

Financial Regulation: Weekly Update

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Highlights

1. EBA issues reports on insolvency frameworks across the EU and on the LCR unwind mechanism
2. EBA issues its final methodology for 2021 EU-wide stress test
3. FSB issues reports on resolution, benchmark reform, market turmoil and on financial regulation reforms
4. FSB issues guidelines on CCP resolution
5. ESMA issues report with recommendations on liquidity risk in investment funds

GLOBAL

■ FSB issues its 2020 report on resolution

Updates the progress in the [implementation](#) of measures to enhance the resolvability of SIFIs, highlighting the need for resolution preparedness. It focuses on banks, CCPs and insurers.

■ FSB issues progress report on interest rate benchmark reform

It sets out a [timetable of actions](#) for financial and non-financial firms to take in order to guarantee a smooth LIBOR transition by end-2021. Market participants must ensure they follow the steps to avoid disruption of their contracts.

■ FSB issues report on the March market turmoil and work plan for NBFI

[Provides](#) a holistic review of the March market turmoil and highlights the need for action to address vulnerabilities from Non-Bank Financial Intermediation and risk factors that have contributed to the amplification of the shock.

■ FSB issues annual report on financial regulatory reforms

[Remarks](#) how G20 reforms after the 2008 crisis have served the financial system well during the COVID-19 pandemic and greater resilience of major banks has allowed the system to absorb the macroeconomic shock.

■ FSB issues final guidance on CCP financial resources for resolution

Aims to support CCPs' resolution and on the treatment of CCPs' equity in resolution. It seeks to support resolution authorities to assess the adequacy of CCPs' financial resources.

EUROPE

■ EBA publishes report on benchmarking of national insolvency frameworks across the EU

The [report](#) concludes that there is significant variability across Member States in the effectiveness of national practices, measured by recovery rates, recovery times and costs of recovery.

■ **EBA issues final methodology for 2021 EU-wide stress test**

It includes [targeted changes](#): recognition of FX effects for some P&L items, and the treatment of moratoria and public guarantees related to the Covid-19 crisis. It will be launched in Jan 2021, with results issued by Jul 31, 2021.

■ **EBA issues report on effect of the unwind mechanism of the LCR**

The [empirical evidence](#) shows that the specific impact of this mechanism is practically null, thus not supporting the hypothesis that it has detrimental effects on the business and risk profile of banks.

■ **ESMA issues report with recommendations on liquidity risk in investment funds**

Focuses on the [preparedness](#) of investment funds with significant exposures to corporate debt and real estate assets for adverse shocks, and identifies five priority areas for action to enhance their readiness.

■ **ESMA identifies new Union strategic supervisory priorities**

Using its new convergence powers, it has [identified](#) specific topics for NCAs supervisory action for 2021: i) costs and fees charged by fund managers; ii) improving the quality of transparency data reported under MiFIR.

■ **ESMA issues annual reports on sanctions for UCITS and AIFMD**

Provides an overview of the applicable legal framework, and information on penalties imposed to [UCITS](#) and [AIFMD](#) by NCAs, that show uneven use of the sanctioning tool among member states.

■ **ESMA issues annual statistical reports on securities and derivatives markets**

Provide new regulatory data sources to enhance understanding of European [equity and bond markets](#) related to MiFID II and market-level review of the [EU's derivatives markets](#) in 2019 for EMIR regulation.

■ **EIOPA issues statement regarding sound supervisory practices in registering IORPs**

It seeks to ensure that IORPs operating [cross-border](#) do it under prudent conditions regardless of different authorization regimes. This will ensure adequate protection of members and beneficiaries.

SPAIN

■ **BOE issues new technical audit standards for supplementary report**

[Updates](#) current rules and procedures for building the complementary report to the audit of the annual accounts of credit and financial credit institutions. Effective date: Jan 1, 2021.

UNITED KINGDOM

■ **PRA issues a report with its priorities for assessing physical climate change on finance**

It contains the response to the general [insurance industry](#) on the PRA's framework for assessing financial impacts of physical climate change: A practitioner's aide for the general insurance sector.

■ **FCA issues consultation on new benchmarks powers**

Consults on issues to consider when [exercising the powers](#) to designate a critical benchmark and to impose changes to that benchmark. Deadline: Jan 18, 2021.

UNITED STATES

■ Agencies announces threshold for exemptions in 2021

i) [Updates](#) dollar threshold for regulation Z and M for exemption on consumer credit and lease transactions. ii) [Maintains](#) threshold for exempting loans from special appraisal requirements for higher-priced mortgage loans.

■ CFTC approves final rules granting exemptions and amending requirements

i) [Amends](#) execution of “package transactions” on swap execution facilities and resolution of error trades on SEFs. Effective date: 60 days after its publication in the Federal Register. ii) [Grant exemption](#) for Derivatives Clearing Organization Registration. Effective date: 30 days after its publication in the Federal Register.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *Procyclical financial regulation: What can be done?* 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](#).

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