

# Financial Regulation: Weekly Update

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## Highlights

1. BCBS updates its Basel III monitoring report
2. EBA publishes its capital monitoring report and liquidity measures reports
3. SRB launches its 2020 resolution reporting data request
4. ECB publishes €STR for the first time, and issues guide for internal models
5. EC's Technical Expert Group issues report on climate and ESG disclosure benchmarks

## GLOBAL

### ■ BCBS updates Basel III monitoring report

With data as of [Dec-2018](#), minimum capital requirements increased in average 5,3% for internationally active banks. Average LCR is 136% (slight increase in 6 past months) and NSFR remained at 116%.

### ■ IOSCO issues peer review of regulation of MMFs and securitization

[Findings](#): i) most jurisdictions implemented fair value approach for MMF portfolios' valuation, but less progress in liquidity management; ii) mixed progress in implementing recommendations for securitization incentive alignment.

### ■ IOSCO publishes framework to enhance investor education initiatives

[Seeking](#) to better prepare investors for an increasingly complex investor world, it provides information on investor education programs, areas of assessment of financial literacy and examples of core investor competencies.

## EUROPE

### ■ EBA updates Basel III monitoring report

With data as of [June 2018](#), it estimates an increase in minimum capital requirements of 19.3% with the full implementation of Basel III. This report is not comparable to the call for advice of Jul 2019. LCR stood in 149%.

### ■ SRB launches 2020 resolution reporting data request

It starts the process to [collect data](#) for the 2020 Resolution Reporting. Efforts have been made to align the format and content of the data request to the EBA reporting framework. Deadline for delivery to NRAs: 31 Mar 2020.

### ■ ECB publishes €STR for the first time

[It publishes](#) the €STR for the first time on 2 Oct 2019, reflecting trading activity on 1 Oct 2019.

▪ **SSM issues guide to internal models**

Aimed at ensuring a [common](#) and consistent approach to internal models, it provides the supervisory interpretation of CRR provisions focused on credit, market and counterparty risks, among others.

▪ **EC's TEG releases its final report on EU climate benchmarks and their ESG disclosures**

The Technical Expert Group broadly proposes [two measures](#): two new types of benchmarks (EU Climate Transition and Paris-aligned), and defines the ESG disclosure requirements to be applicable to all investment benchmarks.

▪ **ESMA launches call for evidence and consults on MAR review and clearing services under EMIR**

i) Seeks [information](#) on the effects of product intervention measures for contracts for differences and binary options. Deadline: 4 Nov. ii) Proposal on [MAR review](#) related to definitions, scope of contracts and disclosure of inside information, among others. Deadline: 29 Nov. iii) Seeks [feedback](#) on draft technical advice on conditions for fair, reasonable and transparent provision of CCP clearing services. Deadline: 31 Dec.

▪ **ESAs issue their work programme for 2020**

[Focus](#) on cross-sectoral risk analysis, consumer protection, financial conglomerates, securitisation, accounting and auditing. Particular attention on PRIIPs, financial innovation, sustainable finance and securitisation.

▪ **ESMA publishes its 2020 work programme**

[Focus](#) on the implementation of new mandates in areas including direct supervision, supervisory convergence, investor protection, relations with third countries, sustainability and technological innovation.

▪ **ESMA issues opinion on product intervention measures, translation of guidelines, and Q&As**

i) Opinion [concluding](#) that intervention measures taken by Cyprus' NCA are justified and proportionate. ii) Official translation of [guidelines](#) on risk factors under the Prospectus Regulation. iii) Q&As on: data reporting issues under [EMIR](#), implementation of [CSDR](#), transparency and market structure issues under [MiFID II / MiFIR](#), and investor protection issues under [MiFID II / MiFIR](#).

▪ **EIOPA issues its opinion on sustainability within Solvency II**

It addresses the [integration](#) of climate-related risks in Solvency II Pillar I requirements. (Re)insurance undertakings are called to implement measures linked with climate change-related risks.

## SPAIN

▪ **BdE holds the countercyclical capital buffer at 0% for 4Q2019**

The 0% applies to credit exposures in Spain. The [analysis](#) supports holding the CCyB rate at 0%. However, if the forecasts are confirmed, some reference indicators will surpass the activation thresholds during 2020.

▪ **BdE publishes report on financial market infrastructures oversight**

It seeks to enhance the transparency, describing the [main developments](#) and most significant changes in these infrastructures in Spain in 2018.

## UNITED KINGDOM

- **PRA consults on asset encumbrance and Solvency II internal models**

i) Expectations on management of [asset encumbrance](#), especially regarding liquidity and funding risks, recovery planning, and resolution. Deadline: 17 Jan 2020. ii) Expectations on [modelling](#) of income producing real estate. Also amends expectations on assessment of spreads for illiquid, unrated assets. Deadline: 27 Dec.

- **PRA & FCA issue policy statement regarding mortgage reporting requirements**

[Summarizes](#) the feedback received on its consultation paper regarding the new reporting requirements applicable to mortgage lenders and home finance administrators. It discloses implementation calendars for every report.

- **PRA publishes results from its cyber simulation exercise**

The [exercise](#) found improvement opportunities in operation coordination at firm level and disparity in risk tolerance for suspending services, among others. It also provides recommendations to improve sector cyber resilience.

- **PRA issues several policy statements**

i) Feedback and amendments to the supervisory statement on [Equity Release Mortgages](#) in Solvency II. ii) Feedback and amendments to several [supervisory statements](#) on Solvency II, regulatory reporting and national specific templates. iii) Feedback and final policy on [individual accountability](#).

## UNITED STATES

- **Agencies issue final rule on exemptions from appraisal requirements for some real estate transactions**

Given the [appreciation](#) in residential real estate transactions since the last change (1994), it increases the threshold for transactions requiring an appraisal from \$250,000 to \$400,000.

- **Agencies issue final rule to update management interlock rules**

It [restricts](#) the ability of a director or other management official to serve as more than one depository institution or depository holding company, increasing prohibition thresholds to \$10 billion in total assets.

- **OCC issues final rule amending stress testing rules for national banks and federal savings associations**

Among other issues, it [increases](#) the asset threshold to conduct tests from \$10 billion to \$250 billion, revises the frequency of these tests, and reduces the number of required scenarios from three to two.

- **OCC issues its bank supervision operating plan**

It provides the foundation for [policy initiatives](#) and supervisory strategies to be applied. Focus on (among other): cybersecurity, AML, impact of changing interest rates on banks' risk exposures, LIBOR or underwriting practices.

- **OCC updates its Comptroller's Handbook, issues mortgage metrics report, and issues CRA evaluation**

i) It updates the [examination](#) process series for banks, community banks, federal branches and agencies and large banks. ii) Mortgage performance [report](#) shows a slight improvement in the 2Q2019. iii) [CRA evaluation](#) for 35 national banks and federal savings associations examined during Sep 2019. Only one rated as "need to improve".

**Recent publications of interest (in English and Spanish):**

- [Press Article](#). *Nueva ley de contratos de crédito inmobiliario: de la teoría a la práctica* (in Spanish). June 2019.
- [Press Article](#). *Provisions for non-performing loans: how much is enough?* August 2019.
- [Press Article](#). *Climate Change: Tempus Fugit*. September 2019.

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

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