

Financial Regulation: Weekly Update

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Highlights

1. FBS issues progress report on the implementation of the G20 regulatory reform
2. BCBS finalises its revision to the leverage ratio and issues an overview of Pillar 2 supervisory practices
3. SRB updates its MREL policy to reflect new the Capital Requirements Regulation (CRR2)
4. EBA publishes the 2020 EU-wide stress test draft methodology, a roadmap for market risk and SA-CCR, and consults on internal models for market risk
5. FRB releases results of the supervisory bank stress test (DFAST) and the Comprehensive Capital Analysis and Review (CCAR)

GLOBAL

▪ FSB issues progress report on the implementation of the G20 regulatory reforms

[Summarizes](#) that despite continued progress, implementation is not complete and remains uneven across reform areas. The challenges in meeting the agreed dates relate to domestic legislative and rule-making processes.

▪ BCBS finalises revisions to leverage ratio (LR) and issues overview on Pillar 2 supervisory practices

i) Aligns treatment of [client-cleared derivatives](#) in LR with SA-CCR. ii) Revises [disclosure](#) of LR, including requirements to disclose LR based on quarter-end and on daily average values of SFTs. iii) Covers key [Pillar 2](#) areas including risk assessment process, risk appetite, board and senior management roles and transparency.

▪ IOSCO issues report on liquidity in corporate bond markets under stress conditions

Among other things, it [finds](#) an evolution of the corporate bond market since the crisis and a reduction in the capacity and desire to participate in these markets. Changes in the market alter the way liquidity is provided.

▪ BIS issues report on BigTech in finance

[Focuses](#) on the BigTechs' potential benefits (efficiency and inclusion), and the risks that they introduce into the benefit-risk equation. Coordination among authorities is crucial to sharpening and expanding their regulatory tools.

▪ FATF issues review of countries complying with AML/CFT standards & guide for Virtual Assets (VA)

i) It [identifies](#) 12 jurisdictions with strategic AML/CFT deficiencies. They have developed an action plan to address deficiencies. ii) It adopts [guide](#) on application of the risk-based approach to VA and virtual asset service providers.

EUROPE

- **SRB updates MREL policy to reflect new Capital Requirements Regulation (CRR2)**

Publishes an addendum to [MREL policy](#): i) TLAC for European G-SIIs and internal TLAC for foreign G-SIIs, and ii) banks regime regarding the need to obtain permission to replace or reduce eligible liabilities instruments.

- **EBA issues 2020 EU-wide stress test draft methodology**

The 2020 [exercise](#) will assess EU banks' resilience to an adverse economic shock and inform the 2020 SREP. It also issues the list of 50 institutions participating in the exercise and its timeline.

- **EBA publishes roadmap for market risk and SA-CCR and consults on internal models for market risk**

The roadmap includes a review of [EBA deliverables](#) under CRR2. Moreover, it consults on 11 draft RTS on the new internal model for FRTB and a data collection exercise on non-modellable risk factors. Deadline: 4 Oct.

- **Council of the EU sets its position on easier access to crowdfunding platforms under CMU**

Aimed at [easing](#) the provision of cross-border services by crowdfunding platforms, it harmonises minimum requirements, increasing legal certainty and investor protection. Proposal in trilogues between co-legislators.

- **EBA publishes opinion on the elements of strong customer authentication under PSD2**

Includes a non-exhaustive list of [authentication approaches](#) currently used in markets and states. Also clarifies that EBA is not legally able to postpone the application date set in EU regulation.

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

The [calculations](#) include liquidity assessment, most relevant market in terms of liquidity or the average daily turnover, among others. The results are applicable from 8 July 2019 until 31 March 2020.

- **ESMA consults on short-termism in financial markets**

[Seeks](#) to identify areas in which existing rules may contribute to mitigating undue short-termism and areas where the rules may exacerbate short-term pressure. Deadline: 29 July.

- **ESMA issues opinion on product intervention measures and on position limits under MiFID II / MIFIR**

i) It publishes eight [positive opinions](#) on intervention measures taken by NCAs of Germany, Spain, Bulgaria, Denmark, Latvia and Greece. ii) Agrees [with three opinions](#) on position limits for commodity derivatives that are consistent with the objectives in MiFID II/ MIFIR and with the methodology developed for setting those limits.

- **ESMA issues compliance table on MIFID II guidelines for suitability requirements**

[Includes](#) competent authorities that comply with, or intend to comply with the guidelines on product governance.

SPAIN

- **BdE consults on changes to the circular 1/2013 regarding the *Central de Información de Riesgos (CIR)***

Seeks [comments](#) on the changes that Law 5/2019 (regulating real estate credit contracts) makes in Law 44/2002, regarding the extension of the scope of entities obliged to declare information to the CIR. Deadline: 31 Jul.

UNITED KINGDOM

- **PRA consults on Pillar 2 liquidity reporting frequency**

It modifies the [reporting frequency](#) of the PRA110 reporting template when a firm is in stress: firms with total assets of £5 billion or more will have to report the template on a daily basis when in stress. Deadline: 27 Sep.

UNITED STATES

- **FRB releases results of supervisory bank stress test (DFAST) and CCAR**

DFAST finds that the 18 largest and most complex banks would [remain solvent](#) during a severe hypothetical recession. The Comprehensive [Capital Analysis](#) and Review states that given the strong capital levels, it will not object the capital plans of these banks, but it requires one of them to address weaknesses identified in the test.

- **SEC adopts rules for Security-Based Swap Dealers and Major Security-Based Swap Participants**

It sets minimum [capital requirements](#) for non-bank SBSBs and MSBSPs, as well as margin and segregation requirements. It also makes amendments to allow for substituted compliance for foreign SBSBs and MSBSPs.

- **FRB and CFPB issue final amendments to Regulation CC on funds availability**

Implements the statutory requirement to [adjust for inflation](#) the amount of funds depository institutions make available to their customers (e.g. next business day withdrawal of check deposits). Applicable from: 1 Jul 2020.

- **OCC issues report on mortgage performance**

It reports an improvement in the [performance](#) of first-lien mortgages during 1Q2019 (with 96.2% performing, compared to 95.6% a year earlier).

- **Agencies issue final rule regarding eligibility for streamlined call reports**

Banks with less than \$5 billion in assets that do not engage in complex or international activities will be able to file the streamlined [FFIEC 051 call report](#) (the simplest version of the call report) beginning in the third quarter.

- **CFPB extends deadline for comments on Home Mortgage Disclosure Act consultation**

It refers to [data points added](#) to Regulation C, on additional information requirements, and on the coverage of certain loans. New deadline: 15 Oct.

- **CFTC issues no-action relief for certain traders engaged in swaps activities**

It provides relief (conditioned upon compliance with some CFTC regulations) to [registered floor traders](#) from compliance with certain conditions related to the “swap dealer” definition.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *To complete the Banking Union, it is also necessary to harmonize bank insolvency regimes*. May 2019.
- [Press Article](#). *New package of banking reforms to prevent crises*. June 2019.

- [Press Article](#). *Nueva Ley de Contratos de Crédito Inmobiliario: de la teoría a la práctica* (in Spanish). June 2019.

Previous edition of our Weekly Financial Regulation Update in [English](#).

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