



POLICY AND REGULATORY NETWORK

DATE: 18 September 2020 (14:00 – 15:30)

LOCATION: VIDEO CONFERENCE

SUMMARY OF MEETING

Attendees:

Blom Bank France - Meng Barnie

China CITIC Bank Corporation - Rhod Sutton

KBC Bank N.V. - Adam Sattar

Bank of the Philippine Islands - Lizette Yulo

PNC Bank - Jim Clancy

ICICI Bank - Merlin Dsa

Arab National Bank - Robert Garai

Northern Trust - David Mapplebeck

ANZ Banking Group - Natalie Moorfield

DZ Bank - Helen Nicolaou

PNC Business Credit - Tina Stavrou

DBS Bank - Jonathan Bashforth

Turkish Bank – Andrew Cheetham

Sberbank - Richard Snookes

CaixaBank SA - Gabriela Martinez

OCBC Bank - Tony Antoniou

Kexim Bank - Soo Young Sihn

DBS Bank - Sarah Mandali

Rob Moulton (RM) – Latham & Watkins; Andrew Brooke (AB) – AFB; Dami Oluwa (DO) – AFB

Section A - General

Andrew Brooke (AB) opened the meeting and referred to the AFB competition law advice. The topics set out in the agenda circulated in advance were discussed.

1. Overview of AFB Policy Initiatives

AB provided a brief outline of the items set out in the policy initiatives table (dated 15/09/20).

AB highlighted the proposed response to the PRA's CP 12/20 on CRD V implementation (and specifically the proposed disclosure of recovery plans covering a third country branch) as a new item on the list.

2. AFB Supplementary Survey of members on returning to the office (open from 2 September until 10 September)

AB provided a brief outline of the survey results. Members commented on the usefulness of the survey results.

3. **AFB 6 monthly meeting with PRA (held on 3 September)**

The key messages set out in the agenda were noted. AB asked members to notify him if they have questions they wish to raise at the bi-annual meetings with the PRA.

AB also noted that he and DO would be meeting with the PRA supervisory team for international banks on 8 October. Any member with issues that they would like the AFB to raise should email AB/DO.

4. **Conduct – FCA’s fourth report on wholesale banking (published 1 September)**

RM highlighted the fact that the FCA is focused on corporate purpose and takes the view that it drives the culture of the firm. RM also noted that it is clear that the FCA considers itself to be at the forefront of improving culture performance. Various FCA reports have discussed culture performance with the earliest report emphasising the tone from the top, which then moved to a focus on the tone of middle management, and is now, within this report noting the tone from within.

One member highlighted the difficulty in correlating what is stated in the paper with what is seen within that member’s firm.

Another member noted that the FCA seem to have taken the view of a small sample size and used it to represent the whole industry.

Another member commented that it seems as though the FCA is never satisfied with firms’ efforts, making it hard to understand what can be done to improve this.

Other members agreed with the above statement, noting that it would have been helpful if the FCA provided feedback on what ‘good’ looks like to assist firms.

AB will look into how the AFB can engage with the FCA in this area. If members have any further comments/suggestions they should contact AB.

5. **FCA 19-20 Annual Report**

The contents were noted and AB added that the FCA was hosting a roundtable hosted on Brexit on 25th September and encouraged members to pass on any specific questions for him to put to the FCA.

One member queried the likelihood of equivalence and what steps the UK regulators are taking to achieve this. AB commented that this is not an issue where the FCA can provide insight at this stage of the UK/EU negotiations. In previous roundtables they have confirmed that they have carried out the necessary preparatory work but any decision on this will be a political one.

RM said that in his view broad equivalence is unlikely to be achieved, as according to the European Commission communications to date, there is no intention to grant equivalence. Further, it is also clear from HMT statements that the UK does not wish to be a rule taker.

Section B – Issues for consideration by PRN members

6. **CRD V implementation – PRA CP 12/20**

Some members noted the difficulty in complying with this regulation (with respect to recovery plans) given to the lack of requirements from the home state regulator.

Members were in favour of responding to PRA CP 12/20 in relation to the issue of branch recovery plans.

7. **CGT/Islamic Finance – HMT response to AFB requesting evidence of impact**

AB asked that, where relevant members provide the evidence requested by HMT.

8. **Brexit preparations – see letter dated 2 September from Sam Woods to CEOs of all PRA regulated firms regarding the TPR and TTP and FCA comments on its website.**

Some members raised questions about how firms should deal with EEA customers after the end of the transition period and the general uncertainty. AB suggested that they join an AFB webinar to be given by Norton Rose to be held on 21 October (after the EU summit in mid-October).

9. **MIFID Quick Fix by European Commission** – EC proposal on 24 July 2020 to amend MiFID II, specifically regarding information requirements, product governance and position limits

It was noted that that the MiFID review proposal document was updated by the EC on 18 September. RM noted that the proposal shows that there is a coordinated response by EU regulators to the deficiencies of MiFID II. RM added that it is possible that this proposal could pass through the EU process by mid-2021, however there is no certainty on what the UK intends to do. In any event it is unlikely that the UK will follow the proposal to amend the research provisions.

Some members queried how quickly the changes RTS 27 would be implemented and whether firms should continue with their remediation work on the requirements of RTS 27 with respect to costs and charges. There is also a question of how the UK will react.

AB said that he would raise the issues with the FCA at its Brexit roundtable (see above) and also when next meeting with HMT.

10. **HMT Review of PRIIPs**

RM said that the policy statement notes the approach that will be taken by HMT post Brexit, specifically, the narrowing of the definition of a PRIIP and the changes to simplify the KID in order to assist investors.

Section C - Issues under review by AFB policy working groups

AB noted the following regulatory updates related to issues under review by the AFB policy working groups.

11. **LIBOR Transition** – recent publication by Risk Free Reference Rates Working Group on recommendations for conventions in the loan markets with the intention of enabling banks to offer customers new instruments with non-LIBOR alternatives by the end of September 2020.
12. **Climate Financial Risk** – the PRA issued a letter on 1 July 2020 providing feedback to firms on their progress since the publication of supervisory statement SS3/19.
13. **Operational resilience/Outsourcing CPs (PRA 29/19 and 30/19 and FCA 19/32)** – submissions of responses due by 1 October [now submitted – see [here](#) and [here](#)].

Association of Foreign Banks

October 2020