

# Financial Regulation: Weekly Update

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April 17, 2020

## Highlights

1. FSB publishes report on financial stability implications of COVID-19
2. IOSCO issues statement sustainability and climate change
3. ECB issues statement on macroprudential policy actions taken by macroprudential authorities, and on temporary relief for capital requirements for market risk
4. EBA publishes its 4Q19 Risk Dashboard on risks and vulnerabilities
5. Spanish Government activates second section of the guarantee facilities due to COVID-19

## GLOBAL

### ■ FSB publishes report on financial stability implications of COVID-19

It proposes to: monitor information to address financial [stability](#) risks; use the flexibility of existing financial standards, seek opportunities to reduce operational burdens, and coordinate the cancellation of measures taken.

### ■ IOSCO issues statement on sustainability and climate change

It seeks to help market participants, aligning diverse [sustainability](#) frameworks, sustainability- related disclosure, lack of common definitions of sustainability, greenwashing and other challenges to investor protection.

### ■ ISDA announces preliminary results of its consultation on pre-cessation fallbacks for LIBOR

The results of the implementation of pre-cessation [fallbacks](#) for derivatives referenced to LIBOR indicate a significant majority is in favor of both pre-cessation and permanent cessation fallbacks as standard language.

### ■ CPMI and IOSCO issue statement on implementation of financial market infrastructure standards

It [shows](#) that most of the jurisdictions participating in the monitoring program have implemented the international standards for all types of financial market infrastructures.

### ■ FSB publishes report on a roadmap to enhance global cross-border payments

It [provides](#) an assessment of existing arrangements and challenges for global cross-border payments. Enhancing these payments is a G20 priority during the Saudi Arabian Presidency.

### ■ FSB consults on regulatory, supervisory on “global stablecoin” arrangements

Publishes for consultation [10 high-level recommendations](#) to address the regulatory, supervisory and oversight challenges raised by “global stablecoin” arrangements. Deadline: Jul 15.

- **IOSCO issues report on global hedge fund survey**

Facilitates the systematic collection and analysis of hedge fund data and provides regulators new insights into the global [hedge fund](#) industry and the potential systemic risks this industry may pose to the financial system.

## EUROPE

- **ECB issues statement on temporary reduction in capital requirements for market risk**

It allows to reduce the qualitative [market risk](#) multiplier, due to increases in market volatility that increase capital requirements. It seeks to maintain market-making activities and market liquidity. It will be reviewed in 6 months.

- **ECB issues statement on macroprudential policy actions taken by macroprudential authorities**

It has [issued](#) a non-objection decision regarding macroprudential authorities proposed measures, that include releases or reductions of the CCyB, SyRB and buffers for OSIs.

- **EBA publishes 4Q19 risk dashboard**

[Banks](#) show a sound capital position with a CET1 ratio of 14.8%. NPL ratio further declined to 2.7% and there is improvement in asset quality. Concerns remain regarding profitability, with a decline in ROE to 5.8%.

- **ECOFIN issues statement on bank lending and the insurance sector amid the COVID-19**

It highlights the [importance](#) of banks financing the real economy. Furthermore, measures and communications by EC, ECB, SRB, ESAs and EIB are welcomed, outlining the importance of a coordinated and ambitious approach.

- **EBA publishes technical package on reporting framework**

The technical [package](#) reflects the updated EBA guidelines on funding plans, the remuneration benchmarking exercise, data collection exercise and on fraud reporting under PSD2 into the DPM and XBRL taxonomies.

- **EBA updates its guidelines on the equivalence of confidentiality**

It updates the [equivalence](#) of confidentiality and professional secrecy regimes of non-EU authorities for participation in supervisory colleges by adding NY State Department of Financial Services to the current list.

- **ESMA issues statement on coordination by NCAs regarding benchmarks**

It promotes coordinated action by NCAs regarding the timeliness of fulfilling external audit requirements for interest rate [benchmark](#) administrators and contributors to interest rate benchmarks.

- **ESMA extends deadlines for transparency report consultation**

As a consequence of the COVID-19, it extends the [deadline](#) for the consultation on the MiFID II/MiFIR review on the transparency regime for non-equity instruments and trading obligation for derivatives. New deadline: Jun, 14.

- **ESMA issues statement on publication of investment funds periodic reports**

It expects NCAs to adopt a risk-based approach and not prioritize supervisory actions against funds in respect of the upcoming [reporting](#) deadlines, without prejudice to obligations stemming from national or EU legislation.

- **ESMA postpones publication for non-equity transparency calculations and systematic internaliser test**  
It is taking this [approach](#), in cooperation with NCAs, due to difficulties of market participants to comply with these requirements in a challenging situation due to the COVID-19 pandemic.
- **ESMA issues opinion on short selling bans**  
Issues opinion agreeing to the renewal of the emergency restrictions on [short selling](#) and similar transactions by the FMS, FSMA, AMF, ACMC and CNMV, and aligns the exemptions applicable to this restriction.
- **ESMA issues Q&A on alternative performance measures due to COVID-19**  
It highlights the principles of [APM](#) guidelines, encourages issuers to use caution when adjusting APMs and invites issuers to provide information on the modifications, measures taken and impact due to COVID-19.
- **EIOPA publishes information on Solvency II**  
It will monitor the [evolution](#) of the relevant risk-free interest rate term structures and the symmetric adjustment to equity risk. It seeks to support insurance and reinsurance undertakings in the monitoring of their solvency and financial position.

## SPAIN

- **Spanish Government activates second section of the guarantee facilities**  
99% of [operations](#) are concentrated on SMEs and the self-employed, and the characteristics, processing method, percentage of coverage of the guarantee (80%) and distribution quotas set for the first tranche are maintained.
- **CNMV extends the temporary ban on net short positions in listed shares**  
Extends for a month (May 18) the [ban](#) on transactions in securities and financial instruments that involve the creation or increase of net short positions in shares admitted to trading on trading venues (Stock and MAB).

## UNITED KINGDOM

- **PRA issues statement on Systemic Risk Buffer rates**  
It announces its decision to maintain firms [systemic risk buffer](#) rates at the rate set in December 2019, in response to the economic shock from Covid-19 and will next reassess them in Dec 2021.
- **HM Treasury and BoE issue statement on a temporary extension to Ways and Means facility**  
The measure seeks to provide a [short-term source](#) of additional liquidity to the government (through its pre-existing overdraft at the Bank) if needed, in order to smooth its cash flows and support the orderly functioning of markets.
- **BoE issues statement on recent developments in the financial system due to COVID-19**  
The Financial Policy Committee will present a [supplementary](#) interim report next May 7, with an assessment of the risks to UK financial stability and the resilience of the UK financial system to ongoing economic and market shocks.

- **FCA launches temporary financial relief for customers impacted by COVID-19**

Package of targeted temporary [measures](#) to help people with some of the most commonly used consumer credit products. It will give firms the flexibility to provide temporary financial relief to those facing payment difficulties.

## UNITED STATES

- **Agencies issue an interim final rule on real estate-related appraisals and evaluations**

They temporarily [defer](#) real estate-related appraisals and evaluations up to 120 days after closing of transactions to allow institutions to extend financing to creditworthy households and businesses quickly due to COVID-19.

- **FRB issues statement regarding loans programs to support the economy**

It implements a series of [actions](#) to: i) bolster the effectiveness of previous support mechanisms, ii) ensure credit flows to SMEs, iii) increase the flow of credit to households and businesses through capital markets, and iv) help state and local governments manage cash flow stresses.

- **SEC issues amendments on business development companies and registered closed-end funds**

[Amendments](#) to align the modern immediately-effective or automatically effective with the structures of the newly eligible funds. Includes disclosure and new structured data requirements to ease the analysis of fund data.

- **CFTC approves several rules**

It unanimously approves [amendments](#) on: i) bankruptcy regulations, ii) compliance requirements for commodity pool operators, iii) clearing requirements for central banks, sovereigns, IFIs, BHCs, and CDFIs, iv) margin requirements for the European Stability Mechanism, and v) consumer financial information privacy regulations.

- **CFPB issues guide on remittance transfers and acceleration of pandemic-relief payments**

i) Policy [statement](#) with a flexible approach to the Bureau's supervision of remittance transfers (allowing for the disclosure of estimated exchange rates and third-party fees, instead of exact amounts). ii) [Interpretive rule](#) to make it easier for consumers to receive pandemic relief payments by exempting them from the "compulsory use prohibition" in EFTA.

- **CFTC extends comment periods in response to COVID-19**

It extends certain currently-open [comment](#) periods due COVID-19 pandemic. The extensions encompass rules proposed by the DMO for which current comment periods started in January and February of 2020.

- **CFPB issues final rule on home mortgage disclosure**

It aims to increase the threshold for [reporting](#) data about closed-end mortgage loans, so that institutions will not have to report such data effective Jul 1.

**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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