

Financial Regulation: Weekly Update

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Highlights

1. NGFS releases four reports on climate change
2. BCBS consults on proposal to amend capital rules for non-performing loan securitizations
3. EBA publishes ITS on Pillar 3 disclosure and supervisory reporting
4. HM Treasury (UK) issues statement on post-Brexit regulatory reforms
5. US Agencies finalise the covered fund section of the Volcker Rule and the FRB publishes the results from the 2020 stress test

GLOBAL

■ NGFS releases four reports on climate change

Two on scenarios, one on monetary policy and one on research: i) and ii) climate [scenarios](#) for central banks and supervisors and a [guide](#) to it. iii) climate change and [monetary policy](#): initial takeaways. iv) [macroeconomic and financial stability](#) impacts of climate change: research priorities.

■ IOSCO consults on AI/ML guidance for market intermediaries and asset managers

It requests feedback on proposed [guidance](#) to help its members regulate and supervise the use of AI and ML by market intermediaries and asset managers.

■ BCBS consults on proposal to amend capital rules for non-performing loan securitizations

[Proposal](#) i) sets out a prudent treatment for securitizations of non-performing loans with a risk weight floor of 100% for these exposures; ii) addresses a gap in the regulatory framework. Deadline: Aug 23, 2020.

■ IASB issues amendments to IFRS 17 Insurance Contracts

[Amendments](#) designed to help companies in their implementation and reduce costs by simplifying requirements; making financial performance easier to explain and deferring the effective date of the standard to 2023.

■ IOSCO & CPMI issue report on CCP auctions

It outlines issues that [CCPs](#) should consider on default management auction processes and identifies that CCPs could consider in the development and improvement of default management auctions to address those issues.

■ **ISDA launches Clause Library**

A tool that sets out drafting options for frequently negotiated [provisions](#) aiming to cut down on instances of differently worded clauses, making contract negotiation more efficient and improving the consistency and accuracy of legal agreement data.

EUROPE

■ **EBA publishes ITS on Pillar 3 disclosure and supervisory reporting**

[ITS](#) on disclosure implements latest requirements on CRR 2 to reinforce market discipline. Updated reporting framework reflects changes in CRR and introduces new requirements on NSFR and Counterparty Credit Risk.

■ **EP issues final draft on further development of the CMU**

It seeks to [improve](#) the access to capital markets financing, in particular by SMEs and enable retail investors participation.

■ **OJEU publishes a regulation, a delegated regulation and an ESRB recommendation**

i) [Regulation](#) on targeted amendments to CRR in response to the COVID-19 pandemic. Effective date: Jun 27, 2020. ii) Delegated regulation on [prudent valuation](#). Effective date: Jun 26, 2020. iii) [ESRB](#) recommendation on restrictions on capital distributions.

■ **Council of the EU and EP reach political agreement on recovery and resolution of CCPs**

Rules to make CCPs safer, addressing [systemic risk](#) from their potential failure. The recovery and resolution is based on: i) prevention and preparation, ii) recovery measures and iii) resolution tools. The new framework will start applying 18 months after the date of entry into force.

UNITED KINGDOM

■ **HM Treasury issues statement on post-Brexit regulatory reforms**

It set out how it intends to approach [regulatory reforms](#) being implemented at the international and European level. Particularly, it refers to: i) BRRD 2, ii) prudential regime for MiFID investment firms, and iii) Benchmarks regulation.

■ **FCA announces proposals to further support consumer credit customers**

It aims to provide continued support for users of [credit](#) cards and other revolving credit and personal loan customers coming to an end of a payment freeze, as well as those who are yet to request one.

■ **FCA consults on a new prudential regime for UK investment firms**

FCA has published a [discussion](#) paper introducing prudential rules for investment firms to better reflect their business models and the risk of harm they pose to consumers and markets. Deadline: Sep 25, 2020.

- **BoE updates the Contingent Term Repo Facility**

In light of improvements in funding market conditions it will discontinue 1-month [CTRF](#) operations at the end of June 2020 but they can be reintroduced at any stage. The final operation will take place on Jun 26, 2020.

UNITED STATES

- **Agencies issue the finalised Volcker rule**

It is broadly similar to the proposed rule in Jan. It [streamlines](#) the covered funds portion of rule; addresses the extraterritorial treatment of some foreign funds; and allows banks to engage in activities that do not raise concerns that the Volcker rule was intended to address. Effective date: Oct 1, 2020.

- **FRB publishes results of the 2020 stress test and additional sensitivity analysis**

The results show that banks can [remain strong](#) when facing the shocks. Following the results, the Board will take several actions (suspend share repurchases, cap dividend payment, and allow dividend payment according to a formula based on recent income).

- **Agencies finalize amendments to swap margin rule**

Entities of the same banking organization will no longer be required to hold an amount of initial margin for [uncleared swaps](#), facilitating the implementation of prudent risk management strategies with significant swap activities.

- **Agencies issues examiner guidance to promote consistency and flexibility in the supervision**

The guidance instructs [examiners](#) to consider the unique, evolving, and potentially long-term nature of the issues confronting institutions due to the pandemic and to exercise appropriate flexibility in their supervisory response.

- **FDIC issues final rule on deposit insurance assessment effects of participation different programs**

It mitigates the deposit [insurance assessment](#) effects of participation in PPP, PPPLF and MMLF by removing loans or offsetting increases in assessment bases attributable to the programs. Effective date: immediately after publication in Federal Registry.

- **FRB issues FraudClassifier Model to help organizations classify fraud involving payments**

It is a set of [tools](#) to provide a consistent way to address the industry-wide challenge of inconsistent classifications for fraud and better understand the magnitude of fraudulent activity and how it occurs across the payment industry.

- **CFPB issues rules on loss mitigation options and on underserved areas**

i) Interim final rule on [loss mitigation](#) options to facilitate consumers' transition out of COVID-19 related financial hardship. ii) Interpretive rule providing guidance about the way in which the Bureau determines which counties qualify as "[underserved](#)".

■ **CFPB issues Notices of Proposed Rulemaking on the Government-Sponsored Enterprises (GSE) Patch**

It aims to ensure a smooth and orderly [transition](#) away from the Temporary GSE qualified mortgages loan definition and to maintain access to responsible, affordable mortgage credit upon its expiration.

■ **OCC issues interim Final Rule on assessments in response to COVID-19**

It will reduce [assessments](#) due to be paid by OCC-supervised banks on Sep 30, 2020, providing this relief in response to the impact of the national emergency related to COVID-19.

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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