

Financial Regulation: Weekly Update

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Highlights

1. ECB issues a statement on dividend payments
2. European Commission issues an action plan for Non-Performing Loans
3. EBA updates its Basel III impact study following the EU Commission's Call for Advice
4. EBA issues its annual risk assessment for the EU banking sector
5. EBA issues a final draft technical standards for resolution stay powers under BRRD

GLOBAL

■ FSB issues report on trends and risks in NBFi

Highlights: i) growth of NBFi sector outpaced banks, mostly by increases in investment and pension funds, and insurance corporations; ii) narrow measure of NBFi grew at faster than the 2013-18 average annual growth rate.

■ NGFS releases two documents on portfolio management and on monetary policy operations

i) Progress report on implementation of sustainable and responsible investment practices in central banks' portfolio management. ii) Survey on monetary policy operations and climate change: key lessons for further analyses.

EUROPE

■ ECB issues statement on dividend payments

Asks banks to refrain from or limit dividends until September 2021 extreme moderation on variable remuneration. Dividends to remain below 15% of cumulated 2019-20 profits and not higher than 20 basis points of CET1 ratio.

■ EC issues NPL action plan

Focus on: i) develop secondary markets; ii) establish network of Asset Management Companies; iii) reform EU's corporate insolvency and debt recovery legislation; iv) precaution measures on BRRD and State aid frameworks.

■ EBA updates its Basel III impact study following the EU Commission's Call for Advice

EBA Estimates an increase in T1 MCR of 18.5%, lower than previously estimated. European specificities would reduce the increase to 13.1%. Also includes a qualitative assessment of possible interactions with Covid-19 crisis.

■ EBA issues annual risk assessment for the EU banking sector

Banks have maintained strong capital and liquidity positions but there are signs of asset quality deterioration and profitability challenges remain. Operational resilience has not been affected by the challenges posed by Covid-19.

■ **EBA issues final draft technical standards for resolution stay powers under BRRD**

The RTS on the contractual recognition of [resolution stay powers](#) seeks to provide further specification of certain elements to ensure the effectiveness of the resolution regime where contracts are governed by third-country law.

■ **EBA issues an opinion for strengthening AML/CFT framework and deposit protection**

[Sets out](#) how the EU legal framework should be strengthened to enhance effective cooperation between relevant AML/CFT and DGS authorities in the run-up to, and during, bank failures, where there are AML concerns.

■ **EBA consults on RTS for the calculation of RWA for CIUs and on benchmarking of internal models**

i) Regarding the [calculation](#) of risk-weighted exposure amounts of Collective Investment Undertakings (CIUs) under the SA. Deadline: Mar 16, 2021. ii) Proposes [amendments](#) to the EC Implementing Regulation to include new elements in credit and market risk and IFRS 9 models for the 2022 exercise. Deadline: Feb 15, 2021.

■ **EBA publishes final RTS on non-modellable risk factors**

The [RTS](#) lays down a specific methodology for determining the own funds requirements for non-modellable risk factors for entities under IMA. It ensures a level playing field among entities in the EU.

■ **EBA issues opinion on the amendments proposed by the EC in regards to RTS on IRB methodology**

The EBA has identified a number of [substantive changes](#), especially related to the flexibility for competent authorities to apply tests and verifications when assessing an institution's compliance with the IRB approach.

■ **EBA publishes final RTS on the prudential treatment of investment firms**

Establishes the main aspects of the new [prudential](#) regime and provides further technical clarification to the methodologies that all investment firms must apply.

■ **EBA consults on guidelines on internal governance and remuneration policies for investment firms**

i) [Governance provisions](#) to have a clear organizational structure, manage their risks and have adequate internal control mechanisms. Deadline: Mar 17, 2021. ii) [Remuneration policies](#) to align the variable (gender neutral) remuneration of identified staff with the risk profile and the assets it manages. Deadline: Mar 17, 2021.

■ **SRB issues update of its permission regime to reduce eligible liabilities**

It seeks to [inform institutions](#) of regulatory changes that will lead to changes in the current permission regime, and to explain to them how the transition to the updated procedure will work.

■ **ESMA issues consultation on MIFID II/MIFIR**

Seek [feedback](#) related with the review report on algorithmic trading and in particular on the specific questions summarised in Annex 1. Deadline: Mar 12, 2021.

■ **ESMA updates its guidelines on stress tests for Money Market Funds**

[Updates](#) take account of MMFs recent experience during March 2020, particularly in relation to redemption scenarios. Effective date: two months after the publication of translations.

■ **EBA issues report on banking liquidity measures**

[Outlines](#) that EU banks have continued improving their liquidity coverage ratio (LCR), even considering that the current crisis had an impact on banks' liquidity positions. EU banks stood at around 166% in June 2020.

■ **ESMA issues guidelines on outsourcing cloud service providers (CSP)**

[Focus](#) on: i) risk assessment and diligence undertook on their CSPs; ii) governance, organisational and control frameworks; iii) contractual elements on their agreements; iv) information to be notified to competent authorities.

■ **EBA issues revised list of ITS validation rules**

It [revises](#) the valuation rules on supervisory reporting, outlining which have been deactivated either for incorrectness or for triggering IT problems.

■ **SRB issues its final valuation data set**

This is the [standardized data set](#) in order to ensure that the minimum needed data is available to support a robust valuation for bank resolution.

■ **EIOPA issues update on Solvency II risk free interest rate calculation**

It has updated [representative portfolios](#) that will be used for calculation of the volatility adjustments to the relevant risk-free interest rate term structures, starting from March 2021 onwards.

UNITED KINGDOM

■ **PRA issues report on Evaluation of “Senior Managers & Certification Regime”**

It sets out the [findings](#) to assess how it is delivering against its original objectives focused on encouraging individuals to take greater responsibility for their actions and underpin the link between seniority and accountability.

UNITED STATES

■ **Agencies adjust asset-size threshold under CRA for SMEs**

Annual [adjustments](#) under the CRA, where entities with assets-size below the threshold are not subject to the information requirements applicable to large banks. Entry into force: Jan 1, 2021.

■ **FRB approves extension USD liquidity SWAP lines and the FIMA repo facility**

[Extensions](#) to both facilities through September 30, 2021 will help sustain recent improvements in global U.S. dollar funding markets by serving as an important liquidity backstop and to support its smooth functioning.

■ **FDIC approves several rules and issue a consultation**

i) Rule [requiring](#) certain conditions and commitments for each deposit insurance application approval. ii) Rule establishing a [new framework](#) for analyzing whether deposits made through deposit arrangements qualify as brokered deposits. iii) [Consultation](#) on proposed rule to amend suspicious activity report requirements. Deadline: 30 days after publication in the Federal Register.

■ **CFPB issues report on small business lending data collection requirement**

[Focus on:](#) i) supporting the creation of new rules to enhance understanding of the small business lending market; and ii) providing further guidance materials specifically to assist small financial institutions.

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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