

Financial Regulation: Weekly Update

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

March 18, 2021

Highlights

1. ESAs consult on the Taxonomy–related product disclosures
2. European Commission consults on supervisory convergence and the single rulebook
3. EBA consults on the technical elements for the alternative standardised approach under FRTB
4. EBA issues a consultation regarding its guidelines for improving resolvability
5. EBA consults on its revised guidelines on recovery plan indicators

GLOBAL

■ IAIS consults on its application paper on macroprudential supervision

It seeks to help with the [practical application](#) of the supervisory material related to macroprudential supervision regarding the Insurance Core Principles. Deadline: May 7, 2021.

EUROPE

■ ESAs consult on Taxonomy–related product disclosures

They seek input on the draft Regulatory Technical Standards regarding disclosures of financial products investing in economic activities that contribute to an environmental investment [objective](#). Deadline: May 12, 2021.

■ EC consults on supervisory convergence and the single rulebook

It [seeks](#) targeted views on certain aspects related to the 2019 ESAs review, and contributes to a wider debate on supervisory convergence and the single rulebook. Deadline: May 21, 2021.

■ EBA consults on technical elements for the alternative standardised approach under FRTB

i) RTS on [gross jump to default](#) calculation for non-securitisation instruments for the purpose of calculating default risk charge and ii) RTS on identification of instruments exposed to [residual risk add-on](#). Deadline: Jun 12, 2021.

■ EBA issues consultation regarding its guidelines for improving resolvability

The [guidelines](#) set out requirements to improve resolvability in: operational continuity, access to FMIs, funding and liquidity in resolution, bail-in execution, business reorganisation and communication. Deadline: Jun 17, 2021.

■ EBA consults on its revised guidelines on recovery plan indicators

They [seek to provide](#) a common standard for the recovery plan indicators to ensure they can promptly signal a stressed situation, enabling institutions to consider timely and effective recovery actions. Deadline: Jun 18, 2021.

- **EBA issues two reports assessing consistency of internal model outcomes 2020**

The [reports](#) assess the consistency risk weighted assets (RWAs) across EU institutions authorized to use internal models. They cover credit risk for high and low default portfolios (LDPs and HDPs), as well as market risk.

- **EBA consults its guidelines on risk-based AML/CFT supervision**

[Proposes](#) practical approaches to identify and manage ML/TF risks more effectively, and that the most effective supervision tools be chosen according to supervision needs and objectives. Deadline: June 17, 2021.

- **EBA issues second report on LCR implementation in the EU**

It [highlights areas](#) in which further guidance is useful to foster harmonization: fiduciary deposits, optimisation risk, interdependent inflows and outflows, and DGS conditions for a 3% outflow rate in stable retail deposits.

- **EBA announces that the Basel III monitoring exercise will be mandatory**

The [decision](#) stems from the need to make the sample more representative and stable over time. Additionally, the decision provides competent authorities with provisions for a reduced frequency of reporting of Basel III data.

- **ESMA issues its Trends and Vulnerability Report**

It [analyses](#) the impact of COVID on financial markets during the second half of 2020, and highlights increasing risks linked to debt overhang, and risks linked with investments in non-regulated crypto-assets.

- **ESMA allows to expire the reporting requirement of net short term positions**

It has [decided](#) to not renew its decision for holders of net short positions to notify the relevant NCA if the positions reaches, exceeds, or falls below 0.1% of the issued capital. Expiration date: Mar 19, 2021.

- **OJEU implements ITS on reporting requirements for market risk**

It [establishes](#) that institutions shall report information on the size of their on- and off-balance-sheet business that is subject to market risk, and on the size of their trading book. Effective date: Oct 5, 2021.

SPAIN

- **CNMV issues its work program 2021**

[Focused](#) on: i) improve supervisory practices; ii) enhance financial markets for financing recovery; iii) stock market's role on sustainable transition; iv) support the application of technological innovations on financial services.

UNITED KINGDOM

- **PRA issues policy statement on regulatory transaction fees for holdings**

The [statement](#) follows the consultation on fees for holdings and provides the PRA's final policy in the form of amendments to the Fees Part of the PRA Rulebook. Effective date: Mar 19, 2021.

UNITED STATES

■ CFPB rescinds abusiveness policy statement from January 2020

They consider the former [policy statement](#) as inconsistent with the Bureau's duty to enforce Congress's standard and rescinding it will better serve the CFPB's objective to protect consumers from abusive practices.

Recent publications of interest (in English and Spanish):

- [Interview](#). *Post COVID-19 regulation is key for economic recovery*. January 2021.
- [Press Article](#). *Financial regulation in 2020: At key points... regulators face risks*. January 2021.
- [Press Article](#). *Procyclical financial regulation: What can be done?* October 2020.
- [Press Article](#). *Europe | One step closer to the Capital Markets Union*. October 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 Tarrías
victor.tarrias@bbva.com

Salvador Portillo
salvador.portillo@bbva.com

Inés Criado
ines.criado@bbva.com