

Financial Regulation: Weekly Update

21 September 2018

Regulation Unit

Highlights

IOSCO issues guidance on conflicts of interest and conduct risk in capital raising and policy to protect some OTC derivatives investors. EBA issues report on funding plans and asset encumbrance. ECB issues report on profitability drivers and consults on the evaluation of licence applications. US Agencies consult on the treatment of HVCRE exposures.

GLOBAL

- [IOSCO publishes guidance on conflicts of interest and conduct risk in equity capital raising](#)

Identifies those stages in equity raising where the role of intermediaries might give rise to [conflicts of interest](#). It comprises eight measures and sets expectation of high standards of conduct for market intermediaries.

- [IOSCO issues measures to protect investors of OTC leveraged products](#)

[Recommendations](#) to securities regulators when addressing the risks arising from the marketing and sale of OTC leveraged products (such as CFDs) to retail investors. Also issues [statement](#) on risks of binary options.

- [BIS issues report on fast-paced electronic markets](#)

[Highlights](#) three key trends: greater speed and fragmentation of trading activity; greater concentration of liquidity provision among banks and non-bank intermediaries; and rise in volume of large quantities of high-frequency data.

- [ISDA publishes Benchmarks Supplement](#)

[Responds](#) to EU Benchmark Regulation and IOSCO statement “Matters to consider in the use of financial Benchmarks”, complementing ISDA’s outgoing work on IBOR fallbacks and contract robustness for derivatives.

- [BCBS publishes FAQ on the liquidity risk treatment of settled-to-market \(STM\) derivatives](#)

[Clarifies](#) that the liquidity risks associated with STM derivatives are the same as those for more conventional collateralised-to-market derivatives, and should be treated in an equivalent manner.

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EUROPE

- EBA publishes reports on funding plans and asset encumbrance

Directed to supervisors, so that they can assess the sustainability of banks' main [sources of funding](#). They show an increase of client deposits and market-based funding to cover the increase in assets in the forecast years.

- ECB issues report on profitability drivers and business models of supervised large banks

The [report](#) shows that the economic situation of banks in the euro area has improved, but profitability and business models remain under pressure. Bank specific recommendations and findings are considered in the 2018 SREP.

- ECB consults on Part 2 of the Guide to assessments of licence applications

[Part 2](#) focuses on assessment criteria for capital requirements and business plans. The guide is intended as a practical tool to support those involved in the process of authorisation. Deadline: 25 Oct.

UNITED KINGDOM

- FCA consults on new rules for claims management companies (CMC)

It aims to ensure that [customers](#) are protected and treated fairly by CMCs, whose employees will have to abide by Conduct Rules and whose senior managers will have to be approved by FCA. Deadline: 6 Dec.

- PRA consults on implementing the extension of the SM&CR to insurers

It sets rules and changes [regarding](#) the implementation of the Senior Managers and Certification Regime for insurers (to be effective from 10 Dec). Deadline: 17 Oct.

UNITED STATES

- Agencies consult on rule for the treatment of High Volatility Commercial Real Estate

FRB, FDIC and OCC [propose](#) to modify capital rules for high HVCRE exposures and to revise the definition of HVCRE. Deadline: 60 days after publication in Federal Register.

- OCC proposes changes to recovery planning guidelines

Amends [guidelines](#) on recovery planning for national insured banks. Increases the asset threshold for applying the guideline from \$50 to \$250 billion. It also decreases from 18 to 12 months the time to comply with the guidelines.

Recent publications of interest (in English and Spanish):

- [Press Article](#). La integración de la sostenibilidad en el sistema financiero. July 2018 (only in Spanish)
- [Press Article](#). Completing the Banking Union is a priority. June 2018
- [Regulation Watch](#). How prepared are European banks to comply with MREL? August 2018
- [Regulation Watch](#). From words to action: Recent regulatory reforms in the U.S. June 2018
- [Financial Regulation Outlook](#). June 2018
- [Banking Outlook](#). August 2018

Previous editions of our Weekly Regulatory Update in [Spanish](#) and [English](#).

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