

Financial Regulation: Weekly Update

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

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Highlights

1. EBA consults on the list of advanced economies to determine equity risk under FRTB
2. EU Platform on Sustainable Finance releases its transition report
3. EBA consults on draft RTS on disclosure of investment policy by investment firms
4. FSB updates “G-20” on Covid measures and issues a roadmap on climate-related financial risks
5. ESMA issues a statement on the impact of Brexit on the Benchmark regulation

GLOBAL

■ FSB updates on COVID-19 support measures and a roadmap to address climate-related financial risks

Progress is moving at different speeds across jurisdictions, although support measures will have to be kept in place as long as needed. On climate change, a coordinated and forward-looking roadmap to address climate-related financial risk will be [presented](#).

■ FSB issues report on the evaluation of the TBTF reforms

The reforms have made [banks more resilient](#) with systemic risk and moral hazard indicators moving in the right direction. It also highlights areas for improvement (e.g. risks from the shift to non-bank financial intermediaries).

■ BCBS issues principles for operational resilience and risk

Aims to increase the [capacity](#) to withstand potentially severe adverse events and to update sound management practices of operational risk focused on change management and information and communication technologies.

■ FSB consults on its template regarding continuity of access to FMIs in resolution

It seeks [feedback](#) on a common template for collecting information on continuity of access to FMIs for firms in resolution, in order to reduce the “many-to-one” nature of inquiries to FMIs. Deadline: May 3, 2021.

■ BIS GHOS endorses strategic priorities on Non-Banking Financial Intermediation

They [endorse](#) the strategic priorities set by BIS in its work program 2021-2022. It prioritizes the implementation of agreed reforms, assessing emerging risks and vulnerabilities, and increasing supervisory cooperation.

EUROPE

■ EBA consults on the list of advanced economies to determine equity risk under FRTB

Seeks [feedback](#) on the current list and on whether there are additional EU countries where the equity risk can be considered similar to the countries already included in the list. Deadline: Jul 2, 2021.

■ **EU Platform on Sustainable finance releases its transition report**

Makes recommendations on three main [topics](#): i) maximize inclusiveness maintaining the integrity of the current Taxonomy framework; ii) opportunities to develop the future taxonomy framework and iii) using other policies and tools to further support transition finance.

■ **EBA consults on draft RTS on disclosure of investment policy by investment firms**

[Puts forward](#) comparable disclosures that help stakeholders to understand investment firms' influence over the companies in which they have voting rights and the impact of investment firms' policies. Deadline: Jul 1, 2021.

■ **ESMA issues statement on the impact of Brexit on the Benchmark regulation**

It clarifies the [treatment](#) of UK based administrations (initially included in the ESMA register of administrators and third countries' benchmarks, or as EU administrators and currently excluded). Due to the extension of the BMR transitional period, it will not have an immediate effect on the ability of EU27 entities to use the benchmarks provided by UK administrators.

■ **EC consults on instant payments**

The [objective](#) is to collect information on remaining obstacles and possible enabling actions to ensure a wide availability and use of instant payments. Deadline: Jun 2, 2021.

■ **ESMA issues draft RTS on changes on CCP's activities and models**

Seeks to [establish](#) the conditions for a CCP to submit a request for an authorization to extend its business services or activities, as well as the procedures for consulting the CCP college on whether those conditions are met.

■ **ESMA issues guidelines on information requirements for Trade Repositories**

Includes a [report and guidelines](#) on reporting of periodic information and material changes by Trade Repositories supervised under EMIR and SFTR. These guidelines will apply from Jun 30, 2021.

■ **ESAs issue its first joint risk assessment 2021**

The report [highlights](#) how the COVID-19 continues to weigh heavily on short-term recovery prospects. It also highlights a number of vulnerabilities in the financial markets and warns of possible further market corrections.

■ **EBA and ESRB issue their corresponding risk dashboards**

i) EBA's report shows: a rise in [capital ratios](#), a contraction of the NPL ratio and a RoE significantly below banks' cost of equity. Asset quality and profitability, and operational risk remain key concerns going forward. ii) ESRB [highlights](#) that market-based indicators of systemic stress have mostly recovered following an increase in stress levels in 2020 due to the COVID-19 pandemic.

■ **ESMA issues annual peer review of EU CCP supervision**

[Shows](#) satisfactory effectiveness of supervisory practices assessing CCP compliance with EMIR's requirements on liquidity stress testing. NCAs should ensure settlement of obligations of defaulting clearing members are reflected.

■ **EBA reviews final Q&As against revised legislation**

The Q&As were updated in line with the revised [CRR, CRD and BRRD](#). The outcome has been reflected in the corresponding tool. In general, supervisory reporting related Q&As were not covered.

■ **ESMA publishes 2020 report on enforcement of corporate disclosure**

Provides an [overview](#) of the examination of compliance in financial and non-financial statements. Also presents further activities contributing to supervisory convergence and to a single rulebook in the area of corporate reporting.

- **ESMA updates its Q&A on MIFID II and MIFIR transparency and reporting rules under SFTR**

Changes are due to reflect amendments on [MiFID II](#) article excluding Large-in-Scale transactions from the mandatory tick size regime, and simplifying the [reporting of SFTs](#) when an external portfolio manager is used.

- **ESAs issues report on guidelines on complaints-handling**

It [examines](#) the application of the guidelines, describing the extents to which objectives have been achieved and the supervisory actions of NCAs given their national implementation. ESAs believe there is no need for review.

- **ESMA issues its third annual statistical report on alternative investment fund sector**

They have [identified](#) a mismatch between the potential liquidity of the assets, and the redemption time frame offered to investors as the main risk faced by the sector.

SPAIN

- **CNMV issues consultation regarding crypto asset advertising**

Consultation previous to a Circular, on the advertising of [crypto assets](#) (particularly aimed at retail customers), so that it incorporates objective information on the product and its risks. Deadline: Apr 16, 2021.

UNITED KINGDOM

- **PRA consults on the definition of economic downturn under IRB model**

On the [identification](#) of the nature, severity and duration of an economic downturn for the purposes of internal models. Deadline: Jul 7, 2021.

- **BoE issues statement on UK Recovery Loan Scheme (RLS) as part the Covid-19 support measures**

It [sets](#) out whether the guarantees provided by the Secretary of State for Business, under the RLS, are eligible for recognition as unfunded credit risk mitigation (CRM) under the UK Capital Requirements Regulation.

UNITED STATES

- **FRB approves final rule supervisory guidance for regulated institutions**

It [codifies](#) a statement issued in Sep 2018 clarifying the differences between regulations and guidance, similar to last year's proposal. Effective date: 30 days after its publication in the Federal Register.

- **FRB issues FAQs on Board's longstanding regulations**

Each [set](#) includes significant existing interpretations of the regulation, including those found in Board orders, letters to specific requestors, and other sources, as well as those not previously available in written form.

- **CFPB proposes changes on mortgage services to prevent Covid-related foreclosures**

Proposes a [set of changes](#) intended to better prevent avoidable foreclosures as the emergency federal foreclosure protections expire, including: i) extend payment terms; ii) further servicers options and iii) improving information.

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](#)

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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