Monthly update

November 2016

The volume of activity along the current regulatory pipeline remains high, but it is now concentrated in two distinct parts of the pipeline. Firms need to keep an eye on and seek to influence the evolving regulatory horizon, even though resources are stretched in implementing swathes of new rules.

One very large bulge in the pipeline is detailed rule-making and issuing of guidelines by the European Supervisory Authorities (ESAs), which underpin the many new Level 1 Directives and Regulations. MiFID II is giving rise to a substantial proportion of that work. Coupled with national regulators' domestic implementation programmes, this alone is requiring major resource spend for banks, investment managers and other investment firms, including - for the first time – commodity firms.

It is not only new rules and policy proposals that firms need to monitor closely. The Commission, the ESAs and national regulators are setting out their monitoring, investigative and supervisory priorities for the coming year. The ESAs share some common themes: supervisory convergence, data collation and analysis, and consumer protection. Also, the internal governance of firms and a focus on costs and charges remains high.

Key developments...

European Regulation: What lies ahead for 2017?

The European Commission, the three European Supervisory Authorities (ESAs) and the Joint Committee of the ESAs have all published their work programmes for 2017. Regulation remains work in progress. There are several common themes emerging across the different work programmes, including: promoting supervisory convergence; improvements around data collection, analysis and dissemination; and consumer protection. ***More...***

Governance – still on the radar

Two significant papers were issued on governance at the end of October. The European Banking Authority (EBA) published a consultation paper on a new version of its Guidelines on Internal Governance (last published in 2011). The EBA and ESMA issued jointly for consultation a set of draft guidelines on how a firm should itself assess the suitability of Board members and senior management, under the requirements of CRD4 and MiFID 2. ***More…***

Basel Committee standard on banks' holdings of TLAC

The Basel Committee has published its final standard on the regulatory treatment of banks' investments in TLAC (total loss absorbing capacity). The essence of the standard is to extend the current rules to holdings of TLAC that do not otherwise qualify as regulatory capital. Such holdings would be deducted from the holding bank's own Tier 2 capital (note: not from the holding bank's non-regulatory capital TLAC). The detail is rather more complicated. ***More…***

Basel Committee proposals on the regulatory treatment of accounting provisions

The Basel Committee has published both a consultative paper and a discussion paper on the regulatory treatment of accounting provisions. There are two dynamics in play here. First, the move to expected credit loss (ECL) accounting is likely to increase the overall amount of loan loss provisions in many banks, and to reduce significantly the capital ratios of some banks. Second, the current regulatory treatment of accounting provisions is based on a distinction between specific and general provisions, at least for the standardised approach, whereas ECL accounting does not generate separate calculations of general and specific provisions.
More…

Angela Manolache
Partner, Governance, Risk & Reporting
amanolache@kpmg.com

Georgiana Nita
Senior Manager, Governance, Risk & Reporting
gnita@kpmg.com

Calina Iacob
Senior Manager, Governance, Risk & Reporting
ciacob@kpmg.com

Florin Mitrofan
Manager, Governance, Risk & Reporting
fmitrofan@kpmg.com

KPMG Romania SRL
Victoria Business Park,
DN1,Soseaua
Bucuresti - Ploiesti
nr. 69-71, Sector 1,
Bucuresti, Romania
P.O. Box. 19 - 191
Tel: +40 (372) 377 800
Fax: +40 (372) 377 700

Internet: www.kpmg.ro

About us

Our team believes in knowledge and passion for what we do builds value. As such, we strive to proactively bring our clients top products to enable them to succeed in their business activities. At the forefront of advising banks on regulatory change, we are here to help you successfully navigate the complex maze of interlinked European regulations.

Let's meet and discuss on how we can add tangible value to your organization.

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