

Financial Regulation: Weekly Update

8 November 2018

Regulation Unit

Highlights

EBA publishes stress tests results. ESMA issues RTS preparing for a hard Brexit. ESAs consult on guidelines for AML/CFT and on changes to PRIIPs. Council issues conclusions on climate finance. OJEU publishes RTS on benchmark regulation. BdE issues financial stability report. US Agencies issue consultation to simplify regulatory reporting for small institutions.

EUROPE

- [EBA publishes results of 2018 stress tests](#)

The [exercise](#) did not contain a defined pass/fail threshold. Under the adverse scenario banks maintain an average CET1 ratio of 10.1% fully loaded. The exercise also includes the impact of IFRS 9 for the first time.

- [ESMA issues draft RTS to amend delegated regulations under EMIR preparing for Brexit](#)

In case of no-deal, it will introduce for 12 months after UK's withdrawal, an [exemption](#) to facilitate the novation of non-centrally cleared OTC derivative contracts to EU counterparties.

- [ESAs consult on guidelines on cooperation for AML/CFT supervision, and on changes related to PRIIPs](#)

i) It [clarifies](#) practical modalities for cooperation among authorities (domestically and cross-border). Proposes to create AML/CFT colleges, setting out rules governing their establishment and operations. Deadline: 8 Feb 2019. ii) Consultation paper on the changes to the [information](#) regarding the performance scenarios of investment products. Deadline: 6 Dec.

- [Council releases its conclusions on climate finance ahead of COP24 Conference](#)

It restates the EU global [leadership](#), reaffirming its commitment with the Paris Agreement and the 2030 Agenda for Sustainable Development. It also points the need to foster predictability and the institutional architecture.

- [ESMA issues data for bonds subject to MiFID II/MiFIR requirements, and compliance table for its guidelines](#)

i) In accordance with MiFID II transparency requirements, it makes available [new data](#) for bonds available for trading on EU trading venues at the end of October. ii) Provides an [overview](#) of NCA's level of compliance with its guidelines.

Creating Opportunities

Regulation Weekly – 8 November 2018

- OJEU publishes commission delegated regulations on RTS regarding benchmark regulation

RTSs on: [oversight](#) function, [input](#) data, contributors' code of [conduct](#), [governance](#) and control requirements for contributors, methodology [transparency](#), qualitative criteria for significant [benchmarks](#), contents and updates of the benchmark [statement](#), [cooperation](#) arrangements with third country authorities, application for [recognition](#), and [information](#) needed in the application processes for authorisation and registration. Applicable on 25 Jan 2019.

- ESMA updates Q&As regarding the benchmark regulation

Updated [Q&A](#) regarding the use of benchmarks in bilateral agreements on exchanged collateral to promote common supervisory approaches and practices in the application of the regulation.

- ECB issues statement regarding the recent stress tests results

It highlights the [increased resilience](#) of the 33 largest banks under its direct supervision (despite the tougher conditions assumed in the test). But it also recognizes that work is needed on business models and legacy issues.

- EIOPA issues statement on Brexit, pension information taxonomy, and Q&As

i) It monitors closely [contingency planning](#) of insurance undertakings, urging them to take actions to guarantee the continuity of cross-border contracts. ii) Technical [template](#) (XBRL taxonomy) so NCAs send harmonised information regarding pension funds. iii) New set of [Q&As](#) on Solvency II, and templates for submission of information.

- ESMA issues official translations for the guidelines on MIFID II suitability requirements

Official translation for guide on aspects of [suitability requirements](#). NCAs have two months from the publication date to notify if they comply or intend to comply with them.

SPAIN

- BdE publishes financial stability report, and statement on the recent stress tests

i) Identifies the main risk factors for the [stability](#) of the Spanish banking system: low interest margin might lead to search for yield in riskier activities, increased economic and geopolitical uncertainties, and worsening of economic conditions in emerging markets. ii) Spanish banks show good [performance](#) with a satisfactory levels of capital requirements for adverse scenarios, with mean reductions of capital below EU levels.

UNITED KINGDOM

- BoE issues statement on the results of the recent stress tests

They confirm previous results from its [own stress testing](#) exercise: UK banks can absorb the effects of the stress scenario. The results of its own stress test are expected on 5 Dec.

Creating Opportunities

- FCA issues statement on the CTI, and final guidance on handling PPI complaints

i) It [launches](#) the Cost Transparency Initiative (CTI) to prepare a new template for the consistent disclosure of costs to institutional investors. ii) The guidelines clarify issues on how certain [complaints](#) regarding regular premium payment protection insurance (PPI) should be handled.

UNITED STATES

- Agencies consult on proposal to simplify the regulatory reporting for small institutions

Seeks to reduce [regulatory burden](#) by allowing banks with less than \$5 billion in assets to file the simplest version of the Call Report (reducing the number of reportable items). Deadline: 60 days after publication in Federal Register.

- Federal Financial Institutions Examination Council issues statement on sanctions program

It alerts [instituciones](#) to recent Treasury's actions under its cyber-related sanctions program, and the potential implications for their operational risk management programs.

- FDIC issues list of banks examined for CRA compliance

List of state [non-member](#) banks evaluated for compliance with CRA in August 2018.

Recent publications of interest (in English and Spanish):

- [Press Article](#). European banks and the challenge of MREL. October 2018
- [Press Article](#). *La integración de la sostenibilidad en el sistema financiero*. July 2018 (only available in Spanish)
- [Regulation Watch](#). How prepared are European banks to comply with MREL? August 2018
- [Financial Regulation Outlook](#). October 2018
- [Banking Outlook](#). August 2018

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

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