

Financial Regulation: Weekly Update

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Highlights

1. ECB announces a Pandemic Emergency Purchase Programme to deal with the COVID-19
2. European Commission issues proposal for a temporary state aid framework due to COVID-19
3. SSM publishes its annual report on supervisory activities
4. Spanish government approves Royal Decree with measures to deal with the COVID-19
5. US Agencies issue statement giving regulatory flexibility to banks to deal with the current crisis

GLOBAL

■ BCBS publishes implementation report for the NSFR and large exposures framework

The assessment finds that the [NSFR](#) and the large exposures regulation in Hong Kong, Indonesia and Singapore are compliant with the Basel Committee's global standards.

EUROPE

■ ECB announces a Pandemic Emergency Purchase Programme

It consists of a €750 billion [purchase programme](#) of private and public sector securities until the end of 2020. It will also expand the range of eligible assets under CSPP to non-financial commercial paper.

■ EC consults Member States on proposal for a temporary state aid framework due to COVID-19

The [framework](#) focuses on: i) direct grants or tax advantage, ii) subsidized guarantees on bank loans, iii) subsidized interest rates. It recognizes the role of the banking sector and financial intermediaries, stating that direct aid to banks to compensate for damages from COVID-19 should not be considered extraordinary public support.

■ SSM publishes its annual report for its 2019 activities

The report finds prolonged [low profitability](#) in the industry. It includes information on green finance, macroprudential tasks, authorizations, organizational set-up and supervisory fees, and crisis management related activities.

■ ESMA requires net short holder position holders to report positions of 0.1% and above

The [decision](#) is taken as a precautionary action under the current exceptional circumstances that can constitute a threat to market confidence in the EU. The measure applies immediately.

- **ESMA sets out approach to Securities Finance Transactions Regulation (SFTR) implementation**

In response to the effects of COVID-19, it enhances coordinated [supervisory actions](#) on the application of SFTR, in particular, on requirements of reporting start date and TRs, and monitors its implementation by market participants.

- **ESMA issues opinions on measure taken by national authorities regarding short selling regulation**

The [agency](#) supports the [measures](#) consisting of short [selling](#) prohibition (due to the COVID-19), for a period of [one to three months](#), to any natural or legal person established within the EU or in a third country.

- **EIOPA issues statement providing actions to mitigate the impact of COVID-19**

It encourages [business continuity](#) by making more flexible supervision, and ensures to mitigate the impact of market volatility to the stability of the insurance sector and safeguard the protection of policyholders.

SPAIN

- **Spanish government approves Royal Decree due to COVID-19 with effects on the financial system**

Among other measures, it sets a [moratorium](#) on the payment of mortgage instalments for debtors in a particularly vulnerable situation and creates a facility of public guarantees and securities worth up to €100 billion.

- **CNMV temporarily bans short positions on listed shares**

The [prohibition](#) will last for a month (but could be extended up to three months) and affects any operation on shares or related to index, including operations with derivatives, traded in Spanish secondary markets.

UNITED KINGDOM

- **BoE issues statement with supervisory and prudential measures due to COVID-19**

[Announces](#): i) cancellation of 2020 stress test, ii) changes to biennial exploratory scenario timetables, iii) statement on IFRS 9, iv) postponement of open-ended funds survey, v) extensions or delays on consultations and regulations.

- **PRA and HM Treasury publish policy statements on Solvency II and on Basel III prudential standards**

(i) On adjusting for the reduction of [loss absorbency](#) where own fund instruments are taxed on conversion under Solvency II. (ii) Policy statement on the government's intention to implement [Basel III](#) banking standards in the UK.

- **HM Treasury and BoE launch a COVID Corporate Financing Facility**

It aims to provide [funding](#) to businesses by purchasing commercial paper of up to one-year maturity, issued by firms making a material contribution to the UK economy and mitigating any effects of Covid-19 on jobs and growth.

UNITED STATES

■ Agencies issue statement providing flexibility to banks in order to support the U.S. economy

The agencies [encourage](#) firms to use their liquidity and capital buffers to respond to COVID-19 challenges. They also include a technical change to phase in automatic distribution restrictions if a firm's capital levels decline.

■ FRB establishes new funding facilities

i) Commercial Paper Funding Facility to [provide liquidity](#) through an SPV that will buy unsecured and asset-backed commercial paper directly from eligible companies. ii) A Primary Dealer Credit Facility to offer overnight and [term funding](#) to primary dealers for at least six months. This credit may be collateralized. iii) Money Market Mutual Fund Liquidity Facility to [make loans](#) to eligible financial institutions secured by high-quality assets purchased from MMMF. This is accompanied by an [interim rule](#) to ensure that the liquidity facility can be effectively used.

■ Agencies issue final rule on eligible retained income and Q&As on the use of buffers

The rule revises the definition of [eligible retained](#) income for institutions and companies subject to agencies' capital rule, and makes clarifications issuing [Q&As](#) on the agencies statement on the use of capital and liquidity buffers.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *Las prioridades de la nueva Comisión Europea*. January 2020.
- [Press Article](#). *U.S. banking regulation: a change in the trend*. January 2020.
- [Press Article](#). *Europe strengthens its financial supervision authorities*. February 2020.
- [Press Article](#). *Central Bank Digital Currencies: the cross-border dimension*. March 2020.

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

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