

Financial Regulation: Weekly Update

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Highlights

1. BCBS postpones the implementation of Basel III
2. ECB issues recommendation on dividend payouts and share buybacks
3. SRB publishes its final Expectations for Banks and letter with potential operational relief due to COVID-19
4. EBA provides additional clarity on measures to mitigate the impact of COVID-19, and issues guidelines on the treatment of public and private moratoria
5. BdE issues statement on flexibility in the accounting standards due to COVID-19

GLOBAL

■ BCBS postpones the implementation of Basel III

To free up operational capacity of banks and supervisors as they respond to the economic impact of COVID-19, BCBS [postpones](#) the implementation of Basel III, the revised market risk and Pillar 3 framework. New deadline: Jan 2023.

■ FSB issues statement on actions to ensure continuity of critical financial services functions

Its members continue to cooperate and take action nationally and collectively to mitigate the [financial risks](#), supporting market functioning and maintaining the provision of credit to households and businesses.

EUROPE

■ ECB issues recommendation on dividend payouts and share buybacks

It recommends banks do not pay the 2019 and 2020 [dividends](#) or share buybacks until October. It only affects unpaid dividends and requests that the proposal to vote on dividends at those meetings not yet held be amended.

■ EBA publishes guidelines on the treatment of public and private moratoria in light of COVID-19 crisis

Clarifies that payment [moratoria](#) do not trigger classification as forbearance or distressed restructuring if measures are based on national law or on an industry sector-wide private initiative agreed and applied by relevant institutions.

■ SRB publishes its final Expectations for Banks

The [expectations](#) include comments received in the consultation, and set out capabilities that banks have to demonstrate to show they are resolvable. Banks should build their capabilities on all aspects by the end- 2023.

■ **EBA publishes final draft standards on key areas for the implementation of the FRTB**

Include: final [RTS](#) on: i) liquidity horizons for the IMA, ii) backtesting and profit and loss attribution requirements and iii) criteria for assessing the modellability of risk factors under the IMA.

■ **EBA provides additional clarity on measures to mitigate the impact of COVID-19**

[Clarifies](#) its expectations with statements in relation to: i) dividend and remuneration policies, ii) guidance on how to use flexibility in supervisory reporting, and iii) measures to prevent money laundering and terrorist financing.

■ **SRB issues letter with potential operational relief due to COVID-19**

[Letter outlining](#) potential operational relief measures, focusing on data submission for non-essential reports. SRB plans to continue the preparations for issuing 2020 MREL decisions according to the set deadlines in early 2021.

■ **ESMA publishes draft RTS for CCP colleges and advice on rules for fines for third country CCPs**

i) The [amendments](#) are limited in scope and concern the practical arrangements for the functioning of the college regarding, among others, voting procedures or procedures for setting agendas. ii) [Technical advice](#) on rules for imposing fines and penalties on third country CCPs and alignment of those for TRs and CRAs.

■ **ESMA issues several consultations and call for evidence**

ESMA publishes a call for [evidence](#) on credit rating information and data (deadline: Aug, 3), and consults on: [AIF Managers](#) (deadline: Sep, 1); leverage risk in the [AIF sector](#) (deadline: Sep, 1); [central clearing](#) solutions for pension scheme arrangements (deadline: Jun, 15); and standardized information to facilitate [cross-border funds distribution](#) (deadline: Jun, 30).

■ **ESMA issues public statements on MIFID II several topics**

i) [Advice](#) to EC on inducements and costs and charges disclosures; ii) [clarifications](#) on difficulties faced by execution venues and firms in preparing reports; iii) [decision](#) to maintain application date of equity transparency calculations.

■ **ESMA announces update to reporting under the MMF Regulation**

It [postpones](#) the date for submission until September 2020 because of the expected update to the XML schemas that should be used for the reporting, and MMF managers will need additional time to comply with it.

■ **ESMA issues its reports on financial education, commodity derivatives and corporate disclosures**

The reports include [financial education initiatives](#) taken by NCAs, the 2019 enforcement and regulatory activities related to corporate [reporting](#) within the EEA, and a review of the impact of position limits and position management on [commodity derivatives](#) markets under MiFID II.

■ **ESMA publishes its risk dashboard**

It updates its [risk assessment](#) to account for the impact of the COVID-19 pandemic, seeing a prolonged period of risk to institutional and retail investors of market corrections and very high risks across the whole of ESMA's remit.

SPAIN

- **BdE issues statement on flexibility in the accounting standards due to COVID-19**

It recommends making use of the [flexibility](#) provided and reminds institutions of the importance of defining and applying their accounting policies reasonably, taking into account the exceptional nature of the measures to contain COVID-19.

- **CNMV issues statement on reporting of CISMCS and closed-ended CISMCS due to COVID-19**

It points out the suspension of the [deadlines](#) for annual accounts; the possibility of justified delays in the submission and publication of information statements, internal audit reports and quarterly CIS report to unitholders and shareholders; and the continuity of reporting requirements.

- **BdE holds the countercyclical buffer at 0%**

The recent outbreak of the COVID-19 global pandemic and the necessary containment measures applied in Spain have given rise to a situation that advises not activating this [instrument](#) for a prolonged period.

UNITED KINGDOM

- **BoE publishes statement on dividend payouts, share buybacks and cash bonuses**

[Expects](#) banks not to pay any cash bonuses to senior staff and material risk takers & that bank boards will take any further actions with regard to the accrual, payment & vesting of variable remuneration over coming months.

- **FCA publishes statement of policy delaying annual company account during COVID-19 crisis**

Temporary [relief](#) for listed companies, giving them two additional months to complete and publish their audited financial statements.

- **PRA publishes policy statement on financial services compensation scheme**

Following the consultation, the PRA does not consider that any [alteration](#) is needed, and has made no changes to the maximum amount that the FSCS may levy for management expenses in a year without further consultation.

- **PRA publishes policy statement on Solvency II**

It provides [feedback](#) to previous consultation on real estate loans and internal credit assessment for illiquid and unrated assets. It is relevant to UK insurance and reinsurance companies holding or intending to hold income-producing real estate loans.

UNITED STATES

■ Agencies announce further actions to support lending to households and business

These [include](#): i) allowing early adoption of a new methodology to measure counterparty credit risk in derivatives contracts; ii) an optional extension of the regulatory capital transition for the new credit loss accounting standard.

■ FRB announces new measures to deal with the COVID-19

i) Temporary change to its supplementary [leverage ratio](#) excluding U.S. Treasury securities and deposits at Federal Reserve Banks from the calculation; ii) a temporary [FIMA Repo Facility](#) allowing central banks and international monetary authorities to enter into Repos with the FED; iii) a six-month delay of the effective date for its revised [control framework](#) to reduce the operational burden.

■ Agencies extend deadline for comments for Volcker proposal

They announce that they will be receiving comments on their proposal to modify the “[covered funds](#)” part of the Volcker rule until May 1, 2020.

■ SEC provides regulatory relief and assistance to market participants affected by COVID-19

[Temporary](#) regulatory relief to: i) parties needing to gain access to make filings on the EDGAR system; ii) company filing obligations under Regulation A and Regulation Crowdfunding; iii) a filing requirement for municipal advisors.

■ OCC issues report on fourth quarter 2019 of Bank Trading Revenue

It finds that the [trading revenue](#) increased 78.5% in 2019, derivative contracts remained concentrated in four large banks and interest rate products, and centrally cleared derivatives transactions decreased.

■ CFTC provides further relief to markets participants in response to COVID-19

Issues additional targeted, temporary no-action [relief](#) to foreign affiliates of certain futures commission merchants to facilitate orderly trading and liquidity in US derivatives markets during this volatile period.

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](#). *Central Bank Digital Currencies: the cross border dimension*. March 2020.
- [Press Article](#). *Sustainable finance: “I’m late, I’m late, I’m late!”* March 2020.

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

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