

Financial Regulation: Weekly Update

Matías Cabrera, Inés Criado, Arturo Fraile, Hamza Jebari, Salvador Portillo, Ana Rubio, Victoria Santillana, Pilar Soler

May 22, 2020

Highlights

1. ECB issues an opinion on the amendments to the prudential framework in response to the COVID-19 crisis
2. SRB publishes its MREL policy under the banking package and consults on its Data Set for valuation
3. ECB consults on its guide on climate-related and environmental risks
4. EBA consults on its draft RTS for recognition of stay powers under BRRD and issues a report on interlinkages between recovery and resolution planning
5. US Agencies announce temporary changes to their supplementary leverage ratio rule

GLOBAL

■ ISDA issues its pre-cessation report

It [expects](#) to publish amendments to the 2006 ISDA Definitions to incorporate the fallbacks for new trades in July. A protocol will simultaneously be launched to allow participants to incorporate the revisions into legacy trades if they so choose. Both will come into effect before the end of the year.

EUROPE

■ ECB issues opinion on amendments to the prudential framework in response to the COVID-19 crisis

Fully [supports](#) EC's initiative and makes specific observations on the transitional agreement for IFRS 9, the NPL backstop and leverage ratio. Proposes further flexibility in the market risk framework, in line with BCBS standards.

■ SRB publishes its MREL Policy under the banking package

The [policy includes](#): i) MREL for G-SIBs, ii) changes in calibration and subordination, iii) dedicated rules for certain business models and resolution strategies, iv) i-MREL, v) third-country issuances, and vi) the phase-in. New decisions based on the policy are going to be communicated by early 2021.

■ ECB consults on its guide on climate-related and environmental risks

It seeks comments from industry and other stakeholders. [Banks](#) should integrate climate and environmental risks into their business strategy, governance, risk management and disclosure. Deadline: Sep 25, 2020.

■ **EBA consults on its draft RTS for recognition of stay powers under BRRD**

The RTS seeks to support the effective application of temporary restrictions on [early termination rights](#) for financial contracts under third-country law. Deadline: Aug 15, 2020.

■ **EBA issues report on interlinkages between recovery and resolution planning under BRRD**

It analyzes the impact of [recovery](#) options on the institution's resolvability and introduces a framework to support the assessment and consultation process between resolution and competent authorities, enhancing synergies between the two phases and ensuring consistency in their potential implementation.

■ **ESMA consults on draft RTS under benchmarks regulation**

It seeks feedback on the proposed [RTS](#) covering the governance of administrators, methodology, reporting of infringements, mandatory administration of critical benchmarks and compliance statement. Deadline: Jun 8, 2020.

■ **SRB consults on its Data Set for valuation**

It seeks [comments](#) on its standardized data set to ensure that the minimum needed data is available to support a robust valuation for resolution. It includes an instructions document (with the SRB expectations regarding data needs) and an explanatory note (to provide guidance to banks on their MIS capabilities). Deadline: Jun 30, 2020.

■ **ESMA issues its risk dashboard for 2020**

During Q1 2020, [equity markets](#) saw large corrections due to COVID-19. Since then, markets saw a marked rebound but a prolonged period of risk to institutional and retail investors of further market corrections is observed.

■ **ESMA supports ESRB actions to address COVID-related systemic vulnerabilities**

i) [Recommendation](#) on NCAs supervisory engagement with investment funds with significant exposures to less liquid assets. ii) Communication on the timely use of liquidity management tools by investment firms and insurers.

■ **ESMA issues statement calling for transparency on COVID-19 effects in half-yearly financial reports**

It [highlights](#) the importance of providing relevant and reliable information and updating the information of latest annual accounts to adequately inform stakeholders of the impacts of COVID-19.

■ **ESMA issues statement on non-renewal of restrictions on short selling**

The measure of temporarily requiring the holders of [net short positions](#) in shares remains in force until Jun 16 and can be renewed. It also continues to monitor developments in financial markets as a result of COVID-19.

SPAIN

■ **Spanish Government activates fourth section of the guarantee facilities**

All [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.

UNITED KINGDOM

■ HM Treasury updates its Covid Corporate Financing Facility

It has changes to make the [scheme](#) more transparent and enable participating firms to demonstrate access to the scheme. It seeks to promote the ability of companies to repay their borrowings from the facility in an orderly way.

■ FCA announces new insolvency and corporate governance measures due to COVID-19

It aims to [help businesses](#) affected by the COVID-19 proposing a new restructuring plan and including measures on moratorium, suspension of termination clauses and suspension of wrongful trading provisions from Mar 2020.

UNITED STATES

■ Agencies announce temporary changes to their supplementary leverage ratio rule

Modification to allow the exclusion of [U.S. Treasury securities](#) and deposits at Federal Reserve Banks from the calculation of the supplementary leverage ratio. If the option is used, the institution will be required to request approval before making capital distributions.

■ Agencies issue principles for offering small-dollar loans

It aims to encourage supervised banks, savings associations, and credit unions to offer [responsible small-dollar](#) loans to customers for consumer and small business purposes in response to COVID-19.

■ CFPB issues guide on mortgage relief options and extension of comment period for time-barred debt

The [guide](#) includes borrowers' rights to mortgage payment forbearance and foreclosure protection under the federal CARES Act. [Extends](#) consultation on its proposed rulemaking on time-barred debt disclosures. New deadline: Aug 4.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *The regulatory response to COVID-19*. April 2020.
- [Press Article](#). *The unknowns of the financial transactions tax*. March 2020.
- [Press Article](#). *Sustainable finance: "I'm late, I'm late, I'm late!"* March 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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This report has been produced by

Head of Financial Regulation

Ana Rubio
arubiog@bbva.com

Arturo Fraile
arturo.fraile@bbva.com

Victoria Santillana
mvictoria.santillana@bbva.com

Matías Daniel Cabrera
matiasdaniel.cabrera@bbva.com

Pilar Soler
pilar.soler.vaquer@bbva.com

Hamza Jebari Serroukh
hamza.jebari@bbva.com

Salvador Portillo
salvador.portillo@bbva.com

Inés Criado
ines.criado@bbva.com