

### **Bank resistance to regulation is largely pointless and somewhat counterproductive**

- Different leverage ratio accounting treatments between EU and the US require care
- Big banks will find it easier to access capital. Smaller banks may have to sell at losses
- Banking is finding the scope and scale of regulation difficult to comply with
- The UK market needs a brand new blueprint for payments infrastructure

### **CRR and CRD are being implemented differently**

- CRR – Capital Requirements Regulation is being implemented as an EU Regulation
- CRD – Capital Requirements Directive is being implemented as an EU Directive and will require transposition

### **BASLE III changes the composition of the required capital buffer**

- Certain Equity Tier 1 becomes Common Equity Tier 1
- Additional Capital Conservation buffer
- Additional Countercyclical Capital buffer
- Additional Systemic Risk buffer
- Banks will want to allocate as many assets into the LCR Cash Management category to enjoy 25% run-off rates

### **There is more in the BASLE pipeline**

- Future of Risk Weighted Assets is uncertain
- Trading Book Review follow up expected in June 2013

### **Some regions are engaging in regulatory arbitrage**

- EU and US regulators have taken a very prescriptive approach to new regulation
- Asia and China have taken a 'step' back; selecting best of breed solutions to encourage foreign direct investment

### **Regulators need to make regulation more efficient**

- Less emphasis on consultation and more focus on benefits
- A clear and managed road-map is necessary and helpful
- Uncertainty in benefits and context extends time to deliver

### **The UK has been going through a quiet revolution**

- Direct membership of RTGS is being increased
- Counterparty limits have been established in ACH DNS
- Limit changes result in additional collateral / additional cash in central bank settlement accounts
- New economic regulator for payments being established

### **CPSS has revised its FMI guidance and extended its role**

- IOSCO / CPSS - Principles for financial market infrastructures (FMI) were issued in 2012
- Disclosure framework and assessment methodology issued
- CPSS will now actively monitor implementation and measure consistency – this is similar to the approach for BASLE III

### **Regulators have been emboldened by their 'success'**

- The PSD is regarded as a successful intervention – more competition, new entrants and innovation (D+1)
- Pricing practices are attracting more scrutiny, but intervention creates major operational challenges for banks

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