational standards for securitisation repositories as specified in the Securitisation Regulation. The consultation closed on 19 Dec 2017. The Bank continues to support international work to promote sounder and more transparent securitisation transactions. It co-chairs the BCBS-IOSCO task force on securitisation markets, which has developed criteria (high level principles) to identify simple, transparent and comparable term securitisations at the international level (published on 23 Jul 2015). The TFSM has now published similar criteria for short term securitisation (ie. ABCP conduits). The BCBS has finalised a set of additional criteria for term securitisations to qualify for preferential capital treatment, together with a specific capital discount (published on Jul 11 2016) as well as for short term securitisations (published on 14 May 2018).	The Bank and the FCA support the agenda and ongoing work of the BCBS-IOSCO Task Force on Securitisation Markets (TFSM) to develop a framework for simple, transparent and comparable (STC) securitisation.

Relevant web-links

Web-links to relevant documents	Also see links under Q5 Basel III revisions to the securitisation framework, Amended to include the alternative capital treatment for "simple, transparent and comparable" securitisations (Jul 2016) https://www.bis.org/bcbs/publ/d374.htm BCBS-IOSCO criteria on "simple, transparent and comparable" short term securitisation: https://www.bis.org/bcbs/publ/d441.htm BCBS revisions to the securitisation framework for short term "simple, transparent and comparable" securitisations: https://www.bis.org/press/p180514a.htm ESMA consultation on securitisation disclosure requirements and operational standards for securitisation repositories: https://www.esma.europa.eu/press-news/consultations/consultation-disclosure-and-operational-standards

7. Consistent, consolidated supervision and regulation of SIFIs

G20/FSB Recommendations

All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards. (Pittsburgh)

Remarks

Jurisdictions should indicate: (1) whether they have identified domestic SIFIs and, if so, in which sectors (banks, insurers, other etc.); (2) whether the names of the identified SIFIs have been publicly disclosed; and (3) the types of policy measures taken for implementing consistent, consolidated supervision and regulation of the identified SIFIs.

Jurisdictions should not provide details on policy measures that pertain to higher loss absorbency requirements for G/D-SIBs, since these are monitored separately by the BCBS.

See, for reference, the following documents:

BCBS

- *Framework for G-SIBs (Jul 2013)*
- *Framework for D-SIBs (Oct 2012)*

IAIS

- *Global Systemically Important Insurers: Policy Measures (Jul 2013) and revised assessment methodology (updated in June 2016)*
- *IAIS SRMP guidance - FINAL (Dec 2013)*
- *Guidance on Liquidity management and planning (Oct 2014)*

FSB

- *Framework for addressing SIFIs (Nov 2011)*

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ◉ **Implementation ongoing**
- ○ **Implementation completed as of**

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If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ◉ Final rule or legislation approved and will come into force on 1 Jan 2019
- ○ Final rule (for part of the reform) in force since G-SIBs: 2014; O-SII

7. Consistent, consolidated supervision and regulation of SIFIs

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☑ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

As a core part of its work, the Bank (through the PRA) assesses the significance of a firm to the stability of the UK financial system. The Bank applies more intensive supervision to those firms that it identifies as having the capacity to affect adversely the stability of the system by failing, coming under stress, or the way it carries on its business. These firms are identified through the PRA's potential impact framework, set out in the PRA Approach to Banking Supervision (Mar 2016).

Furthermore, CRD IV (i.e. the EU implementation of Basel III) includes a requirement on member states to identify G-SIBs and other systemically important institutions (e.g. D-SIBs) and impose additional common equity tier 1 capital on the former. The EBA has published final technical standards to specify precisely the methodology used to identify and impose additional common equity tier 1 capital on G-SIBs, including relevant disclosure requirements. The Bank has implemented the capital surcharge framework for systemic banks consistent with CRD IV.
The Bank sets out its framework for identifying other systemically important institutions (O-SIIs), in line with the relevant EBA guidelines which take into account the BCBS framework for D-SIBs (see 'The PRA's approach to identifying other systemically important institutions (O-SIIs)'). Under the framework, the Bank's assessment of O-SIIs is aligned with the PRA's potential impact framework, and as such the list of UK O-SIIs is aligned with the list of category 1 firms in the PRA's potential impact framework.

The FPC has set out a framework under which the Systemic Risk Buffer (SRB) increases the capacity of UK systemic banks to absorb stress, thereby increasing their resilience relative to the system as a whole. This reflects the greater damage these firms would cause to the economy in the event their buffers of equity were exhausted. The FPC's SRB framework will be implemented by the PRA from 1 Jan 2019.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

7. Consistent, consolidated supervision and regulation of SIFIs

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
G-SIBs and D-SIBs (known as O-SIIs): The Bank published its updated approach to resolution, which confirmed bail-in as the preferred resolution strategy for all UK G-SIBs and D-SIBs. As previously announced, this entails higher minimum requirements for own funds and eligible liabilities (MREL) for these firms relative to those with different resolution strategies. Systemic Risk Buffer (SRB): The FPC completed the first review of its SRB framework, which it initially set in May 2016. There has been limited new evidence since the FPC had agreed its SRB framework, given that the framework has not yet been implemented. The FPC judged that at this stage, there was no evidence that warranted any changes to its SRB framework. Stress testing: In Mar 2018, the FPC reconsidered the benchmarks that will be used to assess systemically important banks in the 2018 stress test. In previous tests, systemic banks were assessed against a 'hurdle rate' – reflecting minimum capital requirements – and a 'systemic reference point', which incorporated systemic buffers. Systemic banks that did not meet the systemic reference point were permitted to take less intensive actions to improve their capital position, so long as they remained above the hurdle rate. For the 2018 stress test, the FPC has incorporated systemic buffers within systemic banks' hurdle rates. As a result, systemic banks falling below their systemic buffers would be required to take more intensive action to improve their capital position. The FPC judged that this would reinforce the higher standards demanded from systemic banks. Furthermore, the FPC agreed that hurdle rates should, for the first time, incorporate the Systemic Risk Buffer (SRB) – which reflects banks' domestic systemic importance – in addition to G-SIB buffers. G-SIIs: Through its supervisory channels, the Bank has worked with the UK G-SIIs to implement the applicable G-SII policy measures in accordance with the IAIS's timetable. To date this includes the enhanced supervision and effective resolution and	G-SIBs: The UK G-SIBs continue to be identified on an annual basis. The list of UK G-SIBs (known in CRDIV as G-SIIs) is set to be published on the Bank website (as well as the FSB one) at the end of 2018 following the announcement of the overall list of G-SIBs by the FSB. UK G-SIBs will be expected to meet the TLAC standard from 1 Jan 2019. D-SIBs: The UK's other systemically important institutions (O-SIIs) - in line with the EBA guidelines which take into account the BCBS framework for D-SIBs - are identified on an annual basis and the names published on the Bank website at the end-of the year. Systemic Risk Buffer (SRB): In 2019, the PRA will begin applying the SRB to ring-fenced banks and large building societies whose distress could materially impact the UK domestic economy, in line with the Financial Policy Committee's framework for the SRB.

Relevant web-links

Web-links to relevant documents	The PRA's approach to banking supervision (revised Mar 2016): www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/approach/banking-approach-2016.pdf The PRA's approach to identifying O-SIIs: http://www.bankofengland.co.uk/pra/Pages/publications/ps/2016/ps616.aspx Basel Committee framework for G-SIBs (updated Jul 2013): http://www.bis.org/publ/bcbs255.htm The Financial Policy Committee's framework for the systemic risk buffer: www.bankofengland.co.uk/-/media/boe/files/paper/2016/the-financial-policy-committees-framework-for-the-systemic-risk-buffer.pdf The PRA's approach to implementing the SRB: http://www.bankofengland.co.uk/pra/Pages/publications/sop/2016/srbapproach.aspx

8. Establishing supervisory colleges and conducting risk assessments

G20/FSB Recommendations

To establish the remaining supervisory colleges for significant cross-border firms by June 2009. (London)

We agreed to conduct rigorous risk assessment on these firms [G-SIFIs] through international supervisory colleges. (Seoul)

Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2017 IMN survey. The BCBS and IAIS will be monitoring implementation progress in this area with respect to banks and insurers respectively.

9. Supervisory exchange of information and coordination

G20/FSB Recommendations

To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels. (Rec V.7 , FSF 2008)

Enhance the effectiveness of core supervisory colleges. (FSB 2012)

Remarks

Jurisdictions should include any feedback received from recent FSAPs/ROSC assessments on the *September 2012* BCP 3 (Cooperation and collaboration) and BCP 14 (Home-host relationships). Jurisdictions should also indicate any steps taken since the last assessment in this area, particularly in response to relevant FSAP/ROSC recommendations.

Jurisdictions should describe any recent or planned regulatory, supervisory or legislative changes that contribute to the sharing of supervisory information (e.g. within supervisory colleges or via bilateral or multilateral MoUs).

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ● **Implementation completed as of** Jun 2016 IMF FSAP

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9. Supervisory exchange of information and coordination

Progress to date

Issue is being addressed through

- ☐ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☑ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

Various EBA Guidelines and Technical Standards on Supervisory Colleges, SREP processes, Joint Risk Assessments and Decisions, etc. Both the PRA and FCA are each independently seeking to renegotiate or to establish new Memoranda of Understanding (MoU) with non-EEA jurisdictions that underpin the information sharing and co-operation arrangements with the counterparties concerned, in order to ensure that they accord with the UK authorities' respective statutory objectives and supervisory frameworks.

Other actions: Effective Supervisory Colleges

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

9. Supervisory exchange of information and coordination

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
Widened scope of Colleges Joint Risk assessment and decisions, using EBA templates, and establishment of Resolution Colleges. Since the PRA was established in 2013, it has continued to enter into negotiations with non-EEA jurisdictions, in order to revise and update those MoUs that were established by the former Financial Services Authority, to ensure that they accord with the PRA's supervisory objectives. A Revised MoU was established with the Guernsey Financial Services Commission in Apr 2018, taking the number of new or renegotiated MoUs to eleven, since 2014, with a further three nearing completion . Discussions with a number of other non-EEA jurisdictions and competent authorities are continuing. The Bank will seek to establish MoUs with other jurisdiction in due course, as its work programme progresses. The UK's IMF Financial Sector Assessment Program (FSAP) in 2016 found the UK to be compliant with "Principle 3: Cooperation and collaboration. Laws, regulations, or other arrangements provide a framework for cooperation and collaboration with relevant domestic authorities and foreign supervisors. These arrangements reflect the need to protect confidential information." This principle looks at arrangements made for cooperation, including analysis and sharing of information, and undertaking collaborative work with relevant domestic and foreign institutions. The Prudential Regulation Authority (PRA) issued an updated Supervisory Statement in 2018 (SS1/18) on its approach to the authorisation and supervision of branches of international banks. The SS reaffirmed the PRA's openness to hosting branches of international banks provided such banks meet the same prudential standards as domestic firms and are capable of effective supervision by the PRA. An important aspect of that is that there is an appropriate degree of cooperation between the PRA and the home state supervisor of the relevant firm. The SS sets out the PRA's expectations in this area, based on international standards. One of the PRA's expectations for supervisory cooperation is that the home state supervisor will enter into a specific agreement with the PRA on the split of responsibilities for prudential supervision of branches from that jurisdiction. The PRA has entere	The Bank's MoU programme is reviewed each year, to determine priorities, based on supervisory need, This ensures that MoUs appropriately reflect the new institutional structure of regulation in the UK and facilitate effective supervisory cooperation and information sharing. Both the Bank and FCA continue to develop and widen their set of memoranda of understanding, including renegotiating existing MoUs, to ensure that they have workable gateways with relevant host supervisors. Information sharing with non-EEA national competent authorities takes place within the legal framework set by domestic and European legislation and where appropriate gateways exist. The relationship between the two UK regulators is supported by a MoU that sets out the high-level framework which the FCA and the PRA will use to co-ordinate in some areas, and co-operate in others.

Relevant web-links	
Web-links to relevant documents	https://www.eba.europa.eu/regulation-and-policy/colleges-of-supervisors Those MoUs that are published may be found on the Bank"s website, at http://www.bankofengland.co.uk/about/Pages/mous/international.aspx

10. Strengthening resources and effective supervision

G20/FSB Recommendations

We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention. (Seoul)

Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks. (FSF 2008)

Supervisory authorities should continually re-assess their resource needs; for example, interacting with and assessing Boards require particular skills, experience and adequate level of seniority. (Rec. 3, FSB 2012)

Remarks

Jurisdictions should indicate any steps taken on recommendations 1, 2, 3, 4 and 7 (i.e. supervisory strategy, engagement with banks, improvements in banks' IT and MIS, data requests, and talent management strategy respectively) in the FSB thematic peer review report on supervisory frameworks and approaches to SIBs *(May 2015)*.

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 1 January 2014

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

10. Strengthening resources and effective supervision

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [x] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

The PRA has published approach documents setting out how it implements its statutory objectives: the PRA's approach to banking supervision and the PRA's approach to insurance supervision. It is a key principle underlying the PRA's approach that is does not seek to operate a zero-failure regime. Based on the PRA's risk framework model (as set out in the approach), the supervisor conducts its assessment work on a Continuous Assessment (CA) cycle regularly updating its overall view of the firm, the risks it faces and the risks it poses. An annual Periodic Summary Meeting takes stock of the key risks facing the firm and based on this, sets out the supervisory strategy and schedule of work.

Informed by the approach, and the operating model and risk tolerance also agreed by the PRC, each year the PRC sets the PRA strategy, business plan and budget. The PRC seeks to ensure that its financial and non-financial resources are allocated to the work that best advances the PRA's objectives. The Prudential Regulation Committee is now required to report once a year to the Chancellor about the adequacy of resources allocated to the performance of PRA functions and the extent to which the exercise of PRA functions is independent of other Bank functions. The first report was published in Apr 2018.

In making judgements on resources, the PRC takes into account a wide range of relevant considerations. These include the wider legislative and policy framework under which the PRA operates, including the duty to have regard to certain factors under the Financial Services and Markets Act 2000 (FSMA), and the Legislative and Regulatory Reform Act. Another accountability mechanism is HM Treasury's recommendation letter, a check and balance to ensure the PRA has regard to the Government's economic policy when exercising its general functions. In addition, the PRA plans its resources to deliver multi-year programmes of work, (such as structural reform), and responds to changes to the external environment and risk profile of the firms regulated by the PRA.

The PRC receives and reviews regular updates on the PRA's performance and on how the PRA's financial and non-financial resources are allocated and monitored, as well as how any resource risks are being mitigated, through: performance and assurance reporting; discussion of Committee papers; and Committee members' regular interaction with the PRA, including meetings with senior management and other staff. In particular, the regular reporting to PRC covers progress against: strategic aims; budget and headcount position; attrition rates; technology availability; and the PRA's risk profile.

The PRA continues to develop and implement a forward-looking, judgement-based supervisory regime. In the last year it:

- Consulted on and implemented a series of policy developments to refine our implementation of the Solvency II regime.
- Working with HM Treasury, designed and launched a new, commercially viable framework for insurance special purpose vehicles (ISPVs) in the United Kingdom.
- Sought to understand the risks and/or vulnerabilities posed by the current approach taken by banks to credit risk and asset quality.
- Delivered PRA policy and supervision to support the Bank's resolution objectives for banking and insurance sectors, eg a consultation on the Bank's approach to setting a minimum requirement for own funds and eligible liabilities (MREL) within groups, and continuing work to enhance resolution arrangements for insurers.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

10. Strengthening resources and effective supervision

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date

Relevant web-links	
Web-links to relevant documents	EBA guidelines on supervisory review and evaluation process: (https://www.eba.europa.eu/documents/10180/935249/EBA-GL-2014-13+(Guidelines+on+SREP +methodologies+and+processes).pdf

11. Establishing regulatory framework for macro-prudential oversight

G20/FSB Recommendations

Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk. (London)

Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions. (London)

Remarks

Please describe major changes in the institutional arrangements for macroprudential policy (structures, mandates, powers, reporting etc.) that have taken place in your jurisdiction since the global financial crisis.

Please indicate whether an assessment has been conducted with respect to the adequacy of powers to collect and share relevant information among national authorities on financial institutions, markets and instruments to assess the potential for systemic risk. If so, please describe identified gaps in the powers to collect information, and whether any follow-up actions have been taken.

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ● **Implementation completed as of** 1 Apr 2013 (Financial

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11. Establishing regulatory framework for macro-prudential oversight

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [ ] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

The commencement of the Financial Services Act 2012 on 1 Apr 2013 implemented the Government's reforms to strengthen the financial regulatory structure in the UK. This legislation included the establishment, in statute, of a macro-prudential authority, the Financial Policy Committee (FPC) within the Bank, to monitor and take action to mitigate systemic risks.

In addition, responsibility for prudential regulation of banks, insurers and major investment firms was transferred to the PRA as a subsidiary of the Bank. The PRA has information gathering powers as a result of the legislation and is participating actively in the FSB's data gaps programme to ensure improved data utilisation. The PRA works closely with the FPC, and there is a frequent two-way flow of information and exchange of views between the PRA and the FPC. Co-ordination between the PRA and the FPC is assisted by common membership between the FPC and the PRA's governing body, the Prudential Regulation Committee.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

11. Establishing regulatory framework for macro-prudential oversight

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date

Relevant web-links	
Web-links to relevant documents	Information on the FPC: http://www.bankofengland.co.uk/financialstability/Pages/fpc/default.aspx Information on the PRA: http://www.bankofengland.co.uk/pra/Pages/default.aspx The Financial Services Act 2012: http://www.legislation.gov.uk/ukpga/2012/21/contents/enacted

12. Enhancing system-wide monitoring and the use of macro-prudential instruments

G20/FSB Recommendations

Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level. (Rec. 3.1, FSF 2009)

We are developing macro-prudential policy frameworks and tools to limit the build-up of risks in the financial sector, building on the ongoing work of the FSB-BIS-IMF on this subject. (Cannes)

Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system. (Washington)

Remarks

Please describe at a high level (including by making reference to financial stability or other reports, where available) the types of methodologies, indicators and tools used to assess systemic risks.

Please indicate the use of tools for macroprudential purposes over the past year, including: the objective for their use; the process to select, calibrate and apply them; and the approaches used to assess their effectiveness.

See, for reference, the following documents:

- FSB-IMF-BIS progress report to the G20 on *Macroprudential policy tools and frameworks (Oct 2011)*
- CGFS report on *Operationalising the selection and application of macroprudential instruments (Dec 2012)*
- IMF staff papers on *Macroprudential policy, an organizing framework (Mar 2011)*, *Key Aspects of Macroprudential policy (Jun 2013)*, and *Staff Guidance on Macroprudential Policy (Dec 2014)*
- IMF-FSB-BIS paper on *Elements of Effective Macroprudential Policies: Lessons from International Experience (Aug 2016)*
- CGFS report on *Experiences with the ex ante appraisal of macroprudential instruments (Jul 2016)*
- CGFS report on *Objective-setting and communication of macroprudential policies (Nov 2016)*

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 1 Apr 2013

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12. Enhancing system-wide monitoring and the use of macro-prudential instruments

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [ ] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

FPC Powers: The FPC has two main sets of powers at its disposal, the power to Recommend, and the power to give Directions to regulators to adjust specific macro-prudential tools. In particular the FPC has a special power to Recommend, on a 'comply or explain basis', to the regulators — the PRA and the FCA — about the exercise of their functions, such as to adjust the rules that banks and other regulated financial institutions must abide by. Should the regulators decide not to implement Recommendations made on a 'comply or explain' basis, they are required by the legislation to explain publicly their reasons for not doing so. The FPC also has a broader power to make recommendations to any other person (e.g. HM Treasury). Regarding powers of Direction, Her Majesty's Government has made the FPC responsible for policy decisions on sectoral capital requirements (SCRs), which enables the FPC to change capital requirements on banks' exposures to specific sectors that are judged to pose a risk to financial stability. In Apr 2015 HMT gave the FPC Direction powers over the leverage ratio applicable to UK banks, and loan to value and debt to income limits in respect of owner-occupied lending. The UK Parliament voted in Dec 2016 to extend these powers to the buy-to-let mortgage market from 2017.

Countercyclical capital buffer: The FPC is responsible for setting the countercyclical capital buffer (CCyB) rate in the UK. In Dec 2015, the FPC published a statement on its strategy for setting the UK's CCyB rate, indicating an approach to have a CCyB rate in the region of 1% when risks are neither elevated nor subdued. Since Sep 2014 the FPC has had a policy to reciprocate CCyB rates set by other countries. Consistent with this policy, foreign CCyB rates up to 2.5% automatically apply to UK firms.

Stress testing: The Bank published its approach to stress testing in Oct 2015, which sets out the main features of its framework to 2018. This introduced an annual cyclical scenario (ACS), which intends to assess risks relating to the financial cycle, and a biennial exploratory scenario to assess resilience of the financial system to risks not necessarily linked to the financial cycle. Stress test results will inform the FPC's setting of countercyclical capital policy.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

12. Enhancing system-wide monitoring and the use of macro-prudential instruments

Update and next steps

Highlight **main developments since last year's survey**

Countercyclical capital buffer (CCyB): In Nov 2017, the FPC increased the UK CCyB rate from 0.5% to 1%, with binding effect from Nov 2018. It reaffirmed the 1% rate in Mar 2018. This reflects the FPC's judgement that, apart from those related to Brexit, domestic risks remain standard overall, and that risks from global vulnerabilities remain material.
Consumer credit: In response to the continued rapid growth in UK consumer credit portfolios and concern that lenders had been attributing too much of the improvement in consumer credit performance in recent years to underlying improvement in credit quality and too little to the macroeconomic environment, therefore underestimating the losses in a downturn, the FPC requested that the consumer credit element of the Bank's 2017 stress test be accelerated. By accelerating this assessment, the FPC aimed to support timely corrective action and a more prudent assessment of risk in an environment of rapid consumer credit growth. In Sep 2017, the FPC judged that major UK banks had been underestimating consumer credit losses in a severe stress. However, it decided against using a macroprudential tool to build resilience against these losses. In its judgement, the appropriate response was that increases in resilience should be met within the PRA's framework for setting individual firms' regulatory capital buffers.
Housing instruments: In Jun 2017, the FPC set out principles for reviewing the calibration of its Recommendations on affordability tests and the loan-to-income (LTI) flow limit. Namely that: (i) the FPC will review the calibration of the two Recommendations together; (ii) the calibration of the policies will depend on the FPC's judgement around risks to both interest rates and incomes; (iii) the FPC will draw upon a range of indicators to inform its judgements around risks to interest rates and incomes; (iv) When assessing potential future changes to interest rates, the FPC is more likely to be guided by slow-moving, 'structural' measures of interest rates than by market expectations of future interest rates; and (v) the FPC will consider the overall volume of mortgage lending in calibrating the LTI flow limit.. Further detail can be found in the Jun 2017 Financial Stability Report.

Planned actions (if any) and expected commencement date

FPC powers: The FPC reviews its recommendations on a regular basis to assess whether they remain appropriate and will continue to do so. In addition, the FPC will continue its annual assessment of risks beyond the core banking sector, which will include an assessment of the use of leverage by non-banks.

Relevant web-links

Web-links to relevant documents

More information on FPC powers and CCyB rates: www.bankofengland.co.uk/financial-stability
More information on the Bank's approach to stress testing: www.bankofengland.co.uk/stress-testing
Results of the 2017 stress test: www.bankofengland.co.uk/-/media/boe/files/stress-testing/2017/stress-testing-the-uk-banking-system-2017-results.pdf
Key elements of the 2018 stress test scenario:
www.bankofengland.co.uk/-/media/boe/files/stress-testing/2018/stress-testing-the-uk-banking-system-key-elements-of-the-2018-stress-test.pdf
More information on CCyB rates: http://www.bankofengland.co.uk/financialstability/Pages/fpc/ccbrates.aspx

13. Enhancing regulation and supervision of CRAs

G20/FSB Recommendations

All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals. (London*)*

National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process.

CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process.

The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO. (London*)*

Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010. (FSB 2009*)*

We encourage further steps to enhance transparency and competition among credit rating agencies. (St Petersburg)

Remarks

Jurisdictions should indicate the policy measures undertaken for enhancing regulation and supervision of CRAs including registration, oversight and sharing of information between national authorities. They should also indicate their consistency with the following IOSCO document:

- *Code of Conduct Fundamentals for Credit Rating Agencies (Mar 2015)* (including on governance, training and risk management)

Jurisdictions may also refer to the following IOSCO documents:

- Principle 22 of *Principles and Objectives of Securities Regulation (Jun 2010)* which calls for registration and oversight programs for CRAs
- *Statement of Principles Regarding the Activities of Credit Rating Agencies (Sep 2003)*
- *Final Report on Supervisory Colleges for Credit Rating Agencies (Jul 2013)*

Jurisdictions should take into account the outcomes of any recent FSAP/ROSC assessment against those principles.

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 20 Jun 2013 (Impleme

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

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13. Enhancing regulation and supervision of CRAs

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☐ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

The regulation of CRAs in Europe has been transferred to ESMA. The EU CRA registration process has been completed and responsibility for ongoing supervision has been transferred to ESMA by the second CRA Regulation. Implementation of this through adoption of technical standards is also complete. Negotiation of the Third Regulation, which addresses conflicts of interest, accountability and transparency, was completed in Jan 2013. This has since been agreed and entered into force (known as CRA III) in Jun 2013. Regulatory Technical Standards (RTS) to implement CRA III were adopted on 30 Sep 2014. These three RTS aim to increase transparency in the CRA and ratings market, and come into force between Jan 2015 and Jan 2017. ESMA continues to negotiate bilateral MoUs between the EU and third country jurisdictions. The FCA continues to engage with the IOSCO and ESMA technical committees on CRAs. Other actions: The ongoing regulation and supervision of CRAs in Europe has been transferred to ESMA.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

13. Enhancing regulation and supervision of CRAs

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date

Relevant web-links

Web-links to relevant documents	https://www.esma.europa.eu/databases-library/esma-library?f%5B0%5D=im_esma_sections%3A348&f%5B1%5D=im_esma_sections%3A424

14. Reducing the reliance on ratings

G20/FSB Recommendations

We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. (Seoul)

Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation. (Rec IV. 8, FSF 2008)

We reaffirm our commitment to reduce authorities' and financial institutions' reliance on external credit ratings, and call on standard setters, market participants, supervisors and central banks to implement the agreed FSB principles and end practices that rely mechanistically on these ratings. (Cannes)

We call for accelerated progress by national authorities and standard setting bodies in ending the mechanistic reliance on credit ratings and encourage steps that would enhance transparency of and competition among credit rating agencies. (Los Cabos)

We call on national authorities and standard setting bodies to accelerate progress in reducing reliance on credit rating agencies, in accordance with the FSB roadmap. (St Petersburg)

Remarks

Jurisdictions should indicate the steps they are taking to address the recommendations of the May 2014 FSB thematic peer review report on the implementation of the FSB Principles for Reducing Reliance on Credit Ratings, including by implementing their agreed action plans. Any revised action plans should be sent to the FSB Secretariat so that it can be posted on the FSB website.

Jurisdictions may refer to the following documents:

- FSB *Principles for Reducing Reliance on CRA Ratings (Oct 2010)*
- FSB *Roadmap for Reducing Reliance on CRA Ratings (Nov 2012)*
- BCBS *Basel III: Finalising post-crisis reforms (Dec 2017)*
- IAIS ICP guidance 16.9 and 17.8.25
- IOSCO *Good Practices on Reducing Reliance on CRAs in Asset Management (Jun 2015)*
- IOSCO *Sound Practices at Large Intermediaries Relating to the Assessment of Creditworthiness and the Use of External Credit Ratings (Dec 2015)*.

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ● **Implementation completed as of** 2014

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- ○ Draft published as of
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14. Reducing the reliance on ratings

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☑ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

The UK, as a member of the EU, is subject to the requirements prescribed by EU law.
• CRD IV Article 77(2) requires competent authorities, taking into account the nature, scale and complexity of institutions' activities, to monitor that institutions do not solely or mechanistically rely on external credit ratings for assessing the creditworthiness of an entity or financial instrument.
• CRA regulation (462/2013) has the objective to decrease over reliance on ratings. The European Supervisory Authorities and the European Systematic Risk Board shall not refer to credit ratings in their GLs, recommendations and draft RTSs where such references have the potential to trigger sole or mechanistic reliance on credit ratings.
The Bank undertakes risk reviews through which it checks the adequacy of firms' credit assessment processes, taking into account the nature, scale and complexity of institutions' activities. The Bank has also (in the PRA Supervisory Statement 11/13) set out its expectations of criteria that should be met in order to use rating agency grades as a primary driver in their IRB models.
Basel III revisions to the standardised approach reduce mechanistic reliance on ratings and enhance the role of due diligence processes under Pillar 1 for assessing the creditworthiness of a bank's counterparties, and by enhancing the requirements surrounding the use of external ratings.
Basel reform on the capital framework for Securitisation (Dec 2014) moves away from reliance on external ratings for securitisation capital treatment - by changing the hierarchy of methods to be used to determine securitisation capital requirements so that the method based on external ratings is no longer the default one.
The Solvency II regime which has been applied from 2016, has placed significant emphasis on effective risk management. Specifically the regime endorses the use of internal ratings to reduce reliance on external credit ratings. The PRAs supervisory statement (CP48/16) sets expectations as to how confidence can be maintained in insurers' use of internal credit rating assessments.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

14. Reducing the reliance on ratings

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
Basel III revisions to the standardised approach reduce mechanistic reliance on ratings and enhance the role of due diligence processes under Pillar 1 for assessing the creditworthiness of a bank's counterparties, and by enhancing the requirements surrounding the use of external ratings.	CRD V and CRR II are both committed to reducing reliance over reliance on ratings.

Relevant web-links

Web-links to relevant documents	http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:176:0338:0436:En:PDF The PRA's Approach to Banking Supervision http://www.bankofengland.co.uk/publications/Documents/praapproach/bankingappr1603.pdf SS11/13 Internal Ratings Based (IRB) approaches http://www.bankofengland.co.uk/pra/Pages/publications/internalratings.aspx in particular paragraphs 12.30 and 12.31 CP48/16 Solvency II: Matching adjustment - illiquid unrated assets and equity release mortgages http://www.bankofengland.co.uk/pra/Pages/publications/cp/2016/cp4816.aspx Basel Committee Second Consultative Document: Revisions to the Standardised Approach for Credit Risk

15. Consistent application of high-quality accounting standards

G20/FSB Recommendations

Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards. (Washington)

Remarks

Jurisdictions should indicate the accounting standards that they follow and whether (and on what basis) they are of a high and internationally acceptable quality (e.g. equivalent to IFRSs as published by the IASB), and provide accurate and relevant information on financial position and performance. They should also explain the system they have for enforcement of consistent application of those standards.

Jurisdictions may want to refer to their jurisdictional profile prepared by the IFRS Foundation, which can be accessed at: http://www.ifrs.org/Use-around-the-world/Pages/Analysis-of-the-G20-IFRS-profiles.aspx.

As part of their response on this recommendation, jurisdictions should indicate the policy measures taken for appropriate application of fair value recognition, measurement and disclosure.

In addition, jurisdictions should set out any steps they intend to take (if appropriate) to foster transparent and consistent implementation of the new accounting requirements for the measurement of expected credit losses on financial assets that are being introduced by the IASB and FASB.

See, for reference, the following BCBS documents:

- *Supervisory guidance for assessing banks' financial instrument fair value practices (Apr 2009)*
- *Guidance on credit risk and accounting for expected credit losses (Dec 2015)*
- *Regulatory treatment of accounting provisions - interim approach and transitional arrangements (March 2017)*

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 2005

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15. Consistent application of high-quality accounting standards

Progress to date

Issue is being addressed through

- ☐ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☑ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

The Financial Reporting Council (FRC) is responsible for the consistent application and enforcement of accounting standards in the UK. The major financial institutions in the UK follow IFRS set by the IASB as endorsed by the EU. The Bank provides input to the standard setters on issues around consistent implementation of IFRS through its representation in the Basel Accounting Experts Group, the International Association of Insurance Supervisors, the European Banking Authority and the European Insurance and Occupational Pensions Authority (EIOPA). In addition, there are MoUs with the FRC and terms of reference for liaison between the FRC and the FPC of the Bank to discuss matters around consistent implementation of IFRS by the UK firms. On an on-going basis, the Bank continues to meet with the auditors of financial institutions (under the Code of practice for the relationship between the external auditor and the supervisor), as well as the major UK banks to discuss, amongst other matters, any implementation issues with accounting standards, including implementation of IFRS 9 on expected credit loss accounting. The Bank and FPC also continue to meet with the FRC under the terms of reference described above.

Other actions: Regulation/Guidelines: [See European Commission submission] Supervisory actions: Interactions with international standard setters, international supervisory bodies and the banking industry, as well as liaison between the UK accounting and audit regulator and the UK prudential supervisors of banks.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

15. Consistent application of high-quality accounting standards

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
	The Bank will continue to engage closely with accounting and audit standard-setters and practitioners, both in the UK and through international groups, under the frameworks set out under 'progress to date'. The Bank will continue to monitor the implementation of IFRS 9 ECL accounting by firms. We are looking in particular for: (a) concerns about the quality or consistency of application or of audit of those models, or (b) financial stability risks arising from those implementations. We are engaging internationally at Basel and EBA level on this work. The Bank is currently involved in the FSB work stream on audit quality. The Bank is monitoring the new insurance contracts accounting standard, IFRS 17, for its impact on micro- and macro-prudential objectives, which includes working with EIOPA and the IAIS.

Relevant web-links	
Web-links to relevant documents	Policy Statement PS 1/16 on engagement between external auditors and supervisors, and the PRA's disciplinary powers over external auditors and actuaries: http://www.bankofengland.co.uk/pra/Documents/publications/ps/2016/ps116.pdf Supervisory Statement SS 1/16 on written reports by external auditors to the PRA: http://www.bankofengland.co.uk/pra/Documents/publications/ss/2016/ss116.pdf

16. Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks

G20/FSB Recommendations

Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management. (Washington)

National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices. (Rec. II.10, FSF 2008)

Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets. (FSB 2009)

We commit to conduct robust, transparent stress tests as needed. (Pittsburgh)

Remarks

Jurisdictions should indicate the measures taken in the following areas:

- guidance to strengthen banks' risk management practices, including BCBS good practice documents (*Corporate governance principles for banks*, *External audit of banks*, and the *Internal audit function in banks*);
- measures to monitor and ensure banks' implementation of the BCBS *Principles for Sound Liquidity Risk Management and Supervision (Sep 2008)*;
- measures to supervise banks' operations in foreign currency funding markets;[1] and
- extent to which they undertake stress tests and publish their results.

Jurisdictions should not provide any updates on the implementation of Basel III liquidity requirements (and other recent standards such as capital requirements for CCPs), since these are monitored separately by the BCBS.

[1] Only the emerging market jurisdictions that are members of the FSB should respond to this specific recommendation.

Progress to date

- ◯ **Not applicable**
- ◯ **Applicable but no action envisaged at the moment**
- ◯ **Implementation ongoing**
- ◉ **Implementation completed as of** Senior Managers and

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ◯ Draft in preparation, expected publication by
- ◯ Draft published as of
- ◯ Final rule or legislation approved and will come into force on
- ◯ Final rule (for part of the reform) in force since

16. Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☑ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

The effectiveness of firms' risk management arrangements are monitored as part of an ongoing programme of continuous assessment. This assessment is informed by regular interaction with the directors and senior management of the firms, including those responsible for the risk function, and by periodic enterprise-wide management (EWRM) reviews, specialist reviews focussed on specific risk areas and case studies. Issues about risk culture and the effective monitoring and management of risk are also addressed in the context of board effectiveness and other governance reviews. Senior Managers and Certification Regime - on 7 Mar 2016, the PRA and FCA introduced a new regulatory framework for individuals working in deposit-takers and PRA-designated investment firms known as the Senior Managers and Certification Regime (SM&CR). The SM&CR seeks to strengthen individual accountability and corporate governance firms through: - a clear allocation of responsibility to the most senior individuals; - explicit legal obligations on institutions to assess and certify the fitness and propriety of risk-taking employees at the point of appointment and annually thereafter; - rules of professional conduct which apply to virtually all employees. The SM&CR's emphasis on individual accountability complements and reinforces collective decision-making. In particular, it recognises that collective decisions do not arise in a vacuum, but stem from input by individuals with defined responsibilities who should be accountable. While the SM&CR has been in force for just over two years, there are indications that it is having a positive impact. In particular: - the emphasis on defined individual responsibilities has driven institutions to clarify and, in some cases review their governance and decision-making processes. As a result, there is now a clearer understanding on who has overall responsibility for institutions'' key areas and activities. The statutory requirement on Senior Managers to take reasonable steps in the performance of their duties has strengthened institutions' succession planning, delegation and handover policies and processes. The PRA and FCA have a legislative mandate to extend the SM&CR to all regulated financial services firms, and have consulted on the extension. Liquidity: BCBS Principles for sound liquidity risk management and supervision: The Bank implemented the update in its prudential liquidity regime, which went live in 2010. (The requirements on firms and information on the supervisory review process were set out in chapter 12 of the PRA's Prudential Sourcebook for banks, building societies and investment firms). New rules and a supervisory statement were published in PS 11/15 which carry over the requirements and expectations for firms' liquidity risk management into post-LCR policy material. The EBA issued guidelines on the supervisory review process, including for liquidity, in Dec 2014. Stress testing: The Bank's concurrent stress testing framework was established in Mar 2013. The framework builds on the previous approach taken by the PRA (and the FSA before that), under which supervisory stress tests had been conducted sequentially by individual banks. The Bank produced a discussion paper setting out the main features of the proposed stress-testing framework in the medium-term in Oct 2013 and published 'The Bank of England's approach to stress testing the UK banking system' in Oct 2015. This document aims to provide clarity for firms and the wider public about our plans until 2018. It has been informed by the lessons learnt during the concurrent stress tests conducted in 2014 and 2015 and feedback to the 2013 Discussion Paper. The Bank has run three concurrent stress tests since the Mar 2013 FPC recommendation, and are in the process of running two new scenarios. The 2014 stress test focused on risks to the UK household sector; the 2015 stress test focused more on global risks associated particularly with

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

16. Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date

Relevant web-links	
Web-links to relevant documents	CRD IV - Liquidity policy statement: http://www.bankofengland.co.uk/pra/Pages/publications/ps/2015/ps1115.aspx

17. Enhanced risk disclosures by financial institutions

G20/FSB Recommendations

Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate. (Washington)

We encourage further efforts by the public and private sector to enhance financial institutions' disclosures of the risks they face, including the ongoing work of the Enhanced Disclosure Task Force. (St. Petersburg)

Remarks

Jurisdictions should indicate the status of implementation of the disclosures requirements of IFRSs (in particular IFRS 7 and 13) or equivalent. Jurisdictions may also use as reference the recommendations of the October 2012 report by the Enhanced Disclosure Task Force on *Enhancing the Risk Disclosures of Banks* and *Implementation Progress Report by the EDTF (Dec 2015)*, and set out any steps they have taken to foster adoption of the EDTF Principles and Recommendations.

In addition, in light of the new IASB and FASB accounting requirements for expected credit loss recognition, jurisdictions should set out any steps they intend to take (if appropriate) to foster disclosures needed to fairly depict a bank's exposure to credit risk, including its expected credit loss estimates, and to provide relevant information on a bank's underwriting practices. Jurisdictions may use as reference the recommendations in the report by the Enhanced Disclosure Task Force on the *Impact of Expected Credit Loss Approaches on Bank Risk Disclosures (Nov 2015)*, as well as the recommendations in Principle 8 of the BCBS *Guidance on credit risk and accounting for expected credit losses (Dec 2015)*.

In their responses, jurisdictions should not provide information on the implementation of Basel III Pillar 3 requirements, since this is monitored separately by the BCBS.

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 2014 - but an area of

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

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17. Enhanced risk disclosures by financial institutions

Progress to date

Issue is being addressed through

- ☐ Primary / Secondary legislation
- ☐ Regulation / Guidelines
- ☑ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

Short description of the content of the legislation/regulation/guideline/other actions
The major UK banks comply with the disclosure requirements as set out in the IFRSs as endorsed by the EU. In 2013, the Financial Policy Committee (FPC) recommended that "The PRA should ensure that all major UK banks and building societies comply fully with the Oct 2012 recommendations of the Enhanced Disclosure Task Force (EDTF) upon publication of their 2013 annual reports." Given the overall high level of compliance, and plans to improve disclosure further, it was judged in the FPC's Q3 2014 meeting that this recommendation had been implemented. Since then, the PRA has continued to engage with the major UK banks on how their disclosures should continue to evolve in line with the EDTF principles. With a significant proportion of UK firms implementing IFRS 9 during 2018, the PRA has engaged with firms on both transitional and ongoing disclosures relating to the use of expected credit loss accounting (ECL).

Other actions: Engagement with firms If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

17. Enhanced risk disclosures by financial institutions

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
The Bank continues to work with the major UK banks and building societies directly and via UK Finance, to enhance their disclosures in their financial reports on an on-going basis. Over the past few years, there has been specific engagement on disclosures related to the implementation of expected credit loss accounting standards (IFRS 9). This engagement has taken into account the EDTF's recommendations on this subject, and the PRA has encouraged major firms to ensure their disclosures on this topic promote transparency and comparability. During 2017 and 2018, the PRA has worked with firms to establish expectations regarding IFRS 9 transition disclosures. These were set out in a letter to firms in Jan 2018 (see link below). The PRA has also supported industry-led work to develop high quality ongoing disclosures regarding ECL.	Work is ongoing with industry on ECL-related disclosures to assist comparability across firms.

Relevant web-links	
Web-links to relevant documents	http://www.bankofengland.co.uk/publications/Pages/Records/fpc/2013/record1307.aspx http://www.bankofengland.co.uk/publications/Pages/Records/fpc/2014/1410.aspx https://www.bankofengland.co.uk/prudential-regulation/letter/2017/transition-disclosures-for-ifrs9-financial-instruments http://www.fsb.org/implementation_monitoring/g20_leaders_declaration_washington_2008.pdf http://www.fsb.org/implementation_monitoring/g20_leaders_declaration_saint_petersburg_2013.pdf

18. Strengthening of national deposit insurance arrangements

G20/FSB Recommendations

National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed. (Rec. VI.9, FSF 2008)

Remarks

Jurisdictions that have not yet adopted an explicit national deposit insurance system should describe their plans to introduce such a system.

All other jurisdictions should describe any significant design changes in their national deposit insurance system since the issuance of the revised IADI *Core Principles for Effective Deposit Insurance Systems* (November 2014).

In addition, jurisdictions should indicate if they have carried out a self-assessment of compliance (based on IADI's 2016 Handbook) with the revised Core Principles:

- If so, jurisdictions should highlight the main gaps identified and the steps proposed to address these gaps;
- If not, jurisdictions should indicate any plans to undertake a self-assessment exercise.

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ● **Implementation completed as of** End 2015

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

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18. Strengthening of national deposit insurance arrangements

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☐ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

In 2015, the Bank made significant revisions to the deposit guarantee scheme (FSCS) rules in the UK. Prior to these revisions, firms were required to be able to provide information on their covered deposits within 72 hours. The new requirements reduced the data provision timeline to 24 hours (on 1 Dec 2016). In addition, the data requirements were extended to include large corporate accounts and other accounts such as beneficiary accounts. This will facilitate faster pay out to the majority of depositors within a target of 7 days. On 3 Jul 2015 the UK deposit limit was set at £75,000 which was in line with €100,000 as required under the Deposit Guarantee Schemes Directive (DGSD). Firms were required to notify affected depositors of the change to the deposit limit.

In Sep 2016, the PRA published final rules implementing risk-based levies following DGSD and EBA guideline requirements. Firms were subject to their first risk based levies in Jul 2017.

The DGSD requires non-euro Member States to adjust their deposit protection limits every five years to ensure that they remain equivalent to €100,000. In addition, Member States must make an earlier adjustment following the occurrence of unforeseen events such as currency fluctuations. Taking into consideration developments in financial markets following the UK's referendum vote to leave the European Union, including with respect to the GBP/EUR exchange rate, the PRA considered that a structural shift in the exchange rate occurred. Therefore, in Jan 2017 the PRA published final rules resetting the deposit limit at £85,000 as of 30 Jan 2017.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

18. Strengthening of national deposit insurance arrangements

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
DGS Stress Testing: Pursuant to EBA guidelines, the FSCS has embarked on a formal testing plan to stress test its systems, funding and operational capabilities. These tests include cross-border testing of home/host cooperation under the DGSD and a continuation of routine testing of firms' single customer view (SCV) files.	

Relevant web-links

Web-links to relevant documents	http://www.bankofengland.co.uk/pra/Pages/publications/ps/2016/ps2516.aspx http://www.bankofengland.co.uk/pra/Pages/publications/ps/2017/ps117.aspx

19. Enhancing market integrity and efficiency

G20/FSB Recommendations

We must ensure that markets serve efficient allocation of investments and savings in our economies and do not pose risks to financial stability. To this end, we commit to implement initial recommendations by IOSCO on market integrity and efficiency, including measures to address the risks posed by high frequency trading and dark liquidity, and call for further work by mid-2012. (Cannes)

Remarks

Jurisdictions should indicate whether high frequency trading and dark pools exist in their national markets.

Jurisdictions should indicate the progress made in implementing the recommendations:

- in relation to dark liquidity, as set out in the IOSCO Report on Principles for Dark Liquidity (May 2011).
- on the impact of technological change in the IOSCO Report on Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency (Oct 2011).
- on market structure made in the IOSCO Report on Regulatory issues raised by changes in market structure (Dec 2013).

Progress to date

- ◯ **Not applicable**
- ◯ **Applicable but no action envisaged at the moment**
- ◯ **Implementation ongoing**
- ◉ **Implementation completed as of** Further changes to the

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19. Enhancing market integrity and efficiency

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [x] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

MiFID II applies in the UK since 3 Jan 2018 and together with the Market Abuse Regulation provides a comprehensive regulatory and supervisory regime aimed at ensuring the resiliency, integrity, transparency and efficiency of financial markets.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

19. Enhancing market integrity and efficiency

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
MiFID II started to apply from 3 Jan 2018.	

Relevant web-links

Web-links to relevant documents	MiFID II and MAR legislation can be found on the European Commission's homepage at https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-markets/securities-markets_en

20. Regulation and supervision of commodity markets

G20/FSB Recommendations

We need to ensure enhanced market transparency, both on cash and financial commodity markets, including OTC, and achieve appropriate regulation and supervision of participants in these markets. Market regulators and authorities should be granted effective intervention powers to address disorderly markets and prevent market abuses. In particular, market regulators should have, and use formal position management powers, including the power to set ex-ante position limits, particularly in the delivery month where appropriate, among other powers of intervention. We call on IOSCO to report on the implementation of its recommendations by the end of 2012. (Cannes)

We also call on Finance ministers to monitor on a regular basis the proper implementation of IOSCO's principles for the regulation and supervision on commodity derivatives markets and encourage broader publishing and unrestricted access to aggregated open interest data. (St. Petersburg)

Remarks

Jurisdictions should indicate whether commodity markets of any type exist in their national markets.

Jurisdictions should indicate the policy measures taken to implement the principles found in IOSCO's report on *Principles for the Regulation and Supervision of Commodity Derivatives Markets (Sep 2011)*.

Jurisdictions, in responding to this recommendation, may also make use of the responses contained in the update to the survey published by IOSCO in September 2014 on the principles for the regulation and supervision of commodity derivatives markets.

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 3 Jan 2018

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on 3 Jan 2018
- ○ Final rule (for part of the reform) in force since

20. Regulation and supervision of commodity markets

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☑ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

The FSA (as it then was) participated in the IOSCO survey on compliance with the IOSCO Principles for the regulation and Supervision of Commodity Derivatives Markets and was noted as broadly compliant with those principles. This survey was repeated during the second half of 2014. In the 2014 exercise it was anticipated that areas which may benefit from enhanced powers will be covered through the implementation of MiFID 2.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

20. Regulation and supervision of commodity markets

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
IOSCO has agreed at its Board meeting in May 2018 to conduct a third and final review of the IOSCO Commodity Market Principles to assess the extent of their implementation. The UK will be included within the consolidated responses provided on behalf of all European Union members of Committee 7. This will be presented at the Nov IOSCO Board meeting.	

Relevant web-links	
Web-links to relevant documents	

21. Reform of financial benchmarks

G20/FSB Recommendations

We support the establishment of the FSB's Official Sector Steering Group to coordinate work on the necessary reforms of financial benchmarks. We endorse IOSCO's Principles for Financial Benchmarks and look forward to reform as necessary of the benchmarks used internationally in the banking industry and financial markets, consistent with the IOSCO Principles. (St. Petersburg)

Collection of information on this recommendation will continue to be deferred given the forthcoming FSB progress report on implementation of FSB recommendations in this area, and ongoing IOSCO work to review the implementation of the IOSCO *Principles for Financial Benchmarks*.

22. Enhancing financial consumer protection

G20/FSB Recommendations

We agree that integration of financial consumer protection policies into regulatory and supervisory frameworks contributes to strengthening financial stability, endorse the FSB report on consumer finance protection and the high level principles on financial consumer protection prepared by the OECD together with the FSB. We will pursue the full application of these principles in our jurisdictions. (Cannes)

Remarks

Jurisdictions should describe progress toward implementation of the OECD's *G-20 high-level principles on financial consumer protection (Oct 2011)*.

Jurisdictions may also refer to OECD's *September 2013 and September 2014 reports* on effective approaches to support the implementation of the High-level Principles. The effective approaches are of interest across all financial services sectors – banking and credit; securities; insurance and pensions – and consideration should be given to their cross-sectoral character when considering implementation.

Jurisdictions should, where necessary, indicate any changes or additions that have been introduced as a way to support the implementation of the High-level Principles, to address particular national terminology, situations or determinations.

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 1 April 2013

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

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22. Enhancing financial consumer protection

Progress to date

Issue is being addressed through

- ☐ Primary / Secondary legislation
- ☐ Regulation / Guidelines
- ☑ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

Other actions: The FCA has participated in the G20/OECD Task Force on Financial Consumer Protection since its inception. Since Mar 2016, the FCA chairs the Task Force.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

22. Enhancing financial consumer protection

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
The FCA has pursued a number of initiatives over the past 12 months which demonstrate how its approach to protecting consumers is aligned with the G20/OECD Principles. Our approach to consumer protection aims to take account of the diverse characteristics of today's consumers, as well as the external environment. For example we have started a 'Financial Lives' tracking survey to give the FCA unique insights into people's experiences of retail financial products and services. We have built the results of our first survey of 13,000 UK consumers into our consumer protection work. The survey complements our work on the FCA's Mission, which we launched last year. The Mission provides a framework to underpin our decision-making and helps to prioritise our consumer protection work. This is an example of how we have developed our approach on principle 1 – the role of oversight bodies. Traditionally, regulators have tended to concentrate on 'risks' to their objectives. The Mission sets out a fundamental switch by concentrating on 'harm' to customers and markets, giving us more of an external focus. We have expanded this thinking in our Future Approach to Consumers document, which explains in detail how our Mission fits in with our consumer protection work. Other examples this year include our continued focus on principle 6 – responsible business conduct. We work with firms to ensure their purpose, leadership, governance arrangements and approach to rewarding staff do not lead to harm to customers. A key piece of work this year has been to expand our Senior Managers and Certification Regime to a wider group of firms. This regime focuses on responsibility and accountability of individuals, so that a senior manager has to take responsibility for the activities under their control and be accountable for that responsibility. On principle 10 – competition, a major piece of work has been our asset management study, conducted under the FCA's powers as a competition regulator. Through this study we identified several drivers of weak competition in a number of areas of the asset management sector and have set out proposed changes as a result. Taken together, our remedies seek to address	

Relevant web-links	
Web-links to relevant documents	

List of abbreviations used

The PRA was created as a part of the Bank of England (hereafter referred to as the Bank) by the Financial Services Act (2012) and is responsible for the prudential regulation and supervision of around 1,700 banks, building societies, credit unions, insurers and major investment firms. The PRA"s objectives are set out in the Financial Services and Markets Act 2000 (FSMA). The PRA has three statutory objectives: 1. a general objective to promote the safety and soundness of the firms it regulates; 2. an objective specific to insurance firms, to contribute to the securing of an appropriate degree of protection for those who are or may become insurance policyholders; and 3. a secondary objective to facilitate effective competition. The PRA advances its objectives using two key tools. First through regulation, it sets standards or policies that it expects firms to meet. Second through supervision, it assess the risks that firms pose to the PRA"s objectives and, where necessary, take action to reduce them. While the PRA is part of the Bank, it is referred to as its own entity where appropriate throughout the survey to highlight that the activities and framework that are a result of its role as prudential regulator and supervisor.

ABCP: Asset-back Commercial Paper
ACS: Annual cyclical scenario
AIFM: Alternative Investment Fund Managers
BBA: British Bankers Association
CCyB: Countercyclical capital buffer
CRR/CRD: Capital Requirements Regulation/Directive
ESMA: European Securities and Markets Authority
FCA: Financial Conduct Authority
FPC: Financial Policy Committee (within the Bank of England)
FRC: Financial Reporting Council (responsible for consistent application and enforcement of accounting standards in the UK)
HMT: Her Majesty"s Treasury
IOSCO: International Organization of Securities Commissions
MoU: Memoranda of Understanding
PRA: Prudential Regulatory Authority
SCR: Sectoral Capital Requirements
SDC: Supervisory Development Centres
SM&CR: Senior Managers and Certification Regime
TFSM: Task Force on Securitisation Markets
UCIT: Undertakings for the Collective Investment of Transferable Securities

Sources of recommendations

- Hamburg: G20 Leaders' Communique (7-8 July 2017)
- Hangzhou: G20 Leaders' Communique (4-5 September 2016)
- Antalya: G20 Leaders' Communique (15-16 November 2015)
- Brisbane: G20 Leaders' Communique (15-16 November 2014)
- St Petersburg: The G20 Leaders' Declaration (5-6 September 2013)
- Los Cabos: The G20 Leaders' Declaration (18-19 June 2012)
- Cannes: The Cannes Summit Final Declaration (3-4 November 2011)
- Seoul: The Seoul Summit Document (11-12 November 2010)
- Toronto: The G-20 Toronto Summit Declaration (26-27 June 2010)
- Pittsburgh: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
- London: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
- Washington: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
- FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
- FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
- FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)
- FSB 2012: The FSB Report on Increasing the Intensity and Effectiveness of SIFI Supervision (1 November 2012)