

# Financial Regulation: Weekly Update

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## Highlights

Spanish Congress approves law regarding mortgage loans. ESMA will recognise UK CCPs in a no-deal Brexit. SRB issues framework for valuation in resolution. ECB publishes feedback on EONIA transition to ESTER. EBA releases consumer trends report. FRB extends comment period for stress test consultation. Agencies extend comment period for SA-CCR proposal.

## EUROPE

- **ESMA issues statement on the recognition of UK CCPs in the event of a no-deal Brexit**

In order to limit the risk of [disruption](#) and the negative impact on EU financial stability, it announces that in the case of a no-deal Brexit, *LCH Ltd*, *ICE Clear Europe Ltd* and *LME Clear Ltd* will be recognized as third-country CCPs.

- **SRB publishes framework for valuation in resolution**

[Provides](#) a common framework for independent valuers for the valuation to determine the resolution tool (“valuation 2”) and for the valuation to determine compliance with the No-Creditor-Worse-Off principle (“valuation 3”).

- **ECB publishes feedback on transition from EONIA to ESTER**

[Feedback](#) on the Working Group’s report shows that participants agreed that the preferred transition path would be a time-limited recalibration approach with a spread and clean discounting and to discontinue EONIA by end 2021.

- **ESMA publishes annual report 2018 and supervisory work programme 2019**

[Supervision](#) will focus on: i) data quality and access by public authorities, ii) risk-based approach, iii) Brexit and, iv) cybersecurity for trade repositories, credit rating agencies and CCPs.

- **EBA releases its Consumer Trends Report for 2018-2019**

It [includes](#) a quantitative assessment and a qualitative description of each retail banking product or service. Among other things, it points out that mortgages still have a significant effect on consumers' personal finances.

- **ESMA updates double volume cap (DVC) data**

It [updates](#) public register with the latest set of DVC data under MiFID II. There are 109 new breaches: 80 equities for the 8% cap applicable to all trading venues, and 29 equities for the 4% cap for individual trading venues.

## Creating Opportunities

- **ESMA renews binary option prohibition for another 3 months**

It [agrees](#) to renew prohibition for the marketing, distribution or sale of binary options to retail clients from 2 April 2019 and for another three months. The prohibition has been in force since July 2018.

- **EIOPA issues recommendations to national authorities regarding Brexit**

It seeks to provide [guidance](#) to national authorities on how UK insurance undertakings and distributors should be treated as regards cross-border services in the EU in the case of a no-deal Brexit.

- **EIOPA issues framework to identify conduct risk throughout all stages of the product lifecycle**

[Covers](#) the following areas: i) business model and management, ii) manufacturing, iii) delivery and, iv) product management to contribute to the effective implementation of EIOPA's Conduct of Business Supervision Strategy.

## SPAIN

- **Congress approves law regulating mortgage loan contracts**

It reduces the expenses associated with changes in [mortgage](#) contracts, establishing measures to enhance the transparency of the conditions of such contracts. It will enter into force three months after its publication in the BOE.

- **CNMV issues financial stability report and report on supervision for securities-issuing companies**

i) It finds that stress for [financial markets](#) still remains low. Other relevant aspects discussed: debt level, population ageing, and banking profitability. ii) It includes 297 reports from 195 issuing entities: 98% of [audit reports](#) were favorable, and all IBEX 35 entities have a favorable opinion.

- **CNMV signs memorandum of cooperation and assistance with Moroccan AMMC**

The [agreement](#) provides for consultations between both authorities on issues of mutual interest, in order to improve cooperation and investor protection. It also establishes technical assistance and staff training programmes.

## UNITED KINGDOM

- **PRA publishes policy statement on loss absorbency under Solvency II**

Provides feedback to [previous](#) consultation on the adjustment of loss absorbency reduction where own funds are taxed on write down. It also issues clarification on how the adjustment should be reflected in Solvency II templates.

## UNITED STATES

- **FRB extends comment period for proposed changes to company-run stress testing requirements**

Initial [comment period](#) is extended to allow interested parties more time to analyze the issues and prepare their comments and to meet the 30-day notice period intended by the Board. New deadline: 21 Mar.

- **Agencies extend comment period on SA-CCR proposal to calculate exposure of derivative contracts**

The proposal [provides](#) a standardized approach for measuring counterparty credit risk (SA-CCR) as an alternative to the current exposure methodology for calculating derivative exposure under capital rules. New deadline: 18 Mar.

- **CFTC issues comments on Agencies SA-CCR proposal for exposure of derivatives**

Some commissioners argue that [implementing](#) SA-CCR without offset will increase some clearing members supplementary leverage ratio when they hold margins on behalf of clients, disincentivizing the provision of clearing services.

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

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