

Financial Regulation: Weekly Update

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May 21, 2021

Highlights

1. BdE consults on Circular 2/2016 regarding supervision and solvency of credit institutions
2. ESAs issue a report on securitization regulation
3. SRB issues a blueprint for the review of the Crisis Management and Deposit Insurance framework
4. ECB issues its May financial stability review
5. ECB issues a statement on the supervision of securitization requirements

EUROPE

- **ESAs issue a report on EU Securitization Regulation (EUSR)**
[Includes](#) ESAs analysis of the implementation and the functioning of the EUSR and it is meant to provide guidance to the EU Commission in the context of its review of the functioning of the EUSR.
- **SRB issues blueprint for the Crisis Management and Deposit Insurance (CMDI) framework review**
Key [considerations](#) on the review of the CMDI framework, focusing on EDIS, public interest assessment, external funds in resolution and insolvency, use of DGSs and governance arrangements, among others.
- **ECB issues May 2021 financial stability review**
It [highlights](#) three key points: i) financial stability risks are concentrated in specific sectors and countries; ii) banks' asset quality holds, despite the risks of low profitability; iii) risks of disorderly corrections in markets.
- **ECB issues a statement on the supervision of securitization requirements**
[Announces](#) its decision to look at requirements related to risk retention, transparency and ban on resecuritization for significant banks. Details on supervisory tasks will be communicated over the next months.
- **EBA issues a report on Member States reliance on external credit ratings**
It analyzes national law's reliance on [external credit ratings](#) and does not find a mechanistic reliance on them. It also shows a limited use of external credit ratings in the calculation of risk-weighted exposure amounts (RWEA) under the standardized and the External Ratings Based approaches.
- **EBA announces its plans for the 2021 transparency exercise and risk assessment report**
The [transparency exercise](#) will be launched in Sep and results are expected to be published in Dec, together with the EBA risk assessment report. It will cover figures from 2H2020 to 1H2021.
- **ESMA recommends EC to lower the reporting thresholds for net short positions to 0.1%**
As a [result](#) of their observations since March 2020, they have decided to recommend permanently lowering the threshold to notify net short positions on shares to national competent authorities (NCAs) from 0.2% to 0.1%.

SPAIN

- **BdE consults on Circular 2/2016 regarding supervision and solvency of credit institutions**
The [circular](#) includes the national discretions foreseen in the CRD V, together with some additional discretionalities from the CRR2, mainly related to liquidity requirements. Deadline: Jun 1, 2021.

UNITED KINGDOM

- **BoE and FCA encourages market participant in a switch from LIBOR to SONIA**
[Support](#) and encourage market users and liquidity providers in the sterling exchange traded derivatives market to switch the default traded instrument to SONIA instead of LIBOR from 17 Jun this year.
- **BoE issues an update on its consultation on higher paid material risk taker**
Due to some issues on the channel for reception of responses to the consultation, they have decided to [update](#) the mailbox address and ask participants to re-send all comments sent before this date.

UNITED STATES

- **Agencies extend comment period on request for information on artificial intelligence**
As part of a former consultation on how financial institutions use AI in their activities, they [extend](#) the deadline for submitting comments until Jul 1, 2021.
- **OCC issues report on risk from Covid crisis over US banking system**
Banks [maintained](#) sound capital and liquidity levels but profitability remains stressed due to low interest rates and loan growth. Highlighted credit, strategic, operational and compliance risks, among the key risk themes.
- **FRB extends rule for Paycheck Protection Program (PPP)**
The [extension](#) applies to PPP loans made from Mar 31 to Jun 30, 2021. The rule change will continue to apply if the PPP is extended, with the change ultimately sunseting on Mar 31, 2022.
- **FDIC consults on digital assets**
Seeks [feedback](#) from interested parties about insured depository institutions' current and potential digital asset activities. Deadline: Jul 16, 2021.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *Public aid, level playing field and the role of banks*. April 2021.
- [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.

Previous edition of our Weekly Financial Regulation Update in [English](#).

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