

Financial Regulation: Weekly Update

Matías Cabrera, Inés Criado, Arturo Fraile, Salvador Portillo, Ana Rubio, Victoria Santillana, Pilar Soler, Víctor Tarriás

October 16, 2020

Highlights

1. FSB issues a global transition roadmap for LIBOR, a statement on the adherence to the ISDA LIBOR Fallbacks Protocol, and reports on global stablecoins and on market fragmentation
2. EBA publishes final RTS on the prudential treatment of software
3. ECB issues report and consultation on the possible issuance of a digital euro
4. ECB issues statement of compliance of €STR with IOSCO principles for financial benchmarks
5. EBA consults on the revision of the Guidelines on major incident reporting under PSD2

GLOBAL

■ FSB publishes a global transition roadmap for LIBOR

It sets out a [timetable of actions](#) for financial and non-financial firms to take in order to ensure a smooth LIBOR transition by end-2021. It seeks to inform those with exposures, on the steps they should be taking to mitigate risks.

■ FSB issues statement on the adherence to the ISDA LIBOR Fallbacks Protocol

[Encourages](#) widespread adherence to the Protocol by all affected financial and non-financial firms, which will be a major driver of transition for derivatives in LIBOR currencies and a critical step in benchmark transition in 2021.

■ FSB publishes report on regulation and supervision of Global Stablecoin (GSC)

The report argues that GSCs should adhere to all applicable [regulatory standards](#) and address risks to financial stability before commencing operation. It calls for regulation, supervision and oversight proportionate to the risks.

■ FSB publishes report on market fragmentation

[Updates](#) on the work in four main areas: i) deference processes, ii) pre-positioning of capital and liquidity, iii) regulatory and supervisory coordination and information sharing and iv) “too-big-too-fail” evaluation.

■ FSB issues reports on the use of RegTech and SupTech and on the financial stability of BigTechs

It [analyses](#) how technology and information are transforming the global financial landscape, and highlights the increased use of RegTech and SupTech. They also consider the implications of BigTech as a [strategic tool](#) to achieve financial stability in emerging markets and developing economies.

■ FSB publishes roadmap to enhance cross-border payments

It [publishes](#) a roadmap delivered to G20 Finance Ministers, which addresses key challenges faced by cross-border payments, amongst which are high costs, low speed, limited access and insufficient transparency.

EUROPE

■ EBA publishes final RTS on the prudential treatment of software

The [RTS](#) specifies the prudential treatment of software. The aim is to have a simple approach based on a prudential amortization of software asset calibrated over a maximum period of three years.

■ ECB issues report and consultation on the possible issuance of a digital euro

A [comprehensive](#) report on the possible issuance of a digital euro. It has not taken a decision yet on its introduction. The [consultation](#) assesses stakeholders' needs, benefits and challenges arising from the issuance of a digital euro. Deadline: Jan 12, 2021.

■ ECB issues statement of compliance of €STR with IOSCO principles for financial benchmarks

It explains how it complies with [these principles](#), and with international best practices, in its administration of the €STR. The statement has been independently assured by an external auditor.

■ EBA consults on the revision of the Guidelines on major incident reporting under PSD2

The [proposal](#) aims at optimizing and simplifying the reporting process, capturing additional relevant security incidents and reducing the number of operational incidents that will be reported. Deadline: Dec 14, 2020.

■ EBA provides feedback to EC's consultation on proposed new consumer agenda

[Calls](#) for introduction of binding principles on responsible lending (taking into account target consumer interests, objectives, characteristics when designing credit products) & harmonization of creditworthiness assessment.

■ EC issues consultation on new rules regarding cyberattacks

Through this [consultation](#) EC aims to gather views on the need for legislative improvements in the Network and Information Security (NIS) Directive with a view to harmonizing rules across the EU. Deadline: March 19, 2020.

■ EIOPA issues statement on the Brexit preparations

It urges to finalize and implement [contingency plans](#) before the end of the transition period. It expects (re)insurance undertakings to have measures preventing insurance activity without authorization and ensuring service continuity.

■ EIOPA issues guidelines on Information and Communication Technology Security and governance

The objective of the [guidelines](#) is to promote operational resilience of digital operations against the risks they face, including systems and data from policyholders and beneficiaries.

SPAIN

■ CNMV issues statement on the use of social networks to disclosure inside information

It details the [criteria](#) for publishing inside information through social media, as an additional or supplementary channel to the CNMV. They focus on clear, complete, reachable and coincident information.

UNITED KINGDOM

■ FCA and PRA issue letter on Brexit preparedness

It urges firms to continue to build on their [preparatory work](#). It focuses, among other issues, on: i) continuity of wholesale banking business and contracts, ii) data, iii) trading venues, iv) payments, and v) retail banking services.

■ BoE consults on the use of overseas Internal Ratings Based (IRB) models

It sets out the proposed approach for the use of overseas [IRB models](#) that are not built on UK requirements for the calculation of a UK group's consolidated capital requirements. Deadline: Jan 12, 2021.

■ BoE issues a policy statement on internal models for Counterparty Credit Risk (CCR)

[Responses](#) to the previous consultation paper showed supportiveness for centralized inventory for monitoring model limitations and assumptions, and opposition to a floor for over-collateralized exposures. Effective date: Oct 14, 2020.

UNITED STATES

■ CFTC approves several final rules related with the Dodd-Frank act

It [approves](#) final rules on: i) position limits for derivatives (effective date: 60 days after publication in Federal Registry), ii) margin requirements for uncleared swaps (effective date: 30 days after publication), and iii) exemption from registration for certain foreign intermediaries (effective date: 60 days after publication).

■ CFTC extends relief for execution requirement for SWAPs and for DCO auctions

It will [enable](#) DMO to continue to assess the appropriate response for applying the trade execution requirement to swaps in certain types of package transactions. Deadline: Nov 15, 2020. They also approve an exemption to [delay](#) the reporting of SWAPS transaction and pricing data until Nov 19, 2020.

■ FDIC grants an exemption for Customer Identification Program (CIP) rules for loans

This [applies](#) to all FDIC-supervised banks and savings associations, including community banks, and supersedes previous exemption from Sep 27, 2018.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *Procyclical financial regulation: What can be done?* (page 25). October 2020
- [Press Article](#). *Europe | One step closer to the Capital Markets Union*. October 2020
- [Press Article](#). *The Banking Union in times of Covid* (page 85). September 2020
- [Press Article](#). *The Coronavirus: an unexpected ally of digitization*. June 2020.

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

DISCLAIMER

This document has been prepared by BBVA Research Department. It is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Any estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Nor shall this document or its contents form the basis of any contract, commitment or decision of any kind.

With regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions on the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. Reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process is prohibited, except in cases where it is legally permitted or expressly authorized by BBVA.

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

Víctor Tarriás
victor.tarrias@bbva.com

Salvador Portillo
salvador.portillo@bbva.com

Inés Criado
ines.criado@bbva.com