

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 issues a report on ESG risks for credit institutions and investment firms
2. EC, ECB Banking supervision, EBA and ESMA issue a joint statement to cease all LIBOR settings
3. ECB extends leverage ratio relief for banks until March 2022
4. SRB issues approach for notifying impracticability of bail-in recognition clauses (CRoB) in contracts
5. EBA consults on technical standards on credit risk adjustments

EUROPE

- **EBA issues a report on ESG risks for credit institutions and investment firms**
Among other things, it [proposes](#) a phase-in approach to further enhance the SREP. EBA sees a need to extend the time horizon of institutions' business models, applying at least a 10 year horizon.
- **EC, ECB Banking supervision, EBA and ESMA issue a joint statement to cease all LIBOR settings**
They strongly [encourage](#) market participants to reduce their exposures to all LIBOR rates, and stop using them on new contracts as soon as practicable and by Dec 31, 2021 at the latest.
- **ECB extends leverage ratio relief for banks until March 2022**
The [measure](#) allows banks to exclude central banks' exposures from the leverage ratio due to exceptional macroeconomic circumstances.
- **SRB issues approach for notifying impracticability of bail-in recognition clauses (CRoB) in contracts**
[Banks](#) are required to include bail-in recognition clauses in relevant contracts under third-country law to ensure that the liabilities under these contracts can be bailed in (written down or converted) in the event of resolution.
- **EBA consults on technical standards on credit risk adjustments**
Amends [RTS](#) to calculate defaulted exposures under the standard approach. This update is necessary to ensure that the prudential framework does not disincentivize the sale of NPLs. Deadline: Sep 24, 2021.
- **EBA issues a report on the monitoring of AT1 instruments**
The [report](#) updates: i) amendments to the CRR2; ii) monitoring of the implementation of EBA's Opinion on legacy instruments; and iii) observations on new market trends, such as ESG-linked capital instruments.
- **EBA issues a report on the treatment of third-country branches (TCB) of credit institutions**
[Illustrates](#) the results of a stock-taking exercise conducted with competent authorities about their national regulatory law and supervisory practices and a mapping of the TCBs established in the Member States.
- **ECB takes over supervision of systematic investment firms**
[Announces](#) that from Jun 26, 2021, they will start directly supervising investment firms with bank-like risks and over €30 billion assets. These investment firms must apply for a banking licence too.

- **EBA consults on amending ITS for reporting on securitization, asset encumbrance and G-SIIs**
It [proposes](#) to streamline asset encumbrance reporting for small and non-complex institutions and to include relevant standalone entities in the scope of G-SIIs reporting obligation. Deadline: Sept 23, 2021.
- **ESMA issues report on the supervisory fees charged to credit rating agencies (CRAs)**
It [proposes](#) to charge a fixed registration fee and an annual supervisory fee depending on the CRA's annual revenues to meet the regulatory obligation whilst remaining proportionate to the revenues of the firms.
- **EIOPA publishes discussion paper on stress testing for IORPs**
It [introduces](#) relevant analytical tools to make more efficient both the IORP's stress test exercises and the national competent authorities and EIOPA results validation. Deadline: Sept 22, 2021.
- **EIOPA publishes annual report 2020**
[Sets out](#) its achievements related to COVID-19, consumer protection, insurance supervision, and remarking the progress made in finalization of the Pan-European Pension product, digital technology and sustainable finance.
- **EIOPA publishes report on artificial intelligence governance principles**
It [sets](#) out artificial intelligence (AI) governance principles for an ethical and trustworthy AI in the European insurance sector. It highlights the proliferation of AI in insurance.

SPAIN

- **BdE consults on public and confidential financial information rules and formats**
Proposed [project](#) responds to the reform of the interest rate indices of reference known as IBOR and updates statistical data on the items from credit and monetary institutions' balance sheets. Deadline: Jul 13, 2021.

UNITED KINGDOM

- **PRA consults on prudential requirements for financial holdings**
Seeks [feedback](#) on the proposed rules to apply consolidated prudential requirements for financial and mixed financial holdings and proposes guidelines on directions and penalties. Deadline: Jul 22, 2021.
- **FCA consults on climate-related disclosure rules**
[Proposes](#) to extend the application of its disclosure rules, aligned to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) to issuers of standard listed equity shares and introduce it for asset managers, life insurers and pension providers. Deadline: Sep 10, 2021.
- **PRA consults its rules on general issues**
Seeks [feedback](#) on its proposals to make minor amendments on its rules, supervisory statements, reporting data items and instructions, the Branch Return, and associated guidance and notes.

UNITED STATES

- **FRB releases results of annual bank stress tests**
[Results](#) show that large banks continue to have strong capital levels and could continue lending to households and businesses during a severe recession.
- **CFTC issues advisory on internal models to calculate minimum capital requirements**
[Clarifies](#) dual-registered entities their exemption for an approval to use models to calculate the initial margin on uncleared swaps and allow them to use an initial margin model other than the Standardized Model.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *BBVA, Sabadell and the banking association plans for the new regulation. June 2021.*
- [Press Article](#). *What do we expect on European financial regulation for the semester ahead?. June 2021.*
- [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.*

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

Matías Daniel Cabrera
matiasdaniel.cabrera@bbva.com

Víctor Tarrías
victor.tarrias@bbva.com

Inés Criado
ines.criado@bbva.com

Victoria Santillana
mvictoria.santillana@bbva.com

Pilar Soler
pilar.soler.vaquer@bbva.com

Salvador Portillo
salvador.portillo@bbva.com

ENQUIRIES TO:

BBVA Research: Azul Street, 4. La Vela Building – 4th and 5th floor. 28050 Madrid (Spain).
Tel. +34 91 374 60 00 y +34 91 537 70 00 / Fax (+34) 91 374 25
bbvaresearch@bbva.com www.bbvaresearch.com

