

Financial Regulation: Weekly Update

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Highlights

EU Council and Parliament reach deal on ESFS. BCBS issues Basel III monitoring report. EBA updates impact of Basel III reforms, agrees template MoU for no-deal Brexit and issues updated O-SIIs list. ESMA issues several statements for a no-deal Brexit. EMMI consults on recommendations for EONIA.

GLOBAL

- **BCBS publishes Basel III monitoring report**

Includes the [expected impact](#) of the latest approved standards (except market risk). With data as of June 2018, Tier 1 minimum required capital is expected to increase by 5,3% for internationally active banks.

- **BCBS issues report on proportionality in bank regulation and supervision**

The [report](#) notes that most jurisdictions apply some form of proportionality related to i) capital and liquidity requirements; ii) reporting and disclosure requirements and iii) the approach to their supervisory practices.

EUROPE

- **Council & Parliament reach deal on European system of financial supervision (ESFS)**

The [agreed text](#) will improve supervisory framework for European financial institutions, including strengthened supervisory powers for the European Banking Authority in the area of anti money laundering and terrorist financing.

- **EBA publishes updated impact of Basel III reforms and updates on compliance with liquidity measures**

With data as of June 2018, [estimates](#) an increase in T1 minimum capital requirements of 19.1% for European internationally active banks. Regarding LCR, the average for EU banks is 146%.

- **EBA, PRA and FCA agree template for MoUs to facilitate supervisory cooperation in a no-deal Brexit**

The template [outlines](#) provisions for cooperation and information-sharing among EU and UK authorities. It will serve as a basis for other bilateral MoUs under negotiation. Similar to MoUs concluded with other third countries.

- **ESMA issues several statements preparing for a no-deal Brexit**

i) Statement on the implications for [credit rating agencies](#) in the UK. It also foresees that the UK would meet the endorsement conditions for ratings prepared in the UK. ii) Statement on the application and impact of MiFIR [trading obligations](#) for shares (if there is no equivalence decision). iii) Statement regarding the use of [UK data](#) in ESMA databases and IT systems.

Creating Opportunities

- **EMMI consultation on the recommendations for EONIA**

EMMI launched a [consultation](#) based on the recommendations of the public-private working group of euro risk free rates to, among others, transition EONIA into a tracker of €STR plus a spread. Deadline: 15 Apr.

- **ESMA results of annual transparency calculations regarding MIFID II / MiFIR**

[Publishes](#) results of the annual transparency calculations of the large in scale (LIS) and size specific to the instruments (SSTI) threshold for bonds for the requirements which will be binding through 1 Jun '19 - 31 May '20.

- **EBA issues list of Other Systemically Important Institutions in the EU**

Includes institutions that have been [identified as O-SIIs](#) according to the EBA guidelines and entities designated by supervisory judgment. Also, shows the additional capital buffers that the relevant authorities have set for the O-SIIs.

- **ECB withdraws its recommendation on the conferral of powers regarding CCPs**

Given that the draft discussed by legislators no longer meets its objective, it retires its [recommendation](#) to modify Art.22 of the Statue of the ESCB and the ECB. This will not prevent the adoption of the EMIR reform.

- **EBA updates guidance on risk indicators and analysis tools**

Includes, among others, additional [indicators](#) based on IFRS9 information, and indicators on operational risk. Also, is looking to foster transparency on the computation methodology with regard to those indicators.

- **EBA launches central electronic register under the PSD2**

Seeking to increase transparency and consumer protection, the [register](#) will provide the identity of authorised payment and e-money institutions, the country of the provider and information on passporting.

- **ESMA agrees position limits under MIFID II**

It has [published](#) seven opinions on position limits regarding commodity derivatives under the Markets in Financial Instruments Directive and Regulation (MiFID II/MiFIR).

- **EIOPA requests information regarding the Long-Term Guarantees Report and 2020 Solvency II Review**

It [requests](#) provision of the following information: i) Long Term Guarantees ii) Dynamic volatility adjustment iii) long-term illiquid liabilities.

UNITED KINGDOM

- **FCA issues statement on endorsement of Credit Rating Agencies from EU in case of no-deal Brexit**

It determines that the [EU's regime](#) is as strict as the UK's one, so UK based CRAs would be allowed to endorse ratings from EU affiliated CRAs. This would allow market participants to use these ratings for regulatory purposes.

- **PRA consults on Pillar 2 liquidity**

Seeks [comments](#) on the amendment of regulatory reporting and clarification on the Pillar 2 liquidity framework. Deadline: 19 April 2019.

Creating Opportunities

UNITED STATES

- **Agencies adopt interim rule on transfers of legacy swaps in the context of Brexit**

They ensure that [qualifying swaps](#) may be transferred from a UK entity to an affiliate in the EU or the US without triggering new margin requirements. Deadline: 30 days after publication in the Federal Register.

- **OCC updates the recovery planning booklet**

The [updated version](#) provides Q&As, examiner guidance and examination procedures for examiners. Applicable only to covered banks, it increases total asset threshold to \$250 billion and reduces compliance time to 12 months.

- **FDIC issues report on supervisory insights**

It includes an article which examines the future and [alternatives to the LIBOR](#). It also includes a regulatory and supervisory roundup with an overview of the most recent regulations released.

- **CFPB releases 2018 report on Fair Debt Collection Practices Act**

Annual report to the Congress, which [highlights](#) the efforts to stop unlawful debt collection practices. It states its intention to issue a Notice of Proposed Rulemaking to address issues from communication to disclosure.

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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