

September 2016

INVEST

InVest – September 2016

This month's roundup of developments affecting banks, wealth managers, brokers and funds sees ESMA reporting on the risk outlook for EU securities markets, the eleventh progress report on the OTC derivatives market reforms from FSB, the "lifestyling" of Child Trust Funds to be removed for stakeholders and FCS MiFID II implementation roundtable: minutes published.

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General Developments

Progress report on measures to reduce misconduct risk from FSB

The Financial Stability Board has published a second progress [report](#) setting out details about work to address misconduct in the financial sector. This covers activities co-ordinated by the FSB and the timelines for actions, and addresses the following issues:

- ▶ The role of incentives in reducing misconduct
- ▶ Improving global standards of conduct in FICC markets
- ▶ Reforming financial benchmarks

A further progress report is expected ahead of the G20 summit in July 2017.

Financial Stability Board, 1 September 2016

Standard initial margin model launched

The ISDA has [announced](#) the launch of the ISDA Standard Initial Margin Model which is an industry standard that has already been adopted by market participants to calculate initial margin for non-cleared derivatives trades.

ISDA, 31 August 2016

Pensions advice allowance consultation from HM Treasury

The HM Treasury has published a [consultation](#) on introducing a pensions advice allowance. This will allow people with a defined contribution pension to take a tax free sum from their pension to redeem against the cost of financial advice, in order to encourage more people to seek financial advice pre-retirement. The deadline for comment on the proposed design of the allowance is 25 October 2016.

HM Treasury, 31 August 2016

Registration authorities list published by GLEIF

The GLEIF has published its registration authorities [list](#) for the first time. This contains details of 652 business registers and give a unique code to each register. UK registers include Companies House and the Financial Services Register.

Global Legal Entity Identifier Foundation, 31 August 2016

ESMA reports on risk outlook for EU securities markets

The European Securities and Markets Authority has published its latest risk [report](#) finding that the overall assessment of risk levels in EU markets under its remit remains unchanged.

ESMA, 30 August 2016

IA: revised approach to statement of principles

The Investment Association published a [webpage](#) setting out its current approach on 26 August 2016. This updates the statement of principles published in April 2015 and includes the following changes, following on from member feedback:

- ▶ Signatories to the principles no longer need to publish statements on their websites
- ▶ The IA will no longer maintain a list of signatories
- ▶ The statement of principles should be a useful framework for firms when reviewing their values

The Investment Association, 26 August 2016

CPMI and IOSCO second consultation on harmonisation of unique product identifier

The Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) have [issued](#) a second consultative report on harmonisation of the unique product identifier (UPI). Comments on the second consultative report can be made by 30 September 2016.

CPMI / IOSCO, 18 August 2016

ABI publishes pension freedom data – April 2015-2016

The Association of British Insurers have published full year [statistics](#) since the pension freedom and choice reforms were introduced in April 2015, finding the majority of savers are taking a sensible approach. They have also published statistics which show the percentages withdrawn from pension pots and their age groups.

ABI, 15 August 2016

EC Implementing Regulation establishes list of critical benchmarks

The European Commission Implementing Regulation establishing a list of critical benchmarks used in financial markets has been [published](#) in the Official Journal of the EU. The Implementing Regulation enters into force on the day after publication in the OJ and specifies the EURIBOR as a critical benchmark.

EC, 12 August 2016

BoE working group on sterling risk-free reference rates - June 2016 minutes

Minutes from the Bank of England working group [meeting](#) on sterling risk-free reference rates (RFRs) held on 30 June 2016 have been published.

Bank of England, 11 August 2016

Hidden fund fees called into question by IA

Research [published](#) by the IA has dismissed claims there are hidden fees within funds which can make the cost to investors several times higher than the headline figures. Ahead of the launch of a public consultation on a new disclosure code later this year, the IA has suggested such fears over fees may be the "Loch Ness Monster of investment" with zero evidence of their existence being found.

The Investment Association, 9 August 2016

FCA Interim report on asset management market study delayed

The FCA have announced that an [interim report](#) on the asset management market study will now be delayed until the fourth quarter of 2016. The report is currently being finalised and will set out areas that raise concern and those that don't, as found by the market study which aimed to assess whether competition is working effectively in asset management. Further discussions, roundtables and bilateral meetings with stakeholders are likely to take place once the interim report has been published.

FCA, 03 August 2016

Industry assets reach a 12-month high despite June volatility

The Investment Association has published monthly [statistics](#) for June, finding funds under management rose to £948 billion.
Investment Association, 2 August 2016

EMIR & Derivatives

Compliance calendar for OTC derivatives updated

The International Swaps and Derivatives Association has [updated](#) the compliance calendar for over-the-counter derivatives. The global calendar of compliance deadlines and regulatory dates now runs to December 2019.
ISDA, 1 September 2016

Eleventh progress report on OTC derivatives market reforms from FSB

The FSB has published its eleventh progress [report](#) reviewing progress made towards meeting G20 commitments for reforms to global OTC derivatives markets. Key findings from the report include:

- ▶ Trade reporting requirements
- ▶ Central clearing
- ▶ Central and margin requirements for NCCDs
- ▶ Platform trading

Financial Stability Board, 26 August 2016

Delegated Regulation on RTS for methodologies and principles on valuation of derivatives liabilities under BRRD

[Published](#) in the OJ, the Commission Delegated Regulation ((EU) 2016/1401) supplementing the Bank Recovery and Resolution Directive (2014/59/EU) (BRRD) with regulatory technical standards (RTS) for methodologies and principles on the valuation of liabilities arising from derivatives.
Official Journal of the EU, 23 August 2016

Addendum to draft RTS on margin requirements for uncleared OTC derivatives

The European Commission has published an [addendum](#) to the draft Regulatory Technical Standards on margin requirements for uncleared OTC derivatives.
The European Commission, 2 August 2016

Disputes & Enforcement

Mortgage broker banned and censured by FCA

The FCA has published a [final](#) notice publicly censuring Amir Khan, sole owner, director and employee of Sovereign Worldwide Ltd, and prohibiting him from performing any function related to a regulated activity carried out by an authorised firm. The FSA had found that Mr Khan had submitted a personal mortgage application that contained false information about his income, supported by falsified payslips. This was subsequently referred to the Upper Tribunal in April 2014 where the decision of the FSA was upheld. The FCA has now decided to censure Mr Kahn rather than fine him, following the provision of evidence of serious financial hardship.
FCA, 26 August 2016

Funds

Boost returns while cutting risk

Investors are moving away from costly "actively managed" [funds](#) and instead putting their cash into funds where stocks are chosen by their position in an index. The Investment Association's figures show the share of investment in passive funds has doubled since 2006.

The Telegraph, 25 August 2016

Lessons from Team GB for fund managers

Team GB 'can teach fund managers how to go for gold' in terms of the [investment](#) of resources in targeted pursuits.

Financial News, 22 August 2016

"Lifestyling" of Child Trust Funds to be removed for stakeholders

In [response](#) to its consultation on "lifestyling" of child trust funds (CTFs), HMRC has said it intends to remove the legislative requirement that stakeholder CTFs must be subject to the process of lifestyling. Legislation will be introduced to Parliament later in 2016.

HMRC, August 2016

Investments & Investment Services

FCA MiFID II implementation roundtable: minutes published

The FCA has [published](#) the minutes of its MiFID II implementation roundtable which took place on 3 August 2016. A key issue for discussion was ESMA's work on level 3 provisions.

Financial Conduct Authority, 31 August 2016

Good practice for fees and expenses of collective investment schemes

The International Organization of Securities Commissions has published a final [report](#) on good practice for fees and CISs. FR09/16 is aimed at collective investment schemes whose shares or units are eligible to be sold to retail investors and sets out 23 examples of good practice. This follows the June 2015 consultation by the IOSCO.

International Organization of Securities Commissions, 25 August 2016

Investment Association: Industry assets reach record high as outflows slow

The Investment Association's monthly [statistics](#) of UK investor behaviour in July 2016 show funds under management rose £40bn to reach a record high of £989bn.

Investment Association, 25 August 2016

EC adopts Delegated Regulation on RTS specifying requirements for algorithmic trading

The European Commission has [published](#) a Delegated Regulation supplementing MiFID II, detailing the organisational requirements of investment firms engaged in algorithmic trading. C(2016) 4478 is accompanied by [annexes](#) and contains provisions relating to:

- ▶ Organisational requirements
- ▶ Resilience of trading systems
- ▶ Direct electronic access
- ▶ Firms acting as clearing members
- ▶ High-frequency algorithmic trading techniques

European Commission, 22 August 2016

EC adopts Delegated Regulation on RTS for reporting of transactions to competent authorities

The European Commission has [published](#) a final Delegated Regulation C(2016) 4733 supplementing MiFIR in relation to regulatory technical standards for the reporting of transactions to competent authorities. There is also accompanying [annexes](#).
European Commission, 22 August 2016

IOSCO consults on good practices for termination of investment funds

The International Organization of Securities Commissions (IOSCO) has [published](#) a consultation report on good practices for the termination of investment funds. The consultation closes to responses on 17 October 2016.
IOSCO, 18 August 2016

FCA MiFID II implementation roundtable minutes

The FCA has [published](#) minutes of its MiFID II roundtable held in May 2016. Key points of interest include:

- ▶ Revision of HM Treasury statutory instruments following a consultation
- ▶ Confirmation that ESMA is expected to clarify interpretative Q&As for firms, especially around determining whether a firm is a systematic internaliser
- ▶ Forthcoming ESMA level 3 work on investment research and views on requirements
- ▶ Record keeping requirements of MiFID II and other EU legislation
- ▶ Whether crossing orders by investment managers in a multilateral system will be addressed by ESMA Q&As
- ▶ Estimates of firms that will be brought into authorisation by revisions to Article 2 (1) (d) of MiFID
- ▶ Planned application and notification guide plus workshops on applications for authorisation and variation of permission to be held in final quarter of 2016

FCA, 04 August 2016

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