

Financial Regulation: Weekly Update

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Highlights

1. ECB's Working Group on euro risk-free rates issues two consultations on fallbacks to EURIBOR
2. FSB issues a report assessing financial stability implications of climate change
3. BCBS amends capital requirements for non-performing loan securitisations
4. ESAs issue a final report with RTS to adapt the implementation of certain timelines under EMIR regulation
5. EBA issues an assessment on COVID-19 moratoria and public guarantees

GLOBAL

■ FSB releases a report on the implications of climate change for financial stability

It [points out](#) that those risks may give rise to abrupt increases in risk premia across a wide range of assets. That could alter asset price (co-)movement across sectors and jurisdictions.

■ BCBS amends capital requirements for non-performing loan securitisations

[Allows](#) banks to apply the external ratings-based approach to non-performing loans securitisation exposures, without the 100% risk weight floor. Implementation date: No later than Jan, 2023.

EUROPE

■ ECB's WG on euro risk-free rates consults on fallbacks to EURIBOR

i) On [fallback rates](#) based on the €STR (forward and backward looking) and spread adjustment methodologies. ii) On potential events that could trigger such fallback measures. Both deadlines: Jan 15, 2021.

■ ESAs issue final report with RTS to adapt the implementation of certain timelines under EMIR

It [includes](#): i) intragroup transactions (extends the temporary exemption by 18 months), ii) equity options (extends the temporary exemption by 3 years), and iii) novations from UK counterparties to EU counterparties (allows UK counterparties to be replaced with EU counterparties without triggering additional obligations for 12 months).

■ EBA issues report on the use of COVID-19 moratoria and public guarantee schemes (PGS)

As of June 2020, [moratoria](#) on loan repayment amounted €871bn and new loans under PGS €181bn, mainly granted to NFCs. NPL ratio for loans under both measures stood at 2.5% and 0.6% respectively.

■ EBA issues report on significant risk transfer in securitization transactions

Provides [recommendations](#) on three areas: i) assessment of structural features of securitization transaction; ii) application of the SRT quantitative tests; and iii) supervisory process for assessing SRT in individual transactions.

■ **ECB issues final guide on climate-related risk for banks and report on institutions' risk disclosures.**

[Sets up](#) that, in 2021, banks will conduct a self-assessment and draw up action plans, and the ECB will conduct a full supervisory review of banks' practices in 2022. The report concludes that banks need to make significant efforts to better support their disclosure statements.

■ **ESMA issues statement on Derivatives Trading Obligation (DTO)**

It seeks to clarify the [application](#) of the EU's DTO following the end of the UK's transition period: it will continue its application without changes as it considers that it would not create risks to the stability of the financial system.

■ **ESMA issues official translations for guidelines on financial information supervision**

NCA's to which these [guidelines](#) apply must notify ESMA whether they comply or intend to comply with them. Deadline: Two months from the date of publication by ESMA of the guidelines in all EU official languages.

UNITED KINGDOM

■ **BoE issues statement on market risk calculation**

Includes [changes](#) to the calculation of risks not in value at risk and regarding the meaning of "period of significant stress relevant to the institution portfolio" for the Stressed Value at Risk (sVaR). Effective date: Nov 26, 2020.

UNITED STATES

■ **Agencies provide temporary relief for community banking organizations (CBO)**

Sets up a [threshold](#) for growth in size of CBOs, which will have until 2022 to either reduce their size or to prepare for new regulatory and reporting standards. Effective date: 60 days after its publication in the Federal Register.

■ **FRB issues final rule on assessment fees**

Modifies the [annual assessment fees](#) for its supervision and regulation of large financial companies, and raises current threshold at which fees are assessed for bank holding companies and savings and loan holding companies.

■ **CFTC extends Brexit-related relief**

Aims to [provide](#) greater certainty to the global marketplace in connection with the withdrawal of the United Kingdom from the European Union. Effective date: Upon the expiration of the Brexit transition period.

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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