

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.

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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**.

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