

Financial Regulation: Weekly Update

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Highlights

1. European Parliament approves targeted amendments on bank's capital regulation
2. ECB's private sector working group on euro risk-free rates issues recommendation for legacy swaption contracts
3. EBA issues its final draft RTS on the criteria to identify the risk takers
4. EBA extends deadline for the application of its guidelines on payment moratoria
5. EBA issues its peer review of stress tests and the resilience of DGSs

EUROPE

■ European Parliament approves targeted amendments on bank's capital regulation

Aimed at mitigating the effects of the [COVID-19](#) crisis and to support credit flow to companies and households. The amendments will enter into force the day following its publication in the OJEU.

■ ECB's WG on euro risk-free rates issues recommendation for legacy swaption contracts

It [recommends](#) voluntary compensation for legacy swaption contracts and advises market participants to contact swaption counterparties to discuss and decide on voluntary compensation.

■ EBA issues its final draft RTS on the criteria to identify the risk takers

It seeks to define and harmonise the criteria for the identification of [risk takers](#), ensuring a consistent approach across the EU. The identification process is based on a combination of qualitative and quantitative criteria.

■ EBA extends deadline for the application of its Guidelines on payment moratoria

It extends the application of its guidelines on legislative and non-legislative [moratoria](#) until Sep 30, ensuring an adequate treatment for borrowers, and showing the importance of a continued support to the measures taken.

■ EBA issues its peer review of stress tests and the resilience of DGSs

The report [considers](#) the overall resilience of DGSs to be fair to perform their tasks. It also highlights some shortcomings and provides early indications on how to improve and enhance the framework.

- **EBA issues its final draft on RTS and ITS on passport notification**

It increases the consistency of [information](#) to be provided by an institution notifying its home competent authorities when it intends to open a branch or provide services in another Member State, as well as of the communication between home and host authorities.

- **EBA issues call for input regarding the impact of de-risking on financial institutions and customers**

It seeks to understand why financial institutions choose to [de-risk](#) instead of managing the risks associated with certain sectors or customers. Deadline: Sep 11, 2020.

- **ESMA issues statement requiring net short position holders to report positions of 0.1% and above**

This [temporary decision](#) will enable NCAs to deal with any threats to market integrity, orderly functioning of markets and financial stability at an early stage, allowing ESMA to address such threats in a timely manner.

- **ESMA issues its revised 2020 work program**

It reallocates significant resources away from its planned work as a response to the [COVID-19 crisis](#), ensuring that new responsibilities, and governance and organizational changes are developed to the highest quality standard.

- **ESMA issues draft amendment to the RTS on the ESEF**

It provides a technical amendment to the original RTS on the [ESEF](#), incorporating the 2020 version of the IFRS taxonomy (mandatory since 2021 but it can be already adopted for 2020 report on voluntary basis).

SPAIN

- **BdE amends its *Circular 4/2017* to credit institutions on financial reporting rules**

It makes changes on [credit-risk](#) classification of forborne exposures, increasing reporting requirements of NPE, forborne exposures and foreclosed collateral. It also introduces other changes following the application of IFRS 16.

- **MinEco consults on the transposition of the AML/CFT Directive**

[Incorporates](#) the amendments set out in the Directive, introducing new obligated subjects, strengthening the identification system of legal persons' real owners, and improving the exchange of information between Spanish authorities and international institutions. Deadline: Jun 23, 2020.

UNITED KINGDOM

- **FCA issues report on equity release sales and advice process**

It finds that [advice](#) given by firms does not sufficiently take into account consumers' personal circumstances and is not always suitable and it recommends ensuring appropriate advice is given to equity release consumers.

UNITED STATES

■ **FRB updates Secondary Market Corporate Credit Facility**

In order to support [market liquidity](#) and the availability of credit for large employers, the SMCCF will start buying a broader and diversified portfolio of corporate bonds.

■ **FRB consults on proposal to expand its Main Street Lending Program**

It seeks feedback on its [proposal](#) to expand the program in order to provide access to credit for nonprofit organizations. Deadline: Jun 22, 2020.

■ **OCC issues report on the performance of first-lien mortgages**

The [first-lien mortgages](#) comprise 28.7% of all residential mortgages and its performance in the federal banking system remained stable during 1Q20 and foreclosures decreased 10.9% from the previous quarter.

■ **CFPB issues report on guidance during COVID-19 pandemic**

The Bureau releases FAQs on the credit [reporting requirements](#) aiming to help ensure that consumers receive the credit reporting protections required by the CARES Act.

■ **CFPB updates the Remittance Transfers Small Entity Compliance Guide**

It updates the [Remittance](#) Transfers Small Entity Compliance Guide, reflecting amendments to the Remittance Transfers Rule (subpart B of Regulation E) and helping industry understand, implement, and comply with it.

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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