

Financial Regulation: Weekly Update

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Highlights

ESAs issues report on risk and vulnerabilities. EBA issues clarifications for API under PSD2 and risk dashboard. ESMA launches CCP stress test. OJEU publishes equivalence decisions. BdE issues supervision report. CNMV issues Brexit information. FRB issues final rule on intraday credit to FBOs. US Agencies propose rules to limit impact of large bank failures.

GLOBAL

- **IOSCO issues report on the application of behavioural insights to retail investor protection**

The [report](#) provides a review of the literature and reports on the results of a 2018 survey of IOSCO on how behavioural insights could be used to respond to relevant questions about retail investor protection.

EUROPE

- **ESAs issues report on risks and vulnerabilities in the EU financial systems**

It [highlights](#): i) the uncertainties regarding the terms of Brexit, and ii) repricing of risk premia and asset price volatility (which could be aggravated by a less favourable macro environment and a potential no-deal Brexit).

- **EBA publishes clarifications on Application Programming Interfaces (APIs) under PSD2**

[Clarification](#) relates to API performance and support, the provision of a list of third-party providers (TPPs) interested in testing, testing by non-authorised TPPs, and timelines for fallback exemptions.

- **EBA update risk dashboard in the EU banking sector**

[Confirms](#) improved asset quality, stable capital ratios and leverage ratios, with profitability showing only a small sign of improvement. The NPLs to total loans remained on its downward trend.

- **ESMA launches CCP stress test**

The third CCP [stress test](#) would consist of: credit stress, liquidity stress, concentration risk and reverse credit stress. It will cover 16 authorized EU CCPs (including those in the UK) and the final report is expected in Q2 2020.

- **ESMA updates recognition of UK CCPs and CSDs in case of a no-deal Brexit**

After the adoption of the amended equivalence decisions for CCPs and CSDs, ESMA has issued new recognition decisions to [guarantee](#) that UK CCPs and the CSD are recognised in the event a no-deal Brexit occurs on 12 April.

Creating Opportunities

- **ESMA consults on RTS under European long-term investment funds (ELTIF) regulation**

It seeks stakeholder [comments](#) on the questions set out in its consultation paper regarding the new cost disclosure framework introduced by the PRIIPs Regulation. Deadline: 29 Jun 2019.

- **SRB reissues position paper with expectations regarding Brexit**

Following its [mandate](#) to guarantee resolvability, the paper focuses on: MREL eligibility, internal loss absorbency, operational continuity, access to IMF, governance and management information systems.

- **ESMA updates Q&As**

Several Q&As on: i) MiFID II and MiFIR [transparency topics](#), ii) application of the [AIFMD](#), iii) implementation of [MAR](#), and iv) benchmark disclosure obligation for [UCITS](#).

- **OJEU publishes equivalence decisions for Argentina, Singapore, and UK for Brexit**

i) Equivalence decision for the treatment of exposures in [Argentina](#) under CRR. ii) Equivalence decision for approved and recognized market operators in [Singapore](#) under EMIR. iii) Equivalence decisions for [CCPs](#) (under EMIR) and [CSDs](#) (under Central Securities Depositories Regulation) in the UK in case of a no-deal Brexit.

- **ECB publishes annual report for 2018**

It [describes](#) the tasks and activities of the European System of Central Banks. It reports on the Eurosystem's monetary policy, and includes a section for the financial system with its micro and macroprudential activities.

EIOPA launches occupational pensions stress test and consults on reporting and disclosure

i) Biennial [exercise](#) to assess the resilience and potential vulnerabilities of the pension sector. ii) Consults on [amendments](#) regarding capital calculation for securitisations, STS securitisations and the list of nominated CRAs, among others. Deadline: 14 May.

SPAIN

- **BdE publishes report on banking supervision in Spain**

[Highlights](#) its work as a supervisory authority, and its main actions. Includes details of the priorities of activities (microprudential, macroprudential, conduct), and supervision strategy for 2018.

- **CNMV issues information related to Brexit**

It provides [information](#) on basic regulation and documents of interest, issues related to the financial sector under the Spanish Royal Decree-Law 5/2019, and Q&As regarding the RDL.

UNITED KINGDOM

- **PRA consults on amendments to its expectation related to ERM portfolios**

Relevant to insurance and reinsurance companies holding Equity Release Mortgages. The [consultation paper](#) sets out supervisory expectations on the Effective Value Test. Deadline: 3 Jul 2019.

Creating Opportunities

UNITED STATES

- **FRB issues final rule on intraday credit to US branches and agencies of Foreign Banking Organizations**

Removes [references](#) and adopts alternatives to determine FBOs' eligibility for positive net debit cap, size of the cap, and eligibility to streamlined process to get maximum daylight overdraft capacity. Effective date: 1 Apr 2020.

- **Agencies propose rules to limit impact of large bank failures**

TLAC Holdings [consultation](#). G-SIBs and others will have to deduct from their Tier 2, subject to certain thresholds, investments in TLAC instruments of other G-SIBs. Deadline: 60 days from publication in the Federal register.

- **Agencies complete evaluation of 2017 resolution plans**

[They](#) find no deficiencies or shortcomings in the 2017 resolution plans of 14 large domestic banks. Agencies also set out expectations for the next submission of resolution plans scheduled for end 2019.

- **Agencies issue additional FAQs on CECL**

Aimed at assisting financial institutions and examiners with the new accounting standard, the [document](#) addresses, among other, stress testing models, accounting implementation issues and internal control considerations.

- **SEC and FCA sign supervisory cooperation arrangements**

Amended MoUs which [reaffirm](#) their intention to maintain a close cooperation in the event of a no-deal Brexit.

- **OCC issues CRA evaluation for 25 national banks and federal savings associations**

Issues monthly performance [evaluations](#) for March 2019: 18 are rated satisfactory, and 7 are rated outstanding.

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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