



## Overview of ongoing reform initiatives

### Resilience

Body	Workstream	Description	Milestones
FPC	Market liquidity	The FPC noted in its March statement that 'investment allocations and pricing of some securities may presume that asset sales can be performed in an environment of continuous market liquidity, although liquidity in some markets may have become more fragile'. Analysis aims to investigate how and why liquidity in some markets might have become more fragile, help to clarify the extent of any macro-prudential risks associated with market liquidity and allow FPC to assess potential policy mitigants.	Financial Stability paper ('The resilience of financial market liquidity') published on 30 Oct. <sup>1</sup>
Bank / FCA / HMT	Cyber-security	Develop and implement a programme in support of the FPC recommendation made in June 2015, that the 'Bank, the PRA and the FCA work with firms at the core of the UK financial system to ensure that they complete CBEST tests and adopt individual cyber resilience action plans. The Bank, the PRA and the FCA should also establish arrangements for CBEST tests to become one component of regular cyber resilience assessment within the UK financial system.'	Bank, FCA and HMT to report back to FPC by Summer 2016.
ESRB	Market liquidity	Complementing work of FSB. Setting out the conceptual drivers of market liquidity, how these differ across financial markets and possible policy options to mitigate the associated risks.	End-2015
FSB	Market liquidity	Work plan to identify financial stability risks associated with market liquidity in fixed income markets and asset management activities in the current conjuncture, as well as longer-term structural financial stability issues. Evaluate the role that existing or additional activity-based policy measures could play in mitigating potential risks, and make policy recommendations as necessary.	Initial findings discussed longer-term work to complete by end-June 2016.
FSB	Sharing of trade repository data	To identify the legal barriers in member jurisdictions to reporting of counterparty information to trade repositories and set a deadline for jurisdictions to address them.	November 2015.

<sup>1</sup> Financial Stability Paper No. 34, [http://www.bankofengland.co.uk/financialstability/Documents/fpc/fspapers/fs\\_paper34.pdf](http://www.bankofengland.co.uk/financialstability/Documents/fpc/fspapers/fs_paper34.pdf).

<b>Body</b>	<b>Workstream</b>	<b>Description</b>	<b>Milestones</b>
FSB	Exchange trading for derivatives	Relates to G20 objective for more derivatives to migrate to exchange trading. Relatively little progress made to date, compared to trade reporting and CCP regulation.	Current state of progress to be outlined in the tenth progress report on implementation from the FSB OTC Derivatives Working Group, to be released in early November.
FSB	CCP workplan	Co-ordinated workplan (with CPMI, IOSCO and BCBS) to promote CCP resilience, recovery planning and resolvability.	Workplan and interim progress report now published with set timelines.
FSB	Securities financing transactions	Proposed application of numerical haircut floors for where non-banks receive securities against non-government securities.	End 2015
BCBS	Risk weighted asset variability	To reduce excessive variability in risk-weighted assets and review the role of internal models in the regulatory capital framework for banks.	Due for completion in 2016.
BCBS	Leverage Ratio	Acts as a guard rail against risk weight uncertainty and uncontrolled expansion of bank balance sheets. Can bind on low risk-weighted exposures including collateralised derivatives and repos.	Disclosure framework agreed in January 2013. Pillar 1 framework to be agreed by 2017, for implementation in 2018.
BCBS	Liquidity Coverage Ratio	Requires banks to hold liquid assets to cover net cash outflows over a 30-day stressed period.	Agreed in 2013 and updated in 2014. Implemented in EU in October 2015.
BCBS	Net Stable Funding Ratio	The NSFR requires that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. It is designed to limit overreliance on short-term wholesale funding.	Agreed in 2014; implementation due 2018. Review of the treatment of initial margin set for H1 2016.
BCBS	Fundamental Review of the Trading Book	Fixes gaps in the market risk framework that were not fully addressed by Basel 2.15 reforms in 2009.	Due for completion by end-2015. No implementation date set as yet.
BCBS	Interest Rate Risk in the Banking Book	Ensures that interest rate risk in the banking book is adequately capitalised. Reduces arbitrage opportunities caused by differences between the trading book and banking book treatment of market risk hedges.	Consultation document issued on 8 June 2015. Due for completion by mid-2016. No implementation date set as yet.
BCBS	Standardised Approach to Credit Risk	Revisions to improve risk sensitivity of the standardised approach, the method used by most banks to measure the riskiness of their assets.	Consultation paper on revised approach in December 2015. Finalisation in 2016
BCBS	Operational Risk Standardised Approaches	Revisions to operational risk of the Basel framework to enhance risk sensitivity and comparability of capital assessment.	Proposals by end 2015, with subsequent finalisation.
BCBS	Interaction, coherence and overall calibration	The BCBS is considering how the interaction of the various metrics above should influence the calibration of these metrics.	Leverage Pillar 1 framework to be agreed by 2017.
BCBS	Sovereign Risk	The Committee has initiated a review of the existing regulatory treatment of sovereign risk and will consider potential policy options.	On-going. The review will be conducted in a careful, holistic and gradual manner.
BCBS	Margin requirements for OTC derivatives	Aims to reduce systemic risk associated with OTC derivatives transactions and incentivise central clearing, by introducing mandatory margin requirements	Finalised in 2013. Implementation in September 2016.

Body	Workstream	Description	Milestones
BCBS	Large Exposures	Revised standard aims to protect banks from significant losses caused by sudden default of counterparty and to reduce system-wide contagion risk, including those stemming from the shadow banking system.	Finalised in 2014. To be implemented by 1 January 2019. Review on the treatments for exposures to CCPs and interbank exposures to be concluded by 2016.
BCBS	Credit valuation adjustment (CVA) risk	Aims to fix certain weaknesses in the Basel III framework for capitalising CVA risk, notably to improve the treatment of market risk hedges.	Consultation document issued on 1 July 2015. Due for completion by mid-2016. No implementation date set as yet.

## Fairness

Body	Workstream	Description	Milestones
Bank / FCA / HMT	Recommendations of the Fair and Effective Markets Review	Implement recommendations. Proposed owners include: FCA, HMT, PRA, FMSB, CMA, FSB, IOSCO, BIS, national central banks and firms	Bank, FCA and HMT to provide a full implementation update to the Chancellor of the Exchequer and Governor of the Bank of England by June 2016.

## Effectiveness

Body	Workstream	Description	Milestones
EC	Capital Markets Union	European Commission published Green Paper on 18 February 2015. CMU aims to support economic growth and stability in the EU through maximising the benefits of capital markets and non-bank financial institutions for the real economy. This includes a Securitisation Legislative Package (proposed on 30 September 2015) meant to establish a legal framework for securitisation (including simple, transparent and standardised, STS) in the EU.	The Commission adopted an Action Plan on building a Capital Markets Union on 30 September 2015.
BCBS / IOSCO	Simple Transparent and Consistent (STC) Securitisation	Defining STC structures in order to help revive an effective and resilient securitisation market.	STC criteria published in July 2015.
BCBS	Capital framework for STC securitisation	Examining the case for differentiating capital requirements for STC securitisation.	To be agreed by mid-2016.

## Accountability

Body	Workstream	Description	Milestones
HMT	Bank of England governance and transparency	There is currently legislation going through the Houses of Parliament that aims to enshrine many of the Bank's proposals to lock in improvements to governance and transparency.	Autumn 2015.
FSB	Misconduct: governance and remuneration	Examine whether the reforms to incentives, for instance to risk governance and compensation structures, are having sufficient effect on reducing misconduct and whether additional measures are needed to strengthen disincentives for misconduct.	No deadline set as yet.

## Resolvability

Body	Workstream	Description	Milestones
Bank of England	Banking Structural Reform	Finalisation of PRA rules on banking structural reform.	Final rules on first and second consultation and third consultation on reporting to be published by end H1 2016.
Bank of England	Minimum Requirement for Own Funds and Eligible Liabilities	Development and implementation of policy on setting MREL requirements for UK firms in scope.	Consultation on the framework for setting MREL to be published in December 2015.
Bank of England	Contractual Stays	Finalisation of PRA rules for contractual stays in financial contracts governed by third-country law.	Final rules to be published by end Q4 2015.
FSB	Total Loss-Absorbing Capacity	TLAC Principles and Standard that describes a common minimum requirement for loss absorbing capacity of G-SIBs.	Finalised Principles and Standard to be published in November 2015.
FSB	Funding in resolution	Publish guiding principles on the temporary funding needed to support the orderly resolution of a global systemically important bank (G-SIB)	Consultative document published on 3 November 2015. Consultation period ends on 4 January 2016 and final guidance to be published in Q3 2016.
FSB	Operational continuity in resolution	Publish guidance at international level on arrangements that firms should have in place to support operational continuity in resolution.	Consultative document published on 3 November 2015. Consultation period ends on 4 January 2016 and final guidance to be published in H1 2016.
FSB	Extension of ISDA protocol on 'stays'	Working through its members and relevant industry bodies to address cross-border close-out risks in other financial contracts and products	Due for completion by end November 2015.
BCBS	Holdings treatment for TLAC	Rules regarding the treatment of banks' holdings of TLAC issuance in order to mitigate contagion.	Consult by end of 2015.
BCBS	Disclosure requirements for TLAC	Rules regarding the disclosure requirements of G-SIBs' issuance of TLAC	Consult by end of 2015.

## Transparency

Body	Workstream	Description	Milestones
BCBS	Revised Pillar 3 disclosure requirements	To improve the comparability and consistency of public disclosures relating to a bank's regulatory capital and exposure to risk.	Initial phase published January 2015 with implementation targeted for 2016 . Phase 2 consultation expected for December 2015.
BCBS	Guidance on accounting for expected credit losses	To promote high quality, robust and consistent implementation of the new expected credit loss accounting model (IFRS 9).	Basel consultation published in February 2015 with final document expected end 2015. IFRS 9 is effective from January 2018.