

Financial Regulation: Weekly Update

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Highlights

1. BCBS approves annual G-SIBs assessment and updates work plan of post-crisis reforms
2. EC publishes a formal notice on the transposition of BRRD 2
3. ESMA issues statements on the recognition of UK CCPs, and on the impact of Brexit on the application of MiFIR/MiFID II and the BMR
4. EBA publishes its 2021 work program
5. FRB extends capital distribution limitations and consults on capital planning proposal

GLOBAL

■ BCBS approves annual G-SIBs assessment and updates work plan to evaluate post-crisis reforms

It discusses COVID [risks](#) to banking systems and related vulnerabilities (reiterates importance of using capital and liquidity buffers), approves the annual assessment exercise for G-SIBs, and updates its work plan to evaluate post-crisis reforms incorporating the crisis lessons.

■ CPMI-World Bank issue report on payment aspects of financial inclusion

[It seeks to](#) help national authorities apply the Payment Aspects of Financial Inclusion guide, providing tools for undertaking diagnostic studies, and measure progress in enhancing the access and use of transaction accounts.

EUROPE

■ EC publishes a formal notice on the transposition of BRRD 2

It presents the responses to questions raised by Member States' authorities regarding the [interpretation](#) of certain legal provisions of the revised bank resolution framework.

■ ESMA issues statement on the recognition of UK CCPs after the transition period

Following Dec 31, 2020, [three UK CCPs](#) will be recognized as third country CCPs eligible to provide their services in the EU. LME Clear Ltd. has been assessed as a Tier 1 CCP, and ICE Clear Ltd. and LCH Ltd. as a Tier 2 CCPs.

■ ESMA updates two statements on the impact of Brexit

Two [statements](#) on: i) the application of MiFIR/MiFID II with respect to the C(6) carve-out, post-trade transparency and third-country trading venues, and position limits regime and post-trade transparency for OTC transactions, ii) the application of the BMR and the use benchmarks provided by third-country UK administrators.

■ **EBA publishes final guidelines on subsets of sectoral exposures in the systemic risk buffer**

The [guidelines](#) suggest a common framework of dimensions and sub-dimensions from which the relevant authority can define a subset of relevant exposures to which may apply a systemic risk buffer.

■ **ESMA issues technical standards for third-country firms under MIFIR/MIFID**

Draft RTS and ITS on the provision of [investment services](#) and activities in the EU by third-country firms under MiFIR and MiFID II, including new reporting requirements.

■ **EBA publishes its 2021 work program**

It will focus on [six strategic areas](#): i) risk reduction package and effective resolution tools; ii) reviewing EU-wide EBA stress testing framework; iii) EU data hub; iv) financial innovation and operational resilience, v) AML/CFT supervision; vi) ESG risks and addressing the aftermath of COVID-19.

■ **ESRB releases the 33rd issue of its quarterly risk dashboard**

It [includes](#) a set of quantitative and qualitative indicators of systemic risk in the EU financial system and an overview note that explains the development of the indicators, the methodology and the indicators description.

■ **ESMA proposes amendments to the MIFIR transparency regime for non-equity instruments**

It makes several [proposals](#) to the EC to improve the current regime, with the objective of simplifying and bringing more efficiency to an overly complex regime, and fostering a harmonized application across the EU.

■ **ESMA consults on fees for benchmarks administrators and updates RTS under BMR**

i) [Contains](#) a proposal for BMR fees to be paid by third-country administrators under the recognition regime and by administrators of a critical benchmark. Deadline: Nov 6, 2020. ii) [Sets out](#) the behaviors and standards expected of administrators and enhances the robustness and reliability of financial benchmarks.

■ **ESMA publish report on guidelines for internal control in Credit Rating Agencies (CRAs)**

The [guidelines](#) include ESMA's view on the components and characteristics of internal control frameworks within CRAs, to demonstrate that they are strong and effective. Applicable from: Jul 1, 2021.

■ **ESMA issues annual report on prospectus activity and statement on applicability of level 3 guides**

i) The [prospectus](#) approvals across the EEA decreased 8% compared to 2018, continuing the downward trend. Almost 76% of prospectuses approved related to at least €100,000 non-equity securities. ii) The [public statement](#) contains an update of the status of the Q&As and the CESR recommendations relating to specialist issuers.

■ **ESMA updates its Q&A on MIFIR and EMIR data reporting**

They provide clarifications on the reporting requirements of investment firms under [MiFIR](#) and market infrastructure under [EMIR](#), promoting common supervisory approaches and practices in the application of such regulation.

■ **EIOPA consults on the use of risk mitigation techniques by insurance and reinsurance undertakings**

The aim of this [statement for consultation](#) is to promote supervisory convergence on the assessment of the use of risk-mitigation techniques under Solvency II. Deadline: Nov 24, 2020.

SPAIN

■ CNMV approves technical guide on currency derivatives used as means of payment

It contains a number of [criteria](#) on how the rules should be applied in relation to which certain foreign exchange derivative ("forward") financial instruments should be considered as means of payment not subject to MiFID rules.

UNITED KINGDOM

■ FCA & BoE issue statement on further switch to SONIA in interest rate swap markets

They support liquidity providers in the sterling swaps market to adopt new quoting conventions for inter-dealer trading based on [SONIA](#) instead of LIBOR from Oct 27, facilitating the shift in liquidity toward SONIA swaps.

■ PRA consults on internal ratings approach for UK mortgage risk weights

To address [prudential risks](#) stemming from inappropriately low risk weights for UK mortgage exposures in internal models. It will also reduce differences between standardized and internal models approach. Deadline: Jan 30, 2021

UNITED STATES

■ FRB extends capital distribution limitations and consults on capital planning proposal

i) It will extend for an additional quarter the [prohibition](#) from making share repurchases, and the limit on dividend payments for the largest banks (more than \$100 billion in total assets). ii) Consults on a proposal to update the [capital planning](#) requirements to be consistent with other rules that were recently modified. Deadline: Nov 20, 2020.

■ Agencies issue two final rules

i) A final rule that [temporarily](#) defers appraisal and evaluation requirements for up to 120 days after the closing of certain residential and commercial real estate transactions; and ii) a final rule that neutralizes the regulatory capital and liquidity effects for banks that participate in certain Federal Reserve liquidity facilities.

■ FRB extends temporary measures to increase the availability of intraday credit

[Includes](#): i) suspend net debit caps and waive overdraft fees, ii) streamlined process for some credit institutions to request collateralized intraday credit, and iii) suspend two collections of information. New deadline: Mar 31, 2021.

■ FRB issues statement on the implementation date of changes in its payment service

The new [implementation](#) date is Mar 8, 2021, with the exception of two changes to the Payment System Risk policy on posting times for settlement of same-day ACH transactions that will still be implemented on Mar 19, 2021.

■ CFTC extends relief from reporting obligations under the Ownership and Control Reports Final Rule

The [no-action letter](#) of CFTC's Division of Market Oversight extends current relief from reporting obligations in an effort to address compliance difficulties identified by reporting parties and market participants.

■ OCC issues statement on FSOC's Consideration of Secondary Mortgage Market Activities

It supports the [ESOC's](#) activities-based review of the secondary mortgage market and the analysis of the Government Sponsored Enterprises' contribution to financial stability risks and the efforts to address them.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *The Banking Union in times of Covid (page 85)*. September 2020
- [Press Article](#). *The Coronavirus: an unexpected ally of digitization*. June 2020.
- [Press Article](#). *European action plan AML & FT*. June 2020.
- [Press Article](#). *The sustainable opportunity brought by the Covid-19*. May 2020.

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

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