

# Financial Regulation Outlook

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## Summary

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### Basel limits the use of banks' own risk models

**Proposal to constrain their use to calculate capital required for credit risk.** On 24 March, the BCBS issued a consultation on constraints on the use of internal model approaches for regulatory purposes. Several portfolios are excluded from the scope and, for the remaining ones, significant restrictions are incorporated, which could materially impact capital ratios.

### A harmonized insolvency framework within the EU

**Building up an effective insolvency regime.** The Action Plan on building a Capital Markets Union included in its timeline for 2016 the development of a legislative initiative on business insolvency. With that purpose, on 23rd March, the European Commission launched a consultation on an effective insolvency framework within the EU. The consultation will run until June 14th and seeks comments on key insolvency aspects to achieve a harmonised framework within the EU.

### Resolution plans for 5 US G-SIBs are not credible

**Deficiencies must be resolved before 1 October 2016.** The Federal Reserve (FED) and the FDIC have provided feedback on the 2015 resolution plans for eight US G-SIBs. They find that the resolution plans for five of them were not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code, the statutory standard established in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

### ECB Annual Report on supervisory activities

**Promoting integration and harmonisation.** The ECB (European Central Bank) has recently published its Annual Report on supervisory activities performed by the Single Supervisory Mechanism (SSM) during 2015. Last year, great progress was made in promoting the banking supervisory objectives, strengthening both credit institutions and the entire financial system, by bringing stability.

### General Data Protection Regulation

**Main issues and impact on financial institutions.** The new General Data Protection Regulation (GDPR) will further harmonize the EU framework for the processing of personal data. Financial institutions will have to adapt their internal processes to comply with the new Regulation, which follows a risk-based approach and fosters a culture of accountability.

# 1 Basel limits the use of banks' own risk models

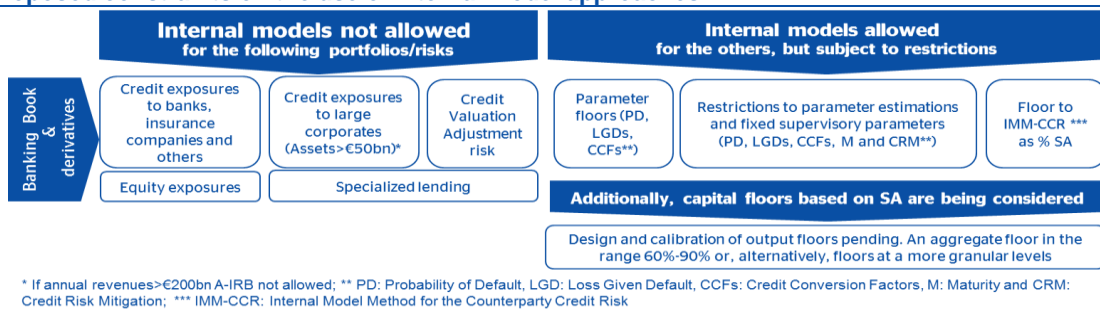
## Proposal to constrain their use to calculate capital required for credit risk

On 24 March, the BCBS issued a **consultation** on constraints on the use of internal model approaches for regulatory purposes. Several portfolios are excluded from the scope and, for the remaining ones, significant restrictions are incorporated, which could materially impact capital ratios. These proposals are part of a comprehensive revision of Risk Weighted Assets to be completed this year<sup>1</sup>.

The move to further standardize risk weights associated to credit risk obeys the current drive to increase the comparability of RWAs across banks. It is supported by two complementary studies undertaken by the Basel Committee and published in 2013 and 2016. Those studies examined the variability of RWAs in banks that use internal models to calculate their credit risk regulatory capital requirements in the banking book and found some areas where unwarranted variability is excessive. Nevertheless, they also underscored that most of the variability is associated with differing levels of risks and is therefore justified.

Figure 1.1

Basel proposed constraints on the use of internal model approaches



Source: BBVA Research

The proposal constrains the scope of use of internal models, with several portfolios being excluded, and subject instead to the Standardized Approach (SA), considering that internal models would lack reliability due to the absence of appropriate data availability or robust modelling techniques. This is the case of high quality portfolios, such as loans to large corporates, where the low likelihood of default would require a large amount of data to produce reliable estimates. The proposed new rules will also restrict the flexibility of banks to assess the risk of their loan books and other portfolios. A combination of floors and other restrictions to the inputs used in the calculation of capital requirements are being considered. Additionally, as a complementary measure, an output floor would cap the amount of capital benefit a bank using an internally modelled approach would receive vis-a-vis the SA. Final calibration of the proposal is still pending and the final impacts on capital ratios of entities that use internal models for prudential purposes remains a concern.

### Assessment

The proposal reflects a relaxation in the global regulators' stance of promoting internal models for regulatory purposes as a means of promoting the development of internal models for sound risk management. In addition to narrowing the scope of allowed exposures and the introduction of additional modelling restrictions and floors, the Committee explicitly allows jurisdictions to entirely remove the use of internal models and still be considered compliant with the Basel framework). The Committee is also considering the extent to which banks adopting the IRB approach should be required to apply it to all portfolios for which the IRB approach remains available. But the proposal should be calibrated properly in order to preserve a strong link between capital and risk that promotes efficient decision making, and to ensure that the objective of not increasing overall capital requirements is accomplished. The necessity of combining input floors and output floors should be re-assessed not to introduce unduly complexity.

1: For an overview of changes expected in 2016, see article "From Basel III to Basel IV", Financial Regulatory Outlook, January 2016.

## 2 A harmonized insolvency framework within the EU

### Building up an effective insolvency regime

The Action Plan on building a Capital Markets Union included in its timeline for 2016 the development of a legislative initiative on business insolvency. With that purpose, on 23rd March, the European Commission launched a consultation on an effective insolvency framework within the EU. The consultation will run until June 14th and seeks comments on key insolvency aspects to achieve a harmonised framework within the EU.

### The need for a harmonised framework

One of the main goals of the Capital Markets Union project is to foster cross-border investment, identifying and correcting the existing obstacles. The lack of a harmonised approach to insolvency remains today one of the main bottlenecks, preventing the integration, development and proper functioning of capital markets at the EU level. An effective insolvency framework should help to save businesses (by restructuring the company or its being sold as “going concern”) or allow a smooth liquidation of the company. In the European Union, the existence of different national insolvency regimes is a source of uncertainty that hampers investors’ capacity to evaluate the risk of an investment, particularly in a cross-border context.

In March 2014, the European Commission released a recommendation on a new approach to business failure and insolvency. This recommendation was aimed at establishing minimum standards for: i) early restructuring of viable companies in distress in order to prevent their liquidation and ii) promoting a second chance for entrepreneurs in the event of an “honest” failure. An evaluation of the implementation of the minimum standards showed that only a few Member States had undertaken reforms to comply with the recommendation. Following this evaluation, the Commission has engaged in preparing a legislative initiative, which is expected for the end of the year.

### The 2016 consultation

The recently launched consultation seeks comments on certain aspects that can help achieve common principles and standards to ensure that national insolvency frameworks work correctly, especially in a cross-border context. The consultation is divided in four main sections covering: i) scope, ii) business restructuring, iii) second chance and iv) debt recovery.

Figure 2.1  
Main aspects of the consultation

SCOPE	<ul style="list-style-type: none"> <li>Measures to be taken in order to achieve an appropriate insolvency framework in the EU</li> </ul>
BUSINESS RESTRUCTURING	<ul style="list-style-type: none"> <li>Early measures to prevent viable companies from liquidation</li> </ul>
SECOND CHANCE	<ul style="list-style-type: none"> <li>Limiting, where possible, the discharge period for honest entrepreneurs once they are insolvent</li> </ul>
DEBT RECOVERY	<ul style="list-style-type: none"> <li>Priority claims in insolvency</li> <li>Insolvency practitioners</li> <li>Cross-country access to information regarding disqualification of directors</li> </ul>

Source: BBVA Research based on European Commission’s Consultation on an effective insolvency framework within the EU

### 3 Resolution plans for 5 US G-SIBs are not credible

#### Deficiencies must be resolved before 1 October 2016

The Federal Reserve (FED) and the Federal Deposit Institution Corporation (FDIC) have provided feedback on the 2015 resolution plans for eight US G-SIBs. They find that the resolution plans for five of them are not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code, the statutory standard established in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Jointly both agencies have determined that the living wills of five entities (Bank of America, Bank of New York Mellon, JPMorgan, State Street and Wells Fargo) are “non-credible”. They have until 1 October 2016 to remedy and resubmit their respective plans. Regulators may impose higher capital, leverage and liquidity requirements, and restrictions on business, culminating in the ultimate sanction of forced asset divestiture.

The two agencies reached a split verdict on the resolution plans of Goldman Sachs and Morgan Stanley. The Fed, but not the FDIC, found Morgan Stanley’s plan to be “not credible”, while the agencies reached the opposite judgement on Goldman Sachs’ resolution plan. Citigroup was the only bank whose plan passed the scrutiny of both regulators, as they identified some shortcomings but no deficiencies. These three banks have to provide a status report by October 1, 2016 on their actions to address the specified shortcomings and a public section explaining, at a high level, their action plans to address those issues.

Assuming their October re-filings are judged credible, the next living will submission deadline is 1 July 2017 for all US G-SIBs.

Additionally, the agencies are continuing to assess the resolution plans of four non-US banks: Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG and UBS Group AG. They did not provide any indication regarding when they will submit feedback.

Finally, the agencies are improving transparency by publishing Resolution Plan Assessment Framework and Firm Determinations (2016), which explains the resolution planning requirement, and provides further information on the determinations and the agencies’ processes for reviewing the plans and the new guidance for the July 2017 submission of all firms. Furthermore, the Federal Reserve Board is releasing the feedback letters issued to each firm. As shown in chart 1, each letter details the deficiencies and shortcomings of each firm’s plan, as well as the specific remediation required of each firm.

Figure 3.1

**Deficiencies and shortcoming of each G-SIB**

US GSIBs	Liquidity	Governance	Derivatives & trading activities	Changes to legal structure	Operational	Capital
BofA	●	●	●	●		
BONY	●			●	●	
JP Morgan	●	●	●	●	●	
State Street	●	●		●	●	●
Wells Fargo		●		●	●	
Goldman	●	●	●		●	
Morgan	●	●	●			
Citi	●	●	●			

● Key deficiencies to be resolved before 1 October 2016    ● Shortcoming to be resolved in the next resolution plan until July 2017

Source: BBVA Research based on Feedback letters on the US G-SIBs resolution plan

## 4 SSM Annual Report on supervisory activities

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### Promoting integration and harmonization

The ECB (European Central Bank) has recently published its Annual Report on supervisory activities performed by the Single Supervisory Mechanism (SSM) during 2015. Last year, great progress was made in promoting the banking supervisory objectives, strengthening both credit institutions and the entire financial system, by bringing stability.

### Main supervisory activities in 2015

**SREP decision:** a key step that has taken during the past year was the conduct of the Supervisory Review and Evaluation Process (SREP) under SSM methodology. As a main result of this process, the SSM has clearly stated the levels of Pillar 2 capital that banks must hold. These Pillar 2 requirements have increased on average by 30 basis points from 2015 to 2016. Part of this increase is attributed to the euro's position in the economic cycle and partly due to the effect of the phase in of systemic buffers. However, all things being equal, supervisory requirements will not increase further.

**Recommendations on distributions:** the ECB adopted two recommendations, one on dividend distribution policies and another one on variable remuneration. These recommendations set up the supervisory expectations regarding distributions and pay-outs that are compatible with a linear path towards the required fully-loaded ratios.

**On-site inspections:** another novelty for 2015 has been the first cycle of on-site inspections under the SSM framework. In fact, around 250 on-site inspections have taken place within SSM banks, the majority concentrated in the credit area, followed by governance and operational risk.

**Authorizations:** more than 3,400 authorizations have been notified, among those worth mentioning are 2,730 fit and proper assessments, the majority of which required a Supervisory Board decision. Even if these processes have been simplified, there is still some room to improve them.

### Other related activities

**Role of the SSM in the global financial architecture:** the SSM not only entered into a number of MoUs with other European authorities such as the European Banking Authority (EBA) or the Single Resolution Board (SRB) but also it joined the existing MoUs between NCAs within the SSM and non-euro area NCAs. In addition, the SSM has played the role as a single voice in regulatory fora, discussing the evolution of the Basel III review among other things.

**National options and discretions:** in March 2016, a ECB Regulation and Guide on the exercise of national options and discretions (ONDs) was published, which comes into force in October 2016. This initiative seeks to foster harmonisation of supervisory practices and the establishment of a level playing field within the SSM area. More than 150 provisions have been identified, bringing an additional layer of complexity as well as a source of regulatory arbitrage. The ONDs cover a wide range of topics such as the treatment of deferred tax assets, large-exposure intragroup exemptions and intragroup liquidity waivers. The SSM supports a single implementation of these national options and discretions for the entire euro area, aligning it with global standards and adopting the most conservative approach. The regulatory framework remains fragmented to a certain degree and the SSM encourages its further harmonisation.

### Assessment

This publication represents the recognition of the enormous effort made by the SSM during 2015 in setting up the new supervisory culture (i.e., in terms of methodology and also in institutional terms). However, there are still several challenges ahead. Among others, it is worth mentioning the stress test exercise that is under way, whose final results will be embedded in the SREP decision for next year.

## 5 General Data Protection Regulation

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### Main issues and impact on financial institutions

**The new General Data Protection Regulation (GDPR) will further harmonize the EU framework for the processing of personal data. Financial institutions will have to adapt their internal processes to comply with the new Regulation, which follows a risk-based approach and fosters a culture of accountability.**

The 1995 Data Protection Directive set the general framework for processing personal data in the EU. It will be replaced by the GDPR, a single set of rules directly applicable across the Union. This will further harmonize the EU regulatory framework, since national transpositions of the Directive have led to inconsistencies between Member States. After three years of intense negotiations, the GDPR was formally adopted last month and will take effect two years after its formal publication. The main issues of the new Regulation are as follows:

- The specific **consent** of the data subject remains the main legal basis for processing personal data. Yet obtaining it will be harder under the GDPR, since it will have to be shown “by a statement or clear affirmative action”, which closes the door to relying on “opt-out” mechanisms. In the absence of consent, the “legitimate interest” of a firm may provide a legal basis for processing personal data, provided that the interests or the fundamental rights and freedoms of the data subject are not overriding. Although the existence of a legitimate interest requires specific assessment, the “whereas clauses” mention fraud prevention and marketing purposes as possible grounds for a legitimate interest.
- The **rights of the data subjects** will be reinforced. In particular, individuals will be entitled to receive the personal data concerning them and, when technically feasible, to have such data transmitted directly from one service provider to another (a “right to portability”). Moreover, the existing “right to be forgotten” — set by the EU Court of Justice — will be codified in the new regulation.
- In line with the principle of **accountability**, some formal requirements are removed, but firms are obliged to implement appropriate technical and organisational measures and be able to demonstrate the compliance of their processing operations. In particular, they must conduct a data protection impact assessment for more risky processing operations; keep record of all processing activities under their responsibility and notify data breaches— depending on the risks involved — to supervisory authorities and data subjects. Moreover, companies processing sensitive data on a large scale or monitoring large amounts of personal data will have to appoint a Data Protection Officer (DPO), who will be in charge of assisting in monitoring internal compliance with the Regulation. To reduce the legal risk faced by firms under such a principles-based regulatory framework, GDPR will introduce certification mechanisms. Accredited certification bodies will be able to certify controllers and processors on the basis of the criteria approved by the supervisory authorities.
- National data protection authorities (DPAs) will be in charge of **supervising** the application of the Regulation. In cases of cross-border processing, the lead supervisory authority — the authority for the main or single establishment of the firm — and the other concerned authorities will have to cooperate. The newly created European Data Protection Board will be in charge of ensuring consistency and will be competent to take binding decisions in case of disputes between national DPAs. Depending on the breach, maximum fines can be up to 4% of total annual worldwide turnover or 20 million euros, whichever is higher.

Financial institutions will have to adapt their internal processes to meet the new requirements for obtaining consent; ensure data subjects can exercise their new rights; identify risky operations; improve the traceability of all processing operations; and streamline the mechanisms for notifying breaches. This will involve significant compliance costs. Moreover, given the risk-based approach of the new Regulation, firms are expected to rely on certification mechanisms to reduce the legal risk that they face.



**Main regulatory actions around the world over the last month**

	<b>Recent issues</b>	<b>Upcoming issues</b>
<b>GLOBAL</b>	<p><b>On 30-31 Mar FSB</b> met in Tokyo to take forward its 2016 priorities, including the work it will deliver to the G20</p> <p><b>On 1 Apr BCBS</b> published a report on Regulatory consistency assessment programme (RCAP)</p> <p><b>On 1 Apr FSB</b> published the Phase I report, along a consultation on Climate-related Financial Disclosure</p> <p><b>On 1 Apr IOSCO</b> updated Information Repository for Central Clearing Requirements for OTC Derivatives</p> <p><b>On 6 Apr BCBS</b> released a consultative document on Revisions to the Basel III leverage ratio framework</p> <p><b>On 6 Apr IOSCO</b> issued a study on Regulatory Approaches and Tools to Deal with Cyber Risk</p> <p><b>On 9 Apr IMF</b> published World Economic Outlook</p> <p><b>On 11 Apr BCBS</b> published tenth progress report on adoption of Basel III regulatory framework</p> <p><b>On 13 Apr ISDA</b> published Margin-Rule-Compliant Collateral Document</p> <p><b>On 13 Apr BCBS</b> updated the CCB information for Spain, U.K. and other countries</p> <p><b>On 14 Apr BCBS</b> launched a consultative document on Prudential treatment of problem assets - definitions of non-performing exposures and forbearance.</p> <p><b>On 16 Apr IMF</b> published Global Financial Stability Report</p> <p><b>On 21 Apr BCBS</b> issued standards for Interest Rate Risk in the Banking Book (IRRBB)</p>	<p>In <b>Sep 2016 China</b> will host the <b>G20 Leaders' Summit</b> in Hangzhou</p> <p>In <b>2016 BCBS</b> will finalise its review of internal models and calibration of leverage ratio applicable in Jan 2018</p>
<b>EUROPE</b>	<p><b>On 21 Mar EP</b> published a report on the proposal for a regulation amending the CRR to extend existing exemptions for commodity dealers</p> <p><b>On 30 Mar ESMA</b> launched a consultation on information disclosure on commodity derivatives and spot markets.</p> <p><b>On 30 Mar, EC Reg (EU) No 2016/451</b> laying down general principles and criteria for the investment strategy and rules for the administration of the Single Resolution Fund (SRF) published in the OJEU</p> <p><b>On 31 Mar, EC Reg (EU) No 2016/428</b> with regard to supervisory reporting of institutions of the leverage ratio published in the OJEU</p> <p><b>On 31 Mar, ESMA</b> published guidelines on sound remuneration policies under UCITS Directive and AIFMD</p> <p><b>On 31 Mar, JC of ESAs</b> proposal for RTS on Key Information Documents for Packaged Retail and Insurance-based Investment Products (PRIIPs)</p> <p><b>On 04 Apr, ESMA</b> has published amended RTS on the margin period of risk (MPOR) for central counterparty (CCP) client accounts under EMIR.</p> <p><b>On 05 Apr,</b> a Commission Delegated Regulation (2016/522), which supplements MAR, has been published in the Official Journal.</p> <p><b>On 05 Apr, ESMA</b> has published amended RTS on access, aggregation and comparison of data across trade repositories (TRs) under EMIR.</p> <p><b>On 06 Apr, EBA</b> has launched a consultation on draft amending RTS on credit valuation adjustment (CVA) proxy spread under the CRR.</p> <p><b>On 06 Apr, ESMA</b> has issued a discussion paper on share classes under the UCITS Directive.</p> <p><b>On 07 Apr, EC</b> has adopted Delegated Directive on the MiFID2 safeguarding of funds, product governance and inducements.</p> <p><b>On 07 Apr, ESMA</b> has published two guidelines compliance tables showing which competent authorities comply or intend to comply with its guidelines on reporting obligations and key concepts of the AIFMD.</p> <p><b>On 11 Apr, ESMA</b> has published its opinion on a common European framework for loan origination by investment funds.</p> <p><b>On 12 Apr, EU Council Presidency</b> has published a compromise text for the proposed regulation on money market funds (MMFs).</p> <p><b>On 12 Apr, EBA</b> reported on securitisation, risk retention, due diligence and disclosure.</p> <p><b>On 12 Apr, EBA</b> published opinion on due diligence measures for customers who are asylum seekers from high risk jurisdictions.</p> <p><b>On 12 Apr, EPC</b> launched a consultation on the SEPA Instant Credit Transfer (SCT Inst) scheme.</p> <p><b>On 12 Apr, EC</b> published a proposal for a Directive to amend the Accounting Directive (2013/34/EU) as regards disclosure of income tax information by certain undertakings and branches.</p> <p><b>On 13 Apr, ISDA</b> published an updated version of its EMIR Classification Letter and accompanying guidance note.</p> <p><b>On 14 Apr, EP</b> plenary session has adopted the EU data protection reform package.</p>	<p>In <b>Oct 2016 EBA</b> will publish reports on the implementation of the MREL</p> <p>In <b>2016 the EC</b> will present concrete legislative proposals on the Digital Single Market</p> <p>In <b>2016 EU institutions</b> will start working on the design of a common fiscal backstop for the SRF</p> <p>In <b>2016 the EC</b> will bring forward a legislative proposal on TLAC</p> <p><b>Member States</b> are committed to striking a final deal on FTT by <b>June 2016</b></p>

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Main regulatory actions around the world over the last month (cont.)

	Recent issues	Upcoming issues
EUROPE	<p><b>On 19 Apr, EC</b> Delegated Regulation on clearing obligation for credit derivatives has been published in OJEU.</p> <p><b>On 19 Apr, EBA</b> published guidelines for disclosing confidential information under BRRD.</p> <p><b>On 21 Apr, EC</b> adopted a draft Delegated Regulation setting out amended RTS on MPOR for client accounts under EMIR.</p> <p><b>On 21 Apr, ECB</b> published an opinion on a proposed regulation amending SRM Regulation (806/2014) in order to establish a European Deposit Insurance Scheme (EDIS).</p> <p><b>On 22 Apr, EBA</b> updated its set of Q&amp;As on the Single Rulebook with one new answer on reporting on large exposures in relation to criteria for reducing the value of an exposure secured by commercial immovable property.</p> <p><b>On 25 Apr, EBA</b> published the first list of O-SIIs in the EU.</p> <p><b>On 25 Apr, EC</b> published a status report on progress made in the six months since the adoption of the CMU action plan.</p> <p><b>On 25 Apr, ECB</b> published the 2016 edition of its annual report on financial integration in Europe.</p>	
MEXICO	<p><b>On 07 Apr CNBV's</b> issued the countercyclical capital buffer rules, in line with the BIS' standards. The new requirement is to be introduced gradually from Dec 2016 until the end of 2019</p> <p><b>On 11 Apr Banco de México</b> issued amendments to its rules on financial institution fees. In order to establish charges on mortgage prepayment, institutions are required to offer their clients an alternative product without said fees</p>	<p><b>The CNBV</b> is expected to issue special accounting standards that will allow banks leeway in provisioning credits to clients and regions affected by the financial hardship experienced by Pemex, the state-owned oil company</p>
LATAM	<p><b>On 22 Mar, Peruvian Government</b> issued a law that allows people older than 65 to withdraw up to 95.5% from their pension funds managed by the AFP's. It remains to be stated by the regulatory authority (SBS) in the coming days what is going to be the formal procedure in order to apply this measure.</p> <p><b>On 01 Apr in Argentina</b> the Central Bank granted universal access to savings account for free in order to increase banking penetration. Transfers, debit cards and use of ATM's will also be free of charge.</p> <p><b>On 07 Apr in Argentina</b>, the ceiling in foreign currency which was due to be lifted to 20% of net worth for spot positions and 10% for NDF's, was maintained at 15% as in the previous months</p> <p><b>On 07 Apr in Argentina, the CB</b> established a new system of inflation indexed deposits (+ 180 days) and loans (+ 1 year) to stimulate mortgage lending. housing loans can now be used to comply with mandatory subsidized loans (LCIP)</p> <p><b>On Apr 25 the National Monetary Committee of Brasil</b> approved a resolution to allow the opening and closing of saving accounts remotely, through electronic channels.</p> <p><b>Superfinanciera</b> published the main macroeconomic and financial variables that will be used in the stress test exercises for financial institutions. A preliminary legislative project that could allow deposits in USD was proposed in <b>Colombian Congress</b>.</p>	<p><b>Colombian Congress</b> is studying a legislative reform that forbids charges for ATM withdrawals for accounts with average monthly transactions lower than three minimum monthly wages</p> <p><b>The Government of Colombia</b> will present a decree that modified the mandatory pension fund investment regime, modifying the limits for alternative investments</p>
USA	<p><b>On 01 Apr Fed</b> included certain U.S. general obligation state and municipal securities as HQLA</p> <p><b>On 07 Apr Fed</b> proposed amendments to its rules requiring GSIBs to hold additional amounts of risk-based capital</p> <p><b>On 13 Apr Fed and FDIC</b> published feedback on resolution plans of eight G-SIBs</p> <p><b>On 18 Apr FSOC</b> published its Annual Report 2015</p>	<p>Regulators are working to <b>complete some of the pending reforms outlined by the Dodd-Frank Act</b> before the next administration takes office (2017)</p> <p>The <b>Consumer Financial Protection Bureau</b> expects to issue final rules on <b>consumer protection for prepaid cards</b> in the spring of 2016 and on mortgage servicing by mid-2016</p> <p>The <b>SEC</b> will publish a notice of proposed rule-making for <b>fiduciary standards</b> in October 2016.</p>
TURKEY		<p>The Central Bank of Turkey stated that the Financial Stability Committee will study regulations on CAR so as to prevent the negative impacts on banks of the new regulation and to conserve FX liquidity reserves</p>
ASIA	<p><b>On 15 April. Financial Services Agency</b> released its approach to introduce TLAC framework for Japanese G-SIBs</p>	<p>China may be considering the establishment of a new cabinet office to co-ordinate financial and economic policy. The new cabinet would fall under the State Council</p>

Source: BBVA Research

## Abbreviations

<b>AIFMD</b>	Alternative Investment Fund Managers Directive	<b>FSB</b>	Financial Stability Board
<b>AMC</b>	Company for the Management of Assets proceeding from Restructuring of the Banking System (Bad bank)	<b>FTT</b>	Financial Transactions Tax
<b>AQR</b>	Asset Quality Review	<b>G-SIB</b>	Global Systemically Important Bank
<b>BCBS</b>	Basel Committee on Banking Supervision	<b>G-SIFI</b>	Global Systemically Important Financial Institution
<b>BIS</b>	Bank for International Settlements	<b>IAIS</b>	International Association of Insurance Supervisors
<b>BoE</b>	Bank of England	<b>IASB</b>	International Accounting Standards Board
<b>BoS</b>	Bank of Spain	<b>IHC</b>	Intermediate Holding Company
<b>BRRD</b>	Bank Recovery and Resolution Directive	<b>IIF</b>	Institute of International Finance
<b>CCAR</b>	Comprehensive Capital Analysis and Review	<b>IMF</b>	International Monetary Fund
<b>CCB</b>	Counter Cyclical Buffer	<b>IOSCO</b>	International Organization of Securities Commissions
<b>CCP</b>	Central Counterparty	<b>ISDA</b>	International Swaps and Derivatives Association
<b>CET1</b>	Common Equity Tier 1	<b>ITS</b>	Implementing Technical Standard
<b>CFTC</b>	Commodity Futures Trading Commission	<b>Joint Forum</b>	International group bringing together IOSCO, BCBS and IAIS
<b>CNMV</b>	Comisión Nacional de Mercados de Valores (Spanish Securities and Exchange Commission)	<b>LCR</b>	Liquidity Coverage Ratio
<b>COREPER</b>	Committee of Permanent Representatives to the Council of the European Union	<b>LEI</b>	Legal Entity Identifier
<b>CPSS</b>	Committee on Payment and Settlement Systems	<b>MAD</b>	Market Abuse Directive
<b>CRA</b>	Credit Rating Agency	<b>MiFID</b>	Markets in Financial Instruments Directive
<b>CRD IV</b>	Capital Requirements Directive IV	<b>MiFIR</b>	Markets in Financial Instruments Regulation
<b>CRR</b>	Capital Requirements Regulation	<b>MMFs</b>	Money Market Funds
<b>CSD</b>	Central Securities Depository	<b>MoU</b>	Memorandum of Understanding
<b>DFA</b>	The Dodd–Frank Wall Street Reform and Consumer Protection Act	<b>MPE</b>	Multiple Point of Entry
<b>DGSD</b>	Deposit Guarantee Schemes Directive	<b>MREL</b>	Minimum Requirement on Eligible Liabilities and own Funds
<b>EBA</b>	European Bank Authority	<b>MS</b>	Member States
<b>EC</b>	European Commission	<b>NRAs</b>	National Resolution Authorities
<b>ECB</b>	European Central Bank	<b>NSAs</b>	National Supervision Authorities
<b>ECOFIN</b>	Economic and Financial Affairs Council	<b>NSFR</b>	Net Stable Funding Ratio
<b>ECON</b>	Economic and Monetary Affairs Committee of the European Parliament	<b>OJEU</b>	Official Journal of the European Union
<b>EDIS</b>	European Deposit Insurance Scheme	<b>OTC</b>	Over-The-Counter (Derivatives)
<b>EIOPA</b>	European Insurance and Occupational Pensions Authority	<b>PRA</b>	Prudential Regulation Authority
<b>EMIR</b>	European Market Infrastructure Regulation	<b>QIS</b>	Quantitative Impact Study
<b>EP</b>	European Parliament	<b>RRPs</b>	Recovery and Resolution Plans
<b>ESA</b>	European Supervisory Authority	<b>RTS</b>	Regulatory Technical Standards
<b>ESFS</b>	European System of Financial Supervisors	<b>SCAP</b>	Supervisory Capital Assessment Program
<b>ESM</b>	European Stability Mechanism	<b>SEC</b>	Securities and Exchange Commission
<b>ESMA</b>	European Securities and Markets Authority	<b>SIB (G-SIB, D-SIB)</b>	Global-Systemically Important Bank, Domestic-Systemically Important Bank
<b>ESRB</b>	European Systemic Risk Board	<b>SIFI (G-SIFI, D-SIFI)</b>	Global-Systemically Important Financial Institution, Domestic-Systemically Important Financial Institution
<b>EU</b>	European Union	<b>SII (G-SII, D-SII)</b>	Systemically Important Insurance
<b>EZ</b>	Eurozone	<b>SPE</b>	Single Point of Entry
<b>FASB</b>	Financial Accounting Standards Board	<b>SRB</b>	Single Resolution Board
<b>FBO</b>	Foreign Bank Organisations	<b>SREP</b>	Supervisory Review and Evaluation Process
<b>FCA</b>	Financial Conduct Authority	<b>SRF</b>	Single Resolution Fund
<b>FDIC</b>	Federal Deposit Insurance Corporation	<b>SRM</b>	Single Resolution Mechanism
<b>Fed</b>	Federal Reserve	<b>SSM</b>	Single Supervisory Mechanism
<b>FPC</b>	Financial Policy Committee	<b>TLAC</b>	Total Loss Absorbing Capacity
<b>FROB</b>	Spanish Fund for Orderly Bank Restructuring	<b>UCITS</b>	Undertakings for Collective Investment in Transferable Securities Directive
<b>FSAP</b>	Financial Sector Assessment Program		

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