

# Weekly Regulation Update

## Financial Systems and Regulation

### EUROPE

- **Parliament approves the three key final pieces for banking union**  
The chamber **voted in favour of** (i) the new Bank Recovery and Resolution Directive (**BRRD**), (ii) the revision of the Deposit Guarantee Scheme Directive (**DGSD**) and (iii) the Regulation setting out the Single Resolution Mechanism (**SRM**). The next steps are the formal approval by the Council and publication in the OJEU. Comes into force: January 2015 (January 2016 in the case of bail-in and resolution faculties from the Single Resolution Board).
- **Other measures approved in the European Parliament's final plenary**  
(i) Revision of **MiFID** (Markets in Financial Instruments Directive), (ii) **Payment Accounts Directive** (iii) **Central Securities Depositories regulation**, (iv) revision of **UCITS** (collective investment products) and (v) Regulation of **key information documents (KIDs)** for investments.
- **ECB and BoE ask for securitisation to be simplified in order to drive credit**  
In the **joint report** they ask for the regulations on securitisation to be reviewed. They will issue a discussion document in May (see **Regulation Flash** on the report).
- **EBA, ESMA and EIOPA in consultations about OTC derivatives**  
They are consulting about **technical standards** on risk-mitigation in OTC derivative contracts not cleared by central counterparties (CCPs). Runs to 14/07.
- **EBA postpones sending reporting templates to the supervisor (SREP)**  
The **first report** on own funds, large exposures, leverage ratio, liquidity and NSFR has been put back to 30 June, and the asset encumbrance report to 11/02/2015.
- **Council adopts a legislative package on market abuses**  
The **Directive** and the **Regulation** extend the number of instruments and include "criminal sanctions" against market manipulation.
- **Council adopts measures to reform audit market**  
**Covering:** (i) an improvement in the accounts to be presented by public-interest entities and (ii) mandatory rotation of auditors every 10 years to increase transparency and trust.
- **Commission consults on exchange rate (FX) instruments**  
The **aim** is to clarify what financial instruments may be classified and the exchange rate for applying the corresponding legislation (MiFID, EMIR). Runs to 9/05.
- **Council approves amendments for the insurance industry**  
**Clarifies** the functions of EIOPA and ESMA. Member States will have to transpose the Omnibus II Directive nationally by 01/2016.

### UNITED KINGDOM

- **FCA publishes guide to new rules for granting mortgages**  
The **intention** is to ensure that borrowers are only granted mortgages that they can afford. New rules come into force: 26/04.

# Weekly Regulation Update

Financial Systems and Regulation

## GLOBAL

- **FSB reports back to the G-20 on progress in reforming the financial system**  
It identifies **three areas** where more effort will be needed to meet deadlines: SIFIs, shadow banking and OTC derivatives.
- **BIS publishes a new supervisory framework on large exposures**  
As a general rule, **it is limited** to 25% of a bank's Tier 1 capital and in the case of global systemically important banks (G-SIB) to 15%. It will come into force in 01/2019.
- **BIS presents an information booklet about LCR**  
The Basel Committee has published a **Q&A** on the introduction of the *Liquidity Coverage Ratio* (LCR) based on the **01/2013 framework**.

### Recent publications of interest:

- **Regulation Outlook** for April 2014.
- **Regulation Flash: High Quality Securitisation** (14/04/2014).

Earlier editions of our *Weekly Regulation Update* in **Spanish** and in **English**.

**DISCLAIMER**

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information and are current as of the date of issue and subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

**Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report.** Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

**The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.**

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

**BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: [www.bbva.com](http://www.bbva.com) / Corporate Governance'.**

**BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.**