

# Financial Regulation: Weekly Update

1 February 2019

Regulation Unit

## Highlights

ESMA issues statement on the handling of derivative data in a no-deal Brexit. ESRB issues report on macroprudential approaches to deal with NPLs. EBA updates the list of closely correlated currencies for capital requirement purposes. EC issues consultation on market liquidity in forex markets. U.S. Agencies issue results from the SNC Program Review.

## GLOBAL

- ISDA publishes best practice recommendations for CCPs

Aimed at ensuring greater consistency in risk practices at CCPs across the globe, the [document](#) sets out guidance on risk management decisions, risk controls, margin requirements and default management processes.

- IOSCO issues consultation on sustainable finance in emerging markets

Its Growth and Emerging Market Committee proposes 11 [recommendations](#) for emerging market members to consider when issuing regulations or guidance regarding sustainable financial instruments. Deadline: 1 Apr.

## EUROPE

- ESMA issues statement on the reporting and handling of derivatives data in a no-deal Brexit

Explains how [derivatives](#) data reported under EMIR should be handled in a no-deal Brexit. Clarifies: i) reporting by CCPs and counterparties, ii) reconciliation and recordkeeping by Trade Repositories (TRs), iii) access by EU27 authorities, iv) portability and aggregation by TRs.

- ESRB issues report on macroprudential approaches to mitigate risk arising from NPLs

It argues that no major change is needed in [macroprudential](#) tools, but rather some adjustments: the use of sectoral capital buffers, borrower-based measures, and sectoral exposure limits.

- ESRB issues report on interoperability arrangements (IA) for CCPs

[Highlights](#) the need to: i) clarify the treatment of IA in the CCP recovery and resolution framework, ii) clarify in EMIR whether IA could be approved and implemented (and for which products types), iii) remove legal uncertainties in derivative links.

## Creating Opportunities

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- EBA updates the list of closely correlated currencies

It is used to calculate [capital requirements](#) for foreign exchange risk under the standardised approach.

- EC consults on market liquidity in foreign exchange markets

In the context of strengthening the euro's international position, this [consultation](#) seeks specific input from stakeholders on the functioning of foreign exchange markets and the role of the euro. Deadline: 31 Mar.

- EC issues Statement of Objections regarding a potential breach of EU antitrust rules

It informs eight banks of its [preliminary](#) view that they may have breached EU antitrust rules by colluding to distort competition when trading European government bonds.

- ESMA updates several Q&As

i) On market structure and transparency: to promote [common supervisory practices](#) in the application of MiFID II and MiFIR, by clarifying issues regarding APA reports and high frequency trading techniques. ii) On prospectus and transparency directives in a [no-deal Brexit](#): clarifies the application of these directives in a hard Brexit.

- EIOPA publishes peer review regarding the assessment of managers' suitability

There is evidence of [complexity](#) in the evaluation of cross-border property cases, which may take a long time, in the face of barriers in the exchange of information.

## SPAIN

- CNMV issues statement on the new market abuse regulatory framework

It addresses issuers of listed securities, highlighting the main [changes](#) in the publication of relevant information. It invites to maintain the internal code of conduct, promote ethics and improve compliance.

- CNMV issues its bulletin including a report on the market situation

It [highlights](#) the impact of the global growth slowdown, currency divergences and uncertainties in world trade. Spain was stable although it is still exposed to global problems.

## UNITED KINGDOM

- FCA issues a series of consultations and discussion papers

i) Consultation on [measures](#) and rules on investment pathways that seek to improve retirement outcomes. Deadline: 5 Apr. ii) Consultation to improve shareholders engagement and promote adequate [stewardship](#) in life insurers and asset managers. Deadline: 27 Mar. iii) Discussion paper which examines the [features](#) that effective stewardship should have in financial services firms. Deadline: 30 Apr. iv) Consultation on new rules that require firms to report [General Insurance](#) value measures data to the FCA. Deadline: 30 Apr.

## Creating Opportunities

- [PRA and FCA consult the expenses and levy limit regarding the FSCS](#)

It sets out the 2019/2020 [management](#) expenses levy limit (MELL) for the Financial Services Compensation Scheme. It proposes a £79.6 million MELL (an increase of 2.4% compared to last year). Deadline: 28 Feb.

- [PRA and FCA issue joint statement on private securitisations](#)

It sets out the way in which firms must [provide information](#) regarding private securitisations to their corresponding UK competent authorities.

- [FCA issues list of EEA operators which applied to become a recognised overseas investment exchange](#)

It involves [formally expressed requests](#), and warns that market operators who may use the exclusion of persons abroad, or who do not carry out regulated activities in the UK, do not have to apply for recognition.

## UNITED STATES

- [Agencies issue results from the Shared National Credit \(SNC\) Program Review](#)

The SNC [report](#) finds improvements in credit quality for syndicated loans, and raises concerns about increasing risks in leveraged loan portfolios.

- [OCC updates booklet of its Comptroller's Licensing Manual Booklet](#)

The [revised version](#) of its "Subsidiaries and Equity Investments" booklet provides guidance on the activities that savings associations may perform in operating subsidiaries, service corporations or through pass-through investments.

- [CFPB issues report on mortgage complaints](#)

It provides a high-level [overview](#) of trends in consumer complaints in the last 24 months, focusing on the volume of mortgage-related complaints. The information would help to issue better regulation to protect consumers.

## Recent publications of interest (in English and Spanish):

- [Financial Regulation Outlook](#). January 2019
- [Working Paper](#). Digital transformation and finance sector competition. January 2019
- [Working Paper](#). Sovereign risk in the Eurozone and its treatment in banking regulation. December 2018
- [Press Article](#). Resilience of mortgage lending. January 2019
- [Press Article](#). What will be the trends in financial regulation in 2019? December 2018

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

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