Regulatory Radar
January 2017

Reporting period 1 till 31 January 2017
Regulatory Radar January 2017

Quick Links

Regulatory Radar

Cluster

Prudential Consumer Protection Structural Reform Capital Markets

Key Themes

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<tr>
<th>Kategorie</th>
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<th>Beschreibung</th>
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<tbody>
<tr>
<td>Risiko- Management</td>
<td>Steuerung und Evaluation Prozess</td>
<td>Leitlinien zum formalen Überprüfung- und Evaluationprozess (SREP) erstellt. SREP soll eine umfassende Bewertung eines Instituts und eines beliebig vorgegebenen Szenarios vorgenommen werden. SREP soll sicherstellen, dass der Risikokontext des Instituts berücksichtigt wird und dass der Risikokontext der Eintrittswahrscheinlichkeit der Risiken entspricht.</td>
</tr>
</tbody>
</table>

Timeline

[Graph showing timeline with specific dates marked]
This month’s key themes

- EBA – IRBA - Authorisation for the use of abridged data histories
- ESMA – MiFID II - Transaction reporting requirements

Legend:

1. Action for EY clients
   - High
   - Low

2. Degree of changes in month
   - High
   - Low

3. Changes to previous month
International/EU
## Capital IRBA: Authorisation for the use of shortened data histories

Delegated Regulation on specifying conditions for data waiver permissions published.

The main conditions are:
- Evidence for the lack of appropriate longer data series
- Data waiver permissions shall only be granted for the first 5 years from the date an institution started implementing the IRB Approach
- Exposures which were not included in the portfolio at the time when the institutions first implements the IRB Approach shall also not be allowed for data waiver permission
- Exclusion of exposures to central governments, central banks and institutions from the data waiver permission
- Inclusion of exposures to corporates only if there are not structurally characterized by few or no observed defaults.

The Delegated Regulation is addressed to all authorities and institutions which want to apply the IRB Approach.

It is based on Art.180 (3)(a), Art.181 (3)(b) and Art.182 (4)(b) of the Regulation (EU) Nr. 575/2013 (CRR).

See EY Regulatory Radar 01/2015.
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<tbody>
<tr>
<td></td>
<td>CRR- editorial changes</td>
<td>Note: The corrigendum of the Regulation (EU) No. 596/2014 is published in the Journal of the European Union. Art. 19 (2) Entities excluded from the scope of prudential consolidation, Art. 36 (1) Deductions from Common Equity Tier 1 items, Art. 56 Deductions from Additional Tier 1 items, and Art. 284 (6) Exposure value (CCR). The corrigendum contains editorial changes and an amendment to the formula concerning the effective expected positive exposure (effective EPE) of Art.284 (6) CRR.</td>
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<tr>
<td></td>
<td>List of Danish O-SIs</td>
<td>Note: Notification of DFSA about 6 Systemic important institutes in Denmark. For this institutions higher buffer according to CRD are required.</td>
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Liquidity Reporting

BCM: Banking & Capital Markets; AM: Asset Management; INS: Insurance; O: Overall
### Regulatory Radar

**Prudential (3/3)**

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<tbody>
<tr>
<td>Risk Management &amp; Governance</td>
<td>Leverage Ratio</td>
<td>No updates this month</td>
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<tr>
<td>Risk Data</td>
<td>No updates this month</td>
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</tbody>
</table>

BCM: Banking & Capital Markets; AM: Asset Management; INS: Insurance; O: Overall
### Regulatory Radar

**Consumer Protection (1/1)**

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</table>
| Consumer Protection       | MiFID II: Transaction reporting requirements                           | Guidelines (final) for transaction reporting and technical requirements & templates detailing the relevant reporting requirements under MiFID II and MIFIR. Increased scope of regulatory requirements on reporting entities in the following areas:  
  ► reference data,  
  ► transparency,  
  ► double volume cap and  
  ► transaction reporting directly to NCAs.                                                                                                     | ESMA      | BCM     | The provision of additional data by reporting entities to submit transaction reports as well as the mechanism to be used by them, includes further validations, schemas and technical specifications. Hence:  
  ► institutions may need to capture additional data and/or have additional operational costs  
  ► institutions may need to review their processes and controls, as well as start planning for transition to MiFID II.                                                                                     | Reference data: July 2017; Transparency data & double volume cap data: Sept. 2017; Transaction reporting: 03.01.2018 |


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**Compliance**  
No updates this month

**Money Laundering**  
No updates this month

**Privacy Policy**  
No updates this month

**Reporting**  
No updates this month
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</thead>
<tbody>
<tr>
<td>Banking structure reform</td>
<td>No updates this month</td>
<td></td>
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<tr>
<td>Tier banking system</td>
<td>No updates this month</td>
<td></td>
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<tr>
<td>Deposit Guarantee Directive</td>
<td>No updates this month</td>
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<tr>
<td>Audit Reform</td>
<td>No updates this month</td>
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<tr>
<td>Single Supervisory Mechanism</td>
<td>No updates this month</td>
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BCM: Banking & Capital Markets; AM: Asset Management; INS: Insurance; O: Overall
## Shadow Banking

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</table>
| Shadow Banking    | Re-hypothecation and collateral re-use | Note: FSB-Report regarding Re-hypothecation and collateral re-use: Potential financial stability issues, market evolution and regulatory approaches published. Main Content  
► potential financial stability issues and explanation of the evolution of market practices and current regulatory approaches to the re-hypothecation of client assets and collateral re-use.  
► possible harmonisation of regulatory approaches to the re-hypothecation of client assets and any residual financial stability risks associated with collateral re-use.  
The FSB encourages its member jurisdictions to implement a common basis for authorities to design their regulations with respect to re-hypothecation of client assets. The FSB furthermore encourages authorities to consider monitoring collateral re-use activities beyond securities financing transactions as appropriate. |                             |                              |        |          |

| non-Cash Collateral Re-Use | Note:  
FSB- Report regarding Transforming Shadow Banking into Resilient Market-based Finance: non-Cash Collateral Re-Use published. | FSB members have agreed to transmit the national aggregated data to the FSB for global aggregation so as to assess global trends in non-cash collateral re-use. |                             |                              |        |          |
### Market infrastructure and commercial activities

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<tbody>
<tr>
<td><strong>EMIR: Exemptions of collateralisation for intragroup transactions</strong></td>
<td>Note: Conditions/ formulars for the design of the applications of financial and non-financial counterparties with regard to Art. 4 EMIR and third party dimension published. In case counterparties are not based in the same member states, financial (FC) and nonfinancial counterparties (NFCs) can be exempted from collateral obligations under the conditions of Article 11 para. 6 - 10 EMIR.</td>
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</table>
| **EMIR: Amendments of Reporting - Requirements to trade repositories** | Note: Delegating Regulation in connection with EMIR about the minimum details of the data to be reported to trade repositories published in the Journal of European Union. | | | | See EY Regulatory Radar 10/2016.
<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>EMIR - risk-mitigation techniques for not centrally cleared OTC-derivative - Correction</td>
<td>Note: Correction for Art. 37 of Delegated Regulation (EU) 2016/2251 supplementing Regulation (EU) No 648/2012 (EMIR) by the addition of two new paragraphs published by the European Commission. With this correction the originally intended phase-in provision on variation margin requirements to intra-group transactions will be introduced.</td>
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<td></td>
<td>EMIR: Trade Repositories</td>
<td>Note: Guideline (Consultation paper) on transfer of data between trade repositories (TRs) authorised under EMIR published. The guidelines mainly contain:</td>
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<td></td>
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<td>► ensuring competitive multiple-TR environment, and that TR participants can benefit from competing offers,</td>
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<td></td>
<td></td>
<td>► ensuring quality and aggregation of data available to authorities, even when the TR participant changes the TR to which it reports, and</td>
<td></td>
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<td></td>
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<td>► ensuring always consistency, continuity and harmonization of transfer records from one TR to another TR, including the withdrawal of registration of a TR.</td>
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<td></td>
<td></td>
<td>The proposed guidelines effects the TRs as well as TR participants, reporting entities, counterparties and central counterparties (CCPs).</td>
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BCM: Banking & Capital Markets; AM: Asset Management; INS: Insurance; O: Overall
### Investment Capital

**Asset Management**

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<tbody>
<tr>
<td>Investment</td>
<td>Capital</td>
<td>Note: Final recommendations to address structural vulnerabilities from asset management activities published by FSB.</td>
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<tr>
<td></td>
<td></td>
<td>The 14 recommendations seek to address four financial stability risks: ► liquidity mismatch between fund investments and redemption terms and conditions for fund units; ► leverage within investment funds; ► operational risk and challenges in stressed conditions; and ► securities lending activities of asset managers and funds.</td>
<td></td>
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<td></td>
<td></td>
<td>No major changes compared to the consultation.</td>
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<td></td>
<td></td>
<td>Some of the recommendations will be operationalised by the IOSCO. IOSCO has been asked to complete its work on the liquidity recommendations by the end of 2017 and on leverage measures by the end of 2018. The FSB will regularly review progress in the operationalisation and implementation of the recommendations.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>See EY Regulatory Radar 06/2016.</td>
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</table>

**Other Market participants**

No updates this month

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BCM: Banking & Capital Markets; AM: Asset Management; INS: Insurance; O: Overall
Denmark
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<tr>
<td>Capital</td>
<td>PSD2</td>
<td>Draft to law regarding payment Draft on Law regarding Payment Services and Electronic Money (lovbekendtgørelse nr. 613 af 8. maj 2015 om betalingstjenester og elektroniske) is in public consultation. The purpose is to adjust the national legislation to fit the revolution of technology and hereby the implementation of the Directive on Payment Services (PSD2 Directive). The main changes are: ► Mew market players that can operate in the market for payment services (providers of account information services and payment initiation services) ► Requirement to deliver upon request from third party information on payment accounts to third party if the customer has given his/her consent ► Increased requirements in relation to authentication ► Prohibition on profiling of customers ► Preserve Danish special rules on cash payments</td>
<td>Danish FSA</td>
<td>BCM</td>
<td>The consequences can be: ► - New administrative burdens on the banks and payment institutions as a consequence of the requirement and obligation to deliver account information to the account information service providers. ► - A need for the institutions to update internal policies and procedures, ► - Account information services and payment initiation services are introduced as new market players. Account information service providers must be registered at the Danish FSA and are not subject to a capital requirement. ► Payment institutions must obtain permission from the Danish FSA. Danish special rules: ► Duty to hold and receive payment in cash is preserved (however no longer from 22:00 to 06.00) ► Prohibition on profiling of customers regardless if the customer gives his/her consent</td>
<td>Deadline for comments and remarks to the Danish FSA on 06.02 2017. Deadline for implementation of PSD2 Directive in national law is 13.01.2018. Implementation expected in national law 01.01.2018</td>
</tr>
<tr>
<td>Big prospectus</td>
<td></td>
<td>The note contains advices concerning public offering of securities or admission to trading on regulated markets for securities over 5.000.000 euros, as well as the Danish FSA’s procedures for approving prospectuses. ► Legal basis ► Before applying (time-plan etc) ► Application ► Processing ► Approval ► Publication ► Fee ► Further information</td>
<td>Danish FSA</td>
<td>BCM</td>
<td>Mainly formality changes: ► - when you submit the material to the Danish FSA it should be in electronical form. Also, reply from the FSA will be electronic. ► - Otherwise minor formality changes that do not have any major impact.</td>
<td>Guidance valid as of 12. January 2017</td>
</tr>
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### Regulatory Radar

#### Prudential (2/2)

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<th>Sector</th>
<th>Impact</th>
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</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Small prospectus</td>
<td>The note contains advices concerning public offering of securities or admission to trading on regulated markets for securities between 1.000.000 euros and 5.000.000 euros. Please note that the draft on law of capital markets is suggesting that the small prospectus rules shall not be continued. Guidance on: 1. Under which circumstances do the rules apply? 2. Where can I find the rules? 3. What is the estimated processing time? 4. How do I submit a prospectus? 5. What is checked by the FSA? 6. How will the final approval and publication be carried out? 7. Tips for drawing up the prospectus</td>
<td>Danish FSA</td>
<td>BCM</td>
<td>Mainly formality changes: the department where you are able to ask questions regarding the prospectus rules is now changed to the Office of Capital Markets in FSA (Finanstilsynets Kapitalmarkedskontor). The Check List have a specification regarding the scope areas. It is specified that is the market value and possible costs (e.g. fees), that are imposed on the investor, that determines the value/size of the tender.</td>
<td>Guidance valid as of 12 January 2017</td>
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## Regulatory Radar

### Consumer Protection (1/2)

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| Consumer protection    | AML   | The draft implements parts of the latest international standards of the Financial Action Task Force from 2012 and the European Parliament and Council Directive 2015/849/EU of 20 May 2015 on prevention of the use of the financial system for money laundering and the finance of terror (fourth Anti Money Laundry Directive). The changes covers a different approach going from current regulation being primarily rule-based to become more risk-based. The purpose of this draft bill is to strengthen the effort to prevent money laundering and terror finance by further disclosure of financial transactions. | Ministry of Business and INS (life) | BCM and INS (life)     | The implementation of the 4th AML Directive as well as recommendations from Financial Action Task Force covered but is not limited to the following material possible impact:  
- The regulation changes to a risk approached regulation as financial companies and other companies in scope must asses the risk of each customer and divide the costumers in risk groups.  
- The scope of the law is amended to cover among others game providers and FAIF with direct costumer contact.  
- Need for review of current policies and procedures due to change of processes  
- Further requirements regarding beneficial owners  
- Requirements to identify national Political exposed persons.  
- The bill was presented October 13th 2016. Some adjustments and clarifications has been amended during the committee.  
  Deadline for changes to the bill was January 10th 2017  
  The second reading will be on February 28th 2017 as the law is expected to enter into force June 26th 2017 | The bill was introduced in the Danish parliament on October 13th 2016. Some adjustments and clarifications has been amended during the committee.  
  Deadline for changes to the bill was January 10th 2017  
  The second reading will be on February 28th 2017 as the law is expected to enter into force June 26th 2017 |

**Non-life insurance**  
The changes covers:  
- non-life insurance companies from other EU member states or EØS countries that operates in the Danish market through branches will be able to participate in the Danish Guarantee Fund (Garantifonden) on equal terms as Danish companies.  
- commit insurance agent institutions, administration companies, sub-agencies and insurance distribution companies when doing advertisement of a non-life contract must specify which insurance company the insurance will belong to if the insurance company is covered by a guarantee, that will cover the receivables of the client in case of bankruptcy and the name of such guarantee.  
- Introduce new information obligations for insurance agents among others, when conducting marketing initiatives and sales of non-life agreements.  

**Danish FSA**  
The bill can potentially have the following consequences:  
- increased investor protection as a consequence of foreign companies joining the Guarantee Scheme (Garantiordningen)  
- increased information obligations for insurance agencies, administration companies, sub-agencies and insurance distribution companies.  
- Costs in relation to the Guarantee Scheme (Garantifonden) for branches of foreign companies among others.  
- When joining the Guarantee Fund foreign companies and institutions must pay a one-time fee and afterwards a on-going contribution.  

**Implementatio**  
Deadline of hearing: 22.02.2017  
The bill is expected in March 2017
### Consumer Protection (Real Estate)

The political agreement will give the real estate owners decreased costs when conducting changes to their mortgages. Also, notification of price changes should be given sooner, now 6 months prior to instead of 3 months prior to an increase in contribution rates, interest payments and other fees.

The purpose is to focus on mortgage in Denmark in relation to the increased capital requirements from Basel/CRD IV.

**Content of the agreement:**

1. Mortgage- and banks should explain their price increases better, increase transparency of price changes
2. Loan takers should be given longer notice when prices are increased for their engagements. (changed from 3 to 6 months)
3. Increased contribution rates, interest payments and other fees must be executed, if they are adequately described.
4. Less fees when repaying loans in the notice period.
5. Increased transparency on rate cuts
6. More information to the loan takes when giving notice on price increases
7. More information on allocation of costs in the loan offer from mortgage or other financial institutions
8. Better possibilities to change mortgage institute, when the lending limit is exceeded
9. Better possibility to compare and more openness
10. Higher liquidity on the mortgage bond market

**Author:** Ministry of Business  
**Sector:** BCM  
**Impact:** Increased requirements in relation to price changes, including the transparency around the drivers of the price changes as well as more specific notification requirements should increase transparency in prices.  
**Timeline:** The government will propose the necessary regulation to be implemented as soon as possible.
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<tbody>
<tr>
<td>Structural Reform</td>
<td>Recovery and resolution planning</td>
<td>The Danish FSA publishes draft of the Executive Order on choice of law in terms of crises management for financial institutions, mortgage providers and investment companies.</td>
<td>Danish</td>
<td>BCM</td>
<td>Rules made by a foreign court or authority regarding liquidation procedures or reorganization measures towards credit institutions and investment companies and their branches - with a registered office in another member state within EU or EØS - will be binding and can be executed in Denmark in the same way as it can be in the country conducting the ruling.</td>
<td>Implementatoin 01.07.2017</td>
</tr>
</tbody>
</table>
|                |                                          | The changes in relation to earlier publications are:  
► The scope of the executive order is expanded and now also includes incidents, where resolution activities in accordance with the Act on Restructuring and Resolution of selected financial institutions.  
► Investment companies are included in the scope  
► Issuers of electronic money are excluded  
► Some wording and structural adjustments are conducted that don’t cause any material impact to the Executive Order. |          |        | Other changes in relation to earlier publications are:  
► The scope of the executive order is expanded and now also includes incidents, where resolution activities in accordance with the Act on Restructuring and Resolution of selected financial institutions.  
► Investment companies are included in the scope | Deadline of hearing: 28.02.2017 |
Finland
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</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Calculation principles when calculating the equalization amount for an insurance company</td>
<td>Interpretation of FIN-SFA how the equalization amount that relates to claims ratio should be calculated for an insurance company. The statement clarifies e.g. when interest rate should be compensated and what is appropriate compensated interest rate.</td>
<td>FIN-SFA</td>
<td>INS</td>
<td>The statement may require review of current calculation practices.</td>
<td>26.1.2017</td>
</tr>
</tbody>
</table>
| Capital  | Governmental proposal regarding changing the pension trust and insurance fund law | Governmental proposal proposes that the pension trust and insurance fund law should be amended. Main content:  
- underwriting reserves could be covered by some obligations, equities, holdings and other obligations in OECD countries similarly to one’s in EEA countries.  
- quantitative restrictions in OECD countries that relates to covering the pension reserve or underwriting reserves with investments in real estate are proposed to be abated | Ministry of Social Affairs and Health | INS | The new law may enable use of larger variety assets in different geographies for underwriting reserves. | 1.4.2017 |
| Capital  | Regulation and guidelines regarding the risk and solvency assessment of a pension institution come into effect on February 2, 2017 | From 1.1.2017 onwards pension providers has to prepare a risk and solvency assessment. Due to this new obligation the current requirement of risk management plan regarding the use of insurance premiums is removed. As a part of the new solvency assessment the descriptions of use and monitoring of the employer’s solvency instalment, based on the employer’s obligation to contribute, will be included in the new risk and solvency assessment. | FIN-FSA | INS | The new regulation may require the review of current reporting practices. | 1.2.2017 |
### Regulatory Radar

**Capital Markets (1/1)**

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<tbody>
<tr>
<td>Investment</td>
<td>Working group published the statement regarding the development actions of crowdfunding market</td>
<td>Statement of a working party how the crowdfunding market should be developed.</td>
<td>Finnish Ministry of Finance</td>
<td>BCM/INS</td>
<td>Note: No impact</td>
<td>1.9.2017</td>
</tr>
</tbody>
</table>

- change of gift pledge regulation would simplify the donation of fund units
- preconditions for debt conversion should be clarified
- act on investment services should be modified to enlarge the investor basis by reckoning foundations as investors

Please refer Regulatory Radar ID's FI-11, FI-15 & FI-19
Norway
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<tbody>
<tr>
<td>Capital</td>
<td>Adaption of the capital requirement regulation to the new accounting provision regulation (IFRS 9).</td>
<td>Discussion paper (response): The FSA and Central bank of Norway emphasizes that the strict demands for loss allowances following new accounting regulation must not be diluted by including parts of the provisions in the Tier 2 capital. FSA and Central Bank of Norway supports an option that is based increasingly on accounting rules, so that adjustments in capital context are only made in relation to IFRS 9 step 1, and for the corresponding engagements by the FASB standard.</td>
<td>Central Bank of Norway and NFSA</td>
<td>BCM</td>
<td>The IFRS 9 - provisions must be included in the tier 1 capital, not in the tier 2 capital.</td>
<td>Discussion paper issued for comment by 13 January 2017</td>
</tr>
<tr>
<td>Reporting</td>
<td>Regulation for calculation of capital return for life insurance companies and pension funds</td>
<td>Regulation: The regulation extends regulations concerning the calculation of capital return in the life insurance companies etc., but is now adapted to the accounting regulations for insurance companies and the accounting regulations for pension companies.</td>
<td>NFSA</td>
<td>INS</td>
<td>Minor - technical specifications regarding the calculation of capital return for life insurers and pension funds.</td>
<td>01.01.2017</td>
</tr>
<tr>
<td>Reporting</td>
<td>Rapportering for pensjonskasser i forbindelse med årsregnskapet 2016</td>
<td></td>
<td>NFSA</td>
<td>INS</td>
<td>Minor - technical information on how to report Year End results.</td>
<td>12.01.2017</td>
</tr>
</tbody>
</table>

BCM: Banking & Capital Markets; AM: Asset Management; INS: Insurance; O: Overall
## Regulatory Radar

### Consumer Protection (1/1)

<table>
<thead>
<tr>
<th>Category</th>
<th>Theme</th>
<th>Description</th>
<th>Author Sector</th>
<th>Impact</th>
<th>Timeline</th>
</tr>
</thead>
</table>
| Consumer protection | Proposal of implementing MiFID II and MiFIR. The proposals involve substantial changes to the Securities Trading Act. | The report contains proposed amendments to the Securities Trading Act, that will contribute to more transparent and well-functioning markets and increased investor protection. The bill aims to implement forthcoming EEA rules (MiFID II and MiFIR). The Commission proposes to gather the regulation of investment firms, regulated markets and stock exchange in Securities Trading Act, and to repeal the law on regulated markets (stock exchange Act). The proposals includes:  
   • Amended rules on reporting and publication of trades in financial instruments  
   • establishment of a new type of trading (organized trading facility)  
   • regulation of algorithmic trading  
   • introduction of trade duty for clearing obligation derivatives and listed financial instruments.  
   • stricter disclosure requirements for investment firms and rules on product handling and compensation from others than the customer  
   • rules on the establishment of position limits for commodity derivatives  
   • strengthening of the FSA’s supervisory and sanction instruments | Securities Law Commission | ➤ Major impact for some players, less impact for others.  
➤ The biggest impact will be in these areas;  
➤ Market Structure - Greater transparency in the markets by forcing a greater level of trading from OTC to lit venues  
➤ Transaction Reporting - Increase in market transparency - both pre and post trade, including data on quality of execution  
➤ Investor Protection - Greater protection and information provided to counterparties to improve understanding and transparency of trades, including transparency on fee distribution and total cost  
➤ Where does the markets see the biggest challenges;  
➤ Data - Granularity and availability of data is key, with enhanced data feeds required  
➤ Systems - Fundamental changes to systems and increased demands on IT systems  
➤ Costs - How to provide greater granularity on costs to clients and impact on pricing framework  
➤ Client Communications - Need for more education and communication to clients and relationship management to smooth impact  
➤ Strategy - Focus on shape of go-forward trading model and whether existing business model is still viable given the need for greater transparency and cost implications | 03.jan.18 |

BCM: Banking & Capital Markets; AM: Asset Management; INS: Insurance; O: Overall
Sweden
### Consumer Protection (1/2)

<table>
<thead>
<tr>
<th>Category</th>
<th>Theme</th>
<th>Description</th>
<th>Author</th>
<th>Sector</th>
<th>Impact</th>
<th>Timeline</th>
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</thead>
<tbody>
<tr>
<td>Consumer Protection</td>
<td>Automated investing advice</td>
<td>Memorandum from the SFSA. The memorandum is a summary of the SFA’s views on some aspects of automated investment advice. It states, among other things, that;</td>
<td>SFSA</td>
<td>O</td>
<td>Due to upcoming regulations such as MiFID II, IDD and PRIIPs, which entails major transitions and business changes for financial institutions in order to be compliant, we are now seeing a shift in how to approach and handle investment advice going forward. The market is adjusting and changing their business strategies and product offerings in order to simplify the advise process. Automated investment advice, robo-advice, is a concrete reaction to a stricter regulation.</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>► automated services will play an increasingly important role in financial markets, ► automated advice can mean better access to investment advice, ► there are risks that need to be addressed, such as risks resulting from errors or limitations in the advising tools.</td>
<td></td>
<td></td>
<td>By this memorandum where the FSA in general is positive to automated investment advise also impacts the market to changing and develop this line of service and investment products to applicable to the automation.</td>
<td></td>
</tr>
<tr>
<td>Category</td>
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<td>Description</td>
<td>Author</td>
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</table>
| Consumer Protection | Legislative Proposal - MiFID II and MiFIR | Legislative proposal (lagrådsremiss) from the Ministry of Finance. The Ministry of Finance has proposed legislative changes in order to implement MiFID II and MiFIR. The amendments are substantial, the current rules are tightened while new rules are introduced for securities institutions and stock exchanges. Some of the proposals include:  
  ► requirement of permits for operating OTFs and some data reporting services,  
  ► requirements for control systems to manage the risks of robot trading, and,  
  ► stricter rules for advice on investments and  
  ► SFSA also get extended oversight- and sanctions capabilities. The proposal also means that Swedish law will be stricter than MiFID II in terms of investment advice on an independent basis. | Ministry of Finance | O      | This legislative proposal has a huge impact on the market. With MiFID II and MiFIR, banks and investment firms are forced to make changes across the organization in order to become compliant. New IT-systems, reporting channels, product offerings, to mention a few areas, must be changed and adjusted. In many ways the working processes internally will change not only between the first line amongst business units but across all three lines of defense. In an overall perspective this affects how the financial industry conducts business going forward. | 2018-01-03 |

BCM: Banking & Capital Markets; AM: Asset Management; INS: Insurance; O: Overall
Key Themes
### Key Themes Overview (1/9)

<table>
<thead>
<tr>
<th>Category</th>
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</thead>
</table>
| Risk data aggregation     | Risk Data & Reporting         | ‣ "Principles for the effective aggregation of risk data and risk reporting" were published in January, 2013 by BCBS 239 (EU level)  
 ‣ Second progress report on the implementation status on risk data aggregation by BCBS was published in December 2015  
 ‣ Regulation (draft) on Single Resolution Mechanism approved, including some specific points of BCBS 239. Scope and Form (Amendment of MaRisk, new Regulations) open  
 ‣ MaRisk 2/2016 contains national implementation design | Major impacts on IT architecture, the organizational and IT management, data quality framework and risk reporting | 2016 |
 ‣ Published Consultation Paper on outstanding issues related to the general revision of the rules for the trading book by BCBS December 2014  
 ‣ Final FRTB rules published; Final rules for CVA under FRTB are expected in autumn 2016  
 ‣ CRR II draft with the adoption of the final rules of the FRTB with facilities for institutes with smaller trading books (standard procedures can still use) | Fundamental revision of the guidelines for the standardized approach and internal models  
 Significant capital consumption expected | 2016/2017 |
| Securitization frame factory | Published revised version of the revision of the securitization framework by BCBS December 2014  
 ‣ Consultation Paper on delimitation / definition of simple, transparent and standardized securitization by European Commission published (Feb 2015)  
 ‣ EBA Opinion on the revision of the BCBS framework, including lower capital requirements for qualified securitization  
 ‣ European Commission has submitted Regulations on the Revision of the Securitization framework in September 2015  
 ‣ Public ECB Guidelines for the recognition of the transfer of a significant credit risk  
 ‣ Final Standard of revised securitization rules published, with integrated consultation on the STC - securitisations  
 ‣ Final EBA-Guideline on implicit support | Expected increase in capital exposure to new methods  
 Verification securitization strategy required  
 Expected impact on IT infrastructure and data management  
 Lower regulatory requirements for high quality securizations (STCs)  
 Establishment of processes to identify STC - securitisations | Partially from the end of 2015 |
| Standard approach         | Consultation on revision of the standard approach for credit risk in December 2014 published by dependence is to be reduced by external ratings and national discretions  
 ‣ 2. Consultation paper was published in December 2015, including the reintroduction of external ratings  
 ‣ Consultation paper on the treatment of accounting provisions based on Expected Credit Loss models in accordance with IFRS 9 | Analyse impact on capital requirements specific to the institution  
 Impact on business strategy  
 Higher volatility of the capital requirements | Open (first consult) |
### Key Themes

#### Overview (2/9)

<table>
<thead>
<tr>
<th>Category</th>
<th>Theme</th>
<th>Development</th>
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</table>
| Capital        | IRB approach      | ► Proposals for the revision of the existing regulatory framework by EBA (March 2015)  
► BCBS consultation paper on the revision of the IRB Approach  
► Final RTS with the aim to harmonise the evaluation methodology of the IRB approach in all EU Member States  
► Consultation paper on the treatment of accounting provisions based on Expected Credit Loss models in accordance with IFRS 9  
► Draft guideline on the estimation of PD and LGD as well as the treatment of outstanding claims | ► Significant implications for IRB institutions in case of a review of the existing regulatory framework / requirements  
► IRBA-Rating Systems to be re-calibrated  
► Depending on whether the bank is already applying IRBA or is in the approval process  
► Higher volatility of the capital requirements  
► Benchmarking exercise on internal models (credit and market risks) for 2017 | 2020 (first consult) |
| OpRisk         |                   | ► Consultative Document on the Revision of the Standard approach to calculate the OpRisk was published in October 2014  
► Final specific requirements regarding AMA were published in June 2015  
► Consultation paper published on revision of standardized approach | ► Analyse impact on capital requirements specific to the institution | Open |
| Liquidity      | NSFR              | ► Consultation paper on disclosure of NSFR published in December 2014; final standard in June 2015  
► In December 2015 EBA published the recommendation for the introduction of mandatory NSFR (application expected from January 2018)  
► European Commission has published a consultation on the implementation of the NSFR to gather information of affected parties  
► Binding introduction of NSFR proposed by CRR II | ► Operational requirements for the calculation and reporting of liquidity ratios (i.a. adjustment of the reporting process)  
► Compliance with the minimum LCR and the NSFR could affect the business model and the liquidity management | Immediately (Compliance with the NSFR from 2018) |
| LCR            |                   | ► EBA has published the Delegated Act regarding the liquidity ratio LCR, with which they specify details for calculation, in October 2014  
► Implementing Regulation regarding LCR templates under DeIVO published in March 2016  
► Draft Guidelines on the Liquidity Coverage Ratio (LCR) disclosure, in particular to uniform tools, published in May 2016 | ► Operative effort in line with the creation of notification  
► Operative additional effort due to the daily determination of LCR ratios  
► Review impact of LCR ratios on control and management | Immediately |
| ALMM           |                   | ► Final Implementing Regulation regarding ALMM report published in March 2016  
► Draft of technical implementation standard with new reporting sheet C66 for the Maturity Ladder | ► Consistent data warehouse is needed  
► Operative effort in line with the creation of notification is expected  
► Review impacts on refinancing strategy | Expected by 31.03.2016 |
### Category: Banking Structure Reform / Release Control Banks

#### Theme: Shielding Risks
- Tier banking law in June 2013 adopted (Germany)
- Published proposal on Bank structural reform of the European Commission in January 2014. There are substantive differences between the rules. National implementation of European regulation by the separation of the banking law is open.
- Basically, the ECB supports the draft regulation, but suggestions for improvement, particularly in terms of scale, market making and exceptions. The European Parliament provides a deadline for amendments of the January 27, 2015. Vote of the EU Parliament is expected April 2015.
- Hints published on the interpretation and application notes for application to thresholds for personal business, etc. by BaFin
- If necessary, Outsourcing of proprietary trading in separate Trading Entity required
- High operational implementation effort
- Significant impact on risk management, funding and derivatives business

#### Timeline: 2015

### Category: Risk Management & Governance

#### Theme: SREP - Supervisory Review and Evaluation Process
- Guideline for supervisory review and monitoring process (SREP) published in draft form.
- SREP aims at a holistic assessment of an institution and ends with a graded assignment of a credit institution (to “failing” or “likely to fail”)
- Supervisors should do a quantitative assessment of the risks of bank capital and liquidity (procedure in Germany not been provided)
- EBA published final Guidelines for SREP methods and processes in December 2014, further publications about ICAAP and ILAAP were released in end of 2015/beginning 2016
- Results stress test will be included with in SREP
- EBA published Guideline (draft) on Information and Communication Technology (ICT) Risks
- Guideline (final) on the requirements of ICAAP and ILAAP data
- Inspection and monitoring process will change fundamentally, including methods applied by the banks for determining its risk and liquidity risks
- Method changes currently only roughly recognizable, yet should prepare future directly supervised actions by the ECB on this change process (impact analysis capital requirements, need for further development in the corporate control)

#### Implementation from 2016

### Category: Interest Rate Risk

#### Theme: In Mai 2015 EBA published a guideline concerning interest rate risks in the banking book
- In June 2015 BCBS published consultative document showing two alternatives for future measurement and monitoring of interest rate risk in the banking book (IRRBB)
- Final standard for the revision of the treatment of the interest rate risk in the banking book (IRRBB)
- CRD V draft with new IRRBB framework published; The proposals largely correspond to the EBA guidelines
- BaFin’s general availability of the interest rate risk for institutions which have not yet received a legally binding decision
- General ruling regarding interest rate risk in the banking book published
- Review of procedures and methods for managing the interest rate risk
- Adaptation of existing procedures and work instructions
- Revision and adjustment of the methods used for the measurement and validation of IRRBB
- Operational impact on the calculation of additional capital and reporting requirements

#### Partially already beginning in 01.01.2016
<table>
<thead>
<tr>
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</table>
| Risk Management & Governance (cont.d.) | MaRisk 2016                   | ▶ BaFin published in February 2016 consultation draft of the amendment of MaRisk. Amendments concern IT risks, risk data aggregation, new product process, outsourcing, liquidity risk, internal audit, risk reporting  
▶ After consideration of the results of the previous consultation, BaFin has released a new draft for the 5th MaRisk amendment. | ▶ Concern analysis is carried out to identify additional requirements. In this context, the technical requirements of SREP, BCBS 239, etc., to be considered  
▶ Various implications on existing procedures, processes and systems in risk management, outsourcing, etc., for example. Are reviewing existing outsourcing relationships and contracts | Consultation until 04.07.2016; Adoption estimated in 2016                                                                                      |
| Resolution and recovery plans (incl. Resolution fonds) | Banking Resolution            | ▶ Final framework "single resolution regime and Resolution Fund" (SRM) and agreement on the "Directive on the reorganization and liquidation of credit institutions" (BRRD) in April 2014 adopted (EU-level), on June 12, 2014 published in the Official Jurnal  
▶ Overview of liability cascade published within the framework of Bank Resolution.  
▶ BRRD implementation act, so called recovery and resolution implementation act from 06.11.2014  
▶ Miscellaneous guidelines and technical standards in connection with Bank Recovery and Resolution Directive (BRRD) published, i.a. MREL and Bail-in by EU resolution authorities  
▶ Criteria and principles for an uniform contribution rate for banks to the Single Resolution Fund (EBA)  
▶ Further FSB provisions published in November 2015, i.a. on TLAC or on cross-border recognition and Bail-in clauses  
▶ Determined liability status according to the kind of financial instrument  
▶ Delegated regulation of RTS for minimum data requirements of financial contracts regarding SRM, published by the EU  
▶ Proposal with adjustments to MREL due to the adoption of the TLAC standards  
▶ CRR II draft and CRD V draft with adjustments in the field of banking structure  
▶ 20 high-level guiding principles (consultation) about guiding principle on the Internal Total Loss-absorbing Capacity of G-SIBs (Internal TLAC) published | ▶ Impact on Funding Strategy / Funding costs  
▶ Sustainable business model moves into focus  
▶ A recovery plan has to be developed  
▶ Review the capital resources and refinancing strategy  
▶ Affected institutes need to ensure that in each individual case be appropriate information  
▶ As of 01.01.2017 a separate ranking class is created within the insolvency claims under § 38 of the Insolvency Code (InsO) for certain unsecured, unsubordinated liabilities of CRR institutions. | SRM: January 2016                                                                                                                                  |
<table>
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</table>
| Resolution and recovery plans (incl. Resolution fonds) | Recovery Plans | ▶ Recovery and Resolution act with requirements on the design of restructuring plans comes into force (Basis: BRRD)  
▶ MaSan under revision  
▶ Final Policy for the design of rehabilitation plans by EBA in June 2014 published; RTS specify the corresponding requirements for Redevelopment and resolution plans (July 2014)  
▶ Delegated regulation specify the circumstances in which contributions can be postponed or an exclusion is possible  
▶ Draft of delegated regulation on resolution and recovery plans  
▶ Comparative analysis of governance arrangements and indicators of recovery plans published by the EBA  
▶ Draft for MaSan Regulation by BaFin | ▶ Application to all CRR institutions, unless an exemption according to § 20 SAG exist  
▶ Restructuring plan has to be set up upon request by BAFIN  
▶ Differences with MaSan from April 2014 | Entry into force 1.1.2015 |

| Single Supervisory Mechanism | AnaCredit (Analytical Credit Dataset) | ▶ Decision establishing a common European credit register by ECB adopted on 24 February 2014; Work prior request are published on websites of the Bundesbank  
▶ Originally announced finalization and resolution of the Regulation by the ECB for summer 2015 currently expected nor for Q4 2015  
▶ Draft published AnaCredit Directive in December 2015 (consultation). The draft specifies Phase I of the project-AnaCredit  
▶ Regulation on the implementation of granular statistical credit reporting system AnaCredit adopted and published by the Governing Council  
▶ Reporting frequency is principally monthly and sometimes quarterly  
▶ Reporting limit of 25,000 euros per borrower at an institution  
▶ Query of 89 attributes regarding credit information and credit risks | ▶ Building new data structures with information from finance, risk, and credit areas needed including interfaces  
▶ Reregistered lack of information or creating new data flows is very likely  
▶ ECB receives extensive possibilities for analysis and benchmarking, precise use by national supervisors and ways of using data banks (“Feedback Loop”) announced - but not specified in detail | from 2018  
First data demand is to be expected in mid 2017 |
### Key Themes

**Overview (6/9)**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Single Supervisory Mechanism (cont.d.)</td>
<td>FinRep 2.0 / HGB FinRep</td>
<td>✧ In October 2014, the European Central Bank published a consultation paper on the reporting of supervisory financial information according to national GAAP on the level of individual institutes. The final version of the regulation was then published in March 2015. &lt;br&gt;✧ On the basis of the proportionality principle, the standards of the regulation will be phased-in over time in accordance with the size of the institute. Significant supervisory institutes were/are already required to comply with the reporting standards by 12/2015 or 06/2016. &lt;br&gt;✧ The majority of less significant supervised institutes will be required to comply with the reporting standards by 06/2017. &lt;br&gt;✧ Extended deadline granted until 08.26.2016</td>
<td>✧ While larger institutes can already rely upon their extensive experience in regulatory reporting, less significant institutes will face significant technical and procedural challenges for the first-time implementation of FinRep. &lt;br&gt;✧ Particularly noteworthy are the results from the Fin-Rep working group (Big4, banks and supervisory authorities), which accommodate the transition from HGB-requirements to the IFRS-oriented reporting tables. &lt;br&gt;✧ It is important to pay close attention to areas of intersection between FinRep and other reporting requirements (i.e. AnaCredit) to ensure consistency in reported data and thereby prove soundness in reporting to auditors and authorities</td>
<td>Significant supervised institutes: 2015/2016 &lt;br&gt;Less significant supervised institutes: 2017</td>
</tr>
</tbody>
</table>

| MiFID II/ MiFIR | Markets in Financial Instruments | ✧ Updated rules for the Markets in Financial Instruments Directive (MiFID II) adopted on 15.04.2014 by the European Parliament; on 12.06.2014 rules were published in the EU Official J journal <br>✧ Updated rules for the Markets in Financial Instruments Directive (MiFID II) adopted on 15.04.2014 by the European Parliament; on 12.06.2014 rules were published in the EU Official J journal <br>✧ Translation into German Law (Draft) of MiFID II, MiFIR, EU Market Abuse Directive/ Regulation, EU Central Securities Depositories Regulation (CSD-R) was published in October 2015 <br>✧ Directive for reporting and records of businesses and clock synchronization Implementation shifted into force on 2018 <br>✧ Publication of proposed directive as supplement to MiFID II, <br>✧ Various regulatory technical standards with respect to MiFID published by EU Commission <br>✧ Q&As on speculative products <br>✧ Q&As on implementation of investor protection <br>✧ Guideline (draft) regarding the establishment of target market assessments <br>✧ Guideline (draft) on the provisions of management bodies of market operators and data reporting services providers published <br>✧ Delegated regulation about the standard methodology for calculation and application of position limits for commodity derivatives traded on traded venues and economically equivalent OTC contracts published <br>✧ Second Act Amending Financial Market Regulations of the BMF | ✧ Significant organizational effort (time and costs, for example. Implementation of processes, procedures and controls and documentation) <br>✧ Extended requirements regarding the data granularity <br>✧ Strategic impacts to be expected <br>✧ Impact of the standards for approval, registration and supervisory cooperation to existing market participants in principle to be smaller | Effective from 2017 (expected) |

Note: Green text indicates changes to previous month
### Key Themes Overview (7/9)

<table>
<thead>
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</thead>
</table>
| Data Privacy       | EU Privacy Policy basic regulation | - The most significant revision of data protection law at European level since the EU data protection directive from the year 1995  
- Binding definition of uniform data protection legislation for data-processing bodies in the EU Member States  
- Transition period for the implementation of appropriate measures by May 2018  
- Discussion paper on regulatory framework with sufficient flexibility in dealing with Big Data | - Increased documentation and review requirements  
- Impact on data protection management organization and systems  
- Drastic increase possible fines for companies | Entry into force on 24.05.2016; Applicable from 25.05.2018 |
| EU - U.S. Privacy Shield |                                | - Follow-up regulation of the Safe Harbor scheme, which was declared for invalid by the ECJ in October 2015  
- Facilitating the transfer of personal data to companies in the US (Requires certification of companies in the US)  
- Persistent criticism of the data protection authorities on the effectiveness of the new regulation | - Facilitating international data transfers to the USA in the case of entry into force of the new regulation  
- Obligation to implement extended contractual and organizational measures in the event of invalidity or non-entry into force of the new regulation | Entry into force expected from July 2016 |
| Money Laundering   | 4. EU Money Laundering Directive | - Fourth Money Laundering Directive published on June 5, 2015 by the EU; further specification of the requirements, the introduction of a central register of beneficial owners of companies  
- Guideline (consultation) of the Joint Committee with regard to risk factors in the assessment of AML risks published on October 21, 2015  
- Guideline (consultation) of the Joint Committee for risk-based approach for monitoring money laundering and terrorist financing published at October 21, 2015  
- Draft bill for the implementation of the 4. EU Money Laundering Directive, the execution of the EU Money Transfers Directive and the reorganization of the central office for financial transaction investigations published for consultation published | - Operating expenses by reviewing and adjusting procedures, processes, internal systems and the written organizational rules | Adoption 26.06.2017 |
| Account Opening / Identification |                                | - Revised Directive "Sound management of risks related to money laundering and financing of terrorism" (original directive of January 2014) published by the BCBS on February 4, 2016; demands concerning account opening were integrated  
- Opinion of the EBA from April 12, 2016 regarding the customer identification process for asylum seekers if sufficient documents to present complete identification are missing  
- Circular BaFin published requirements for the use of video identification procedures when opening an account on June 10, 2016. The application will be suspended until December 31, 2016. | - Operational results in relation to the identification processes  
- Esp. with respect to the corresponding video identification periodic qualification / verification of employees needed | Immediately |
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</table>
| Consumer Protection         | Packaged Retail and Insurance-based Investment Products (PRIIPs)       | ▶ By the end of 2014, the PRIIP Regulation entered into force  
▶ It obligates the creation of basic information sheets on packaged investment products to retail investors and insurance products with an investment element  
▶ By the end of June 2016, the Regulatory Technical Standards (RTS) on basic information sheets were published in the context of delegates acts  
▶ Currently, the PRIIP Regulation shall apply by 01.01.2017  
▶ An extended deadline is possible, since the members of the Economic and Monetary Affairs Committee of the European Parliament have not past the PRIIP-RTS  
▶ Rejection of RTS to the PRIIP-Regulation by the EU parliament to the EU commission for revision.  
▶ Q&As regarding PRIIPs  
▶ Postponement of the first application date for the KIDs to 01.01.2018 | ▶ Identification of products which require basic information sheets and the classification of products into one of the seven risk categories  
▶ Development of a process for creating basic information sheets and its documentation for annual and ad-hoc reviews  
▶ Monitoring process on the change of risk indicators  
▶ Implementation and documentation of appropriate control mechanisms  
▶ Analysis, design and implementation of necessary IT-system changes  
▶ Establishing of criteria/attributes which trigger a review on the basic information sheets or the product approval process  
▶ Deferred implementation date of the PRIIP Regulation likely. Thus the implementation deadline is expected to be extended by 6-12 months. | from 01.01.2017                                               |
| Insurance Distribution     | Distribution Directive (IDD)                                           | ▶ In 2003, the Insurance Mediation Directive (IMD) established the necessary European basis for the distribution of insurance products  
▶ Since 2012, the IMD has been further developed to strengthen consumer protection  
▶ At the European level, the advanced Insurance Distribution Directive (IDD) entered into force by February 2016  
▶ The IDD is to be implemented into national law by February 23, 2018 | ▶ Insurance companies are advised to revise and adjust their business processes and practices beyond their pure sales activities  
▶ Considerable need for action in the following areas is required: product approval process (significant impact on sales, sales planning and product policy), conflicts of interest (establishing special procedures to avoid conflicts of interest in insurance investment products) and remuneration systems (the new rules on broker compensation may lead to amendments of the compensation models, however this does not affect fee-based advisory) | from 23.02.2018 |
### Key Themes
#### Overview (9/9)

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<th>Development</th>
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</thead>
</table>
| Consumer Protection       | PSD II | - The Payment Services Directive (PSD) provides the legal foundation for the creation of an EU-wide single market for payments  
- The European Parliament shall adopt the revised Payment Services Directive in October 2015  
- Entry into force of the PSD II on January 12, 2016; Member States must implement PSD II within two years into national law  
- European Banking Authority (EBA) has to provide within twelve months Regulatory Technical Standards (RTS), i.a. to substantiate the required customer authentication in online banking. First official draft of the RTS is expected for the second quarter 2016  
- Guidelines (draft) on the criteria for competent authorities to consider when stipulating the minimum monetary amount of the professional indemnity insurance for payment initiation services (PIS) and account information service (AIS) providers.  
- Draft bill on the implementation of the supervisory regulations of the Second Payment Services Directive in German law published | - By enlarging the scope, other financial market players (especially formerly unregulated companies, as some FinTechs) affected by defaults on payment services  
- Strategic impacts on the business model specific to the company to be analyzed  
- Operational requirements related to the implementation of the enhanced safety and liability requirements as well as IT and processes (e.g. information- and disclosure obligations) | January 2018 |

Note: Green text indicates changes to previous month.