

Regulatory News

Financial Regulation: Weekly Update

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8 March 2019

Highlights

BCBS and IOSCO issue statement on margin requirements. EBA issues guidelines on LGD estimation, recommendation on deposit protection after Brexit and consults on funding plans. EU TEG consults on green bond standards. BOE issues RDLs on the macroprudential authority and Brexit contingency plans. FRB issues statement on CCAR's qualitative objections.

GLOBAL

- **BCBS and IOSCO issue statement on the implementation of margin requirements for OTC derivatives**

Statement on the final implementation phases of the margin requirements for non-centrally cleared derivatives. Amendments to legacies to address IBOR's reform do not require applying the margin requirements.

- **FSB publishes key takeaways from compensation workshop and issues consultation on them**

It focused on: baseline for banks before reforms, implementation of the principles and standards on compensation, and the effectiveness of the policies. It welcomes feedback the topics discussed. Deadline: 7 May

EUROPE

- **Council rejects EU Commission's draft list of high risk countries with a weak AML regime**

The EU Commission will now have to propose a new draft list of high-risk third countries that addresses member states' concerns.

- **EBA publishes guidelines on LGD estimation under economic downturn**

The guidelines focus on requirements for the quantification of the calibration target used for downturn LGD estimation and includes 3 types of approaches depending on the available data for the downturn period.

- **EBA issues recommendation on deposit protection in a no-deal Brexit**

It calls on EU DGSs to guarantee that depositors in EU branches of UK banks are still protected in a no-deal Brexit (as UK authorities might exclude those branches from the scope of the British DGS).

- **EBA consults on funding plans**

It launches a consultation to update its guidelines on harmonised definitions and templates for funding plans of credit institutions and aligning them with those used in FINREP. Public hearing: 26 Mar. Deadline: 5 May.

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- **EC Technical Expert Group on sustainable finance issues consultation on green bond standard**

It seeks feedback on preliminary [recommendations](#) for an EU Green Bond Standard. It also explains the purpose of the standard, and how it will address barriers hindering the development of the green bond market.

- **ECB issues opinion on the establishment of a macroprudential board in Spain**

It welcomes the [establishment](#) of the AMCESFI. It discusses the role of the BdE as macroprudential authority, and the procedure for activating macroprudential tools, among other issues.

- **ECB and BoE activate currency swap arrangement for the possible provision of euros to UK banks**

It means that BoE will offer to [lend euros to UK banks](#) on a weekly basis and ECB will receive pounds sterling in exchange. The activation is a prudent step to provide more flexibility in BoE's provision of liquidity insurance.

- **ESMA publishes the results of annual transparency calculations for equity and equity-like instruments**

The [transparency requirements](#) based on the results of the annual transparency calculations published from 1 March for equity and equity-like instruments will apply from 1 April 2019 until 31 March 2020.

- **ESMA publishes a statement of some key MiFID II/MiFIR provisions under a no-deal Brexit.**

[It covers](#): i) Trading obligation for derivatives; ii) ESMA's opinions on post-trade transparency; iii) Post-trade transparency for OTC transactions (TOTV instruments) between EU investment firms and UK counterparties.

- **EU Parliament and Council reach agreement on transparency obligations**

Proposal on how [financial](#) companies integrate environmental, social and governance factors into their investment decisions. It aims to integrate sustainability risks and opportunities into institutional investors' business as usual.

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

[It updates](#) public register with the latest set of DVC data under MiFID II. There are 42 new breaches: 34 equities for the 8% cap applicable to all trading venues, and 8 equities for the 4% cap for individual trading venues.

- **EIOPA, BoE and FCA agree on no-deal Brexit MoUs**

Two MoUs: i) one on [supervisory](#) cooperation, enforcement and information exchange between EEA NCAs and UK authorities, and ii) another about information exchange and mutual assistance between EIOPA and UK authorities.

- **EIOPA publishes monthly technical information**

Relevant [risk free rate](#) term structure for the month of February.

SPAIN

- **BOE publishes RDL on the creation of AMCESFI**

The *Real Decreto Ley* sets the legal [framework](#) regarding the creation of the authority, and develops other issues regarding macroprudential tools.

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- **BOE publishes RDL on contingency measures for a no-deal Brexit**

The Real Decreto Ley sets a 9 months contract continuity regime for operations with UK counterparts entered into before the UK's exit date.

- **CNMV updates the code of conduct on the investments of non-profit organisations**

It maintains the spirit of the previous code, and includes some new areas: new definition for temporal financial investment, recommendation for investment management and other items related to the annual report.

UNITED KINGDOM

- **FCA issues statements of policy regarding the MiFID transparency regime within the context of Brexit**

The statement outlines the way the regime will operate, providing a four-year transitional period for building the systems currently operated by ESMA and suspending pre-trade transparency waivers and obligations.

- **PRA consults on liquidity risk management for insurers**

It seeks views on the draft supervisory statement related to liquidity risk management framework, material sources of liquidity risk, stress testing design and conduct, and metrics for monitoring liquidity risk. Deadline: 5 June

- **PRA issues policy statement providing feedback on previous consultation**

It presents the final rules regarding a wide variety of issues such as: imposition of penalties, external audit reports, deposit and policy holder protection, and reporting templates.

- **PRA issues policy statement and supervisory statement on credit risk**

- i) Policy statement that provides feedback on previous consultation regarding the definition of default in credit risk.
- ii) Supervisory statement which updates PRA's expectation on the use of Internal Ratings Based approaches.

UNITED STATES

- **FRB issues statement on the use of qualitative objections in the CCAR**

It will eliminate for most banks the use of the qualitative objection in the CCAR. Firms newer to CCAR will remain subject to a possible qualitative objection until they successfully pass their 4th CCAR qualitative assessment.

- **FRB maintains the CCyB**

It has voted to maintain the Countercyclical Capital Buffer for private-sector credit exposures in the US at 0 percent.

- **CFPB consults on proposing rules for Property Assessed Clean Energy financing**

It will help to understand the market, and propose adequate regulations through a cost-benefit analysis. Among other things, it covers the potential implications of establishing a regulation. Deadline: 4 May.

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- **FSOC revises the nonbank designation guidance**

It will issue [interpretive guidance](#) on an activity-based approach for assessing risks to financial stability, which applies cost-benefit analysis and financial distress likelihood for nonbank financial company designation.

- **FRB consults on potential changes to Regulation D**

It seeks [comments](#) on whether it should amend Regulation D (on reserve requirements) to reduce interest rates paid on excess balances at Reserve Banks. Deadline: 60 days after publication in the Federal Registry.

- **FDIC issues list of banks examined for CRA compliance**

List of state [non-member banks](#) evaluated for compliance in December 2018

- **OCC publishes CRA performance evaluations**

Issues [performance evaluations](#) as February 2019 of the national banks, federal savings associations and insured federal branches of foreign banks. 10 entities are rated satisfactory, 2 are outstanding, and one needed to improve.

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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