

Financial Regulation: Weekly Update

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June 12, 2020

Highlights

1. EBA launches consultation on prudential treatment of software and on the new regulatory framework for investments firms
2. EBA publishes the results of its transparency exercise
3. European Commission issues its final report on the CMU
4. ESRB issues recommendation on financial stability implications due to COVID-19 measures
5. ECB issues reports on banks' credit underwriting standards and supervisory convergence, and updates list of supervised entities

EUROPE

■ EBA issues consultation on prudential treatment of software

The agency has launched its consultation on the draft RTS specifying the prudential treatment of [software assets](#). Deadline: Jul 9, 2020.

■ EBA issues consultations on the new regulatory framework for investments firms (IFR)

Issues its [roadmap](#) on its various IFD/D level mandates and launches a consultation on its first set of regulatory deliverables on prudential, reporting, disclosures and remuneration requirements. Deadline: Sep 4, 2020.

■ EBA publishes transparency exercise

As of [Dec 2019](#), average CET1 was 14.8%, NPL ratio declined to 2.7% and leverage ratio stood at 5.5%, confirming that the EU banking sector entered the crisis with a solid capital position and improved asset quality.

■ EC issues its final report on the CMU

It sets out a series of clear [recommendations](#) aimed at moving the EU's capital markets forward and removing the biggest barriers in EU capital markets in order to speed up the EU's recovery from the coronavirus pandemic.

■ ESRB issues recommendation on financial stability implications due to COVID-19 measures

It recommends national macroprudential authorities to monitor implications on [financial stability](#) of debt moratoria, public guarantee schemes and other fiscal measures taken to protect the real economy in response to Covid-19.

■ **EBA issues a revised list of validation rules in its ITS on supervisory reporting**

It [highlights](#) those that have been deactivated either for incorrectness or for triggering IT problems. Data submitted in accordance with these ITS should not be formally validated against the set of deactivated rules.

■ **ECB issues reports on banks' credit underwriting standards and supervisory convergence**

i) Report on banks' [credit underwriting](#) standards that highlights weaknesses in the way banks have granted and priced new loans in recent years, and ii) report on the economic and legal [convergence](#) in EU Member States.

■ **EBA publishes its 2019 annual report**

It provides a detailed account of all the [work](#) the authority achieved in the past year and anticipates the key areas of focus in the coming year.

■ **EBA issues opinion on Non-Financial Reporting Directive (NFRD) consultation**

It welcomes the EC's [consultation](#) and highlights the need to increase the scope and the standardization of the NFRD by setting out mandatory rather than voluntary requirements, so as to ensure comparable disclosures.

■ **ECB updates its list of supervised entities**

[The list](#) includes significant institutions directly supervised by the ECB and less significant institutions indirectly supervised by the ECB. The total number of significant supervised entities is 115 as of May 1, 2020.

■ **ESMA issues new peer review methodology and final guidelines on MiFID II compliance function**

i) A new [peer review](#) methodology that integrates the improvements that were introduced by the revised ESMA regulation. ii) Final [guidelines](#) including updates to enhance clarity and foster convergence in the implementation and supervision of the new MiFID II compliance function requirements.

■ **ESMA issues statement on MiFIR open access and COVID-19**

It aims to clarify the application of the MiFIR [open-access provisions](#) for trading venues and central counterparties and also aims to coordinate the supervisory actions of NCAs when assessing open-access provisions requests.

■ **ESMA issues latest Double Volume Cap data**

It updates the public register with the [latest DVC](#) data and calculations under MiFID II for the May 1, 2019 - Apr 1, 2020 period.

■ **ESMA extends deadline for responses to consultation on EMIR REFIT**

In view of the COVID-19 effects, it decides to extend the deadline for the [consultation](#) on the technical standards on reporting, data quality, data access and registration of Trade Repositories under EMIR REFIT. New deadline: Jul 3.

UNITED KINGDOM

- **FCA issues package of measures to deal with weaknesses across the defined benefit transfer market**

It aims to address weaknesses across the defined benefit [transfer market](#) and reduce conflicts of interest by banning contingent charging, as well as help for advisers to provide good-quality advice to their customers.

UNITED STATES

- **FRB expands its Main Street Lending Program**

It aims to allow more [SME](#) to receive support, lowering the minimum loan amount, raising the maximum loan limit, adjusting the principal repayment schedule and providing borrowers with greater flexibility in repaying the loans.

- **FDIC issues its report on minority depository institutions (MDIs)**

It provides a summary profile of [MDIs](#) as of the end of 2019; a description of the FDIC's MDI program; and detailed information on the FDIC's 2019 initiatives supporting these institutions and preserving their minority character.

- **OCC consults on proposal to update activities and operations rules, and its rules on digital activities**

Part of the efforts to [modernize](#) the rules and remove unnecessary and outdated requirements that no longer reflect the modern financial system. It clarifies and codifies recent OCC interpretations. It also seeks to support the evolution of the federal banking system on issues related to digital technology and innovation. Deadlines: Aug 3.

- **CFPB issues TRID factsheet and FAQs**

These [resources](#) seek to help industry participants understand, implement, and comply with the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) Integrated Disclosure (TRID) rules.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *European action plan AML & FT*. June 2020.
- [Press Article](#). *The sustainable opportunity brought by the Covid-19*. May 2020.
- [Press Article](#). *The regulatory response to COVID-19*. April 2020.
- [Press Article](#). *The unknowns of the financial transactions tax*. March 2020.

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

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