

Financial Regulation: Weekly Update

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Highlights

1. European Commission presents the legislative proposals for AML/CFT
2. ESMA issues a public consultation on remuneration requirements under MIFID II
3. EBA consults the application of the limited network exclusion requirements under PSD2
4. BoE issues a consultation on its approach to set MREL and guidance on bail-in execution
5. BCBS consults on the process for reviewing the G-SIB methodology

Global

- **BCBS consults on the process for reviewing the G-SIB methodology**
It [proposes](#) a technical amendment to replace the existing three-year review cycle with a process of ongoing monitoring and review. Deadline: Sep 3, 2021.
- **CPMI and IOSCO issue a joint report on FMI business continuity plan under the Principles for FMIs**
Assesses the [implementation](#) of the operational risk principle in 38 FMIs from 29 jurisdictions. It finds that some FMIs do not fully meet expectations with respect to recovery from operational incidents (e.g. natural disasters).

Europe

- **EC presents the AML/CFT legislative proposals**
It [includes](#): i) the creation of a new EU authority, the Anti-Money Laundering Authority (AMLA); and ii) a single rulebook for AML/CFT to harmonize rules across the EU. The rules will be extended to the entire crypto sector.
- **ESMA consults on remuneration requirements under MIFID II**
The [guidelines](#) clarify and foster convergence in the implementation of certain aspects of the new MiFID II remuneration requirements, replacing the guidelines issued in 2013. Deadline: Oct 19, 2021.
- **EBA consults the application of the limited network exclusion requirements under PSD2**
It [proposes](#) draft guidelines with requirements, criteria and indicators, aimed at ensuring that excluded payment instruments (from PSD2) are used in a limited way, in order to reduce potential risks for users.
- **EBA issues a methodological guide to mystery shopping**
It [sets out](#) in seven steps how mystery shopping activities can be conceived and carried out and how NCAs can use the guide to complement other supervisory tools.
- **EBA issues a report on asset encumbrance**
[Highlights](#) that banks made extensive use of central bank facilities to strengthen their liquidity buffers and maintain the flow of credit, which resulted in a rise of the ratio from 25% in Dec 2019 to 27.8% by end-2020.

- **ESMA issues the results of its common supervisory action on MiFID suitability requirements**
[Outlines](#) that firms overall comply with key elements of the suitability requirements that were already regulated under MiFID I. However, there are some improvement areas related with the new requirements from MiFID II.
- **ESMA issues its third report on the implementation of Central Securities Depositories (CSDs)**
It [suggests](#) enhancing the authorization process for CSDs to provide banking-type ancillary services and includes several proposals to facilitate the provision of banking-type ancillary services by non-banking CSDs.
- **ESMA issues Q&A on several topics**
The [updated](#) questions and answers include: i) AIFMD; ii) UCITS; iii) MiFIR data reporting; iv) Prospectus; and v) Benchmarking regulation.
- **ESMA issues three reports on sanctions**
Includes: i) 2020 [report](#) on the use of supervisory sanctions by NCAs under UCITS Directive; ii) annual [report](#) on NCAs use of sanctions under AIFMD; and iii) a [report](#) on Prospectus Activity and Sanctions for 2020.
- **EIOPA issues a supervisory assessment on the ORSA in the context of COVID-19**
Focuses on the [supervision](#) of the internal processes of undertakings that are necessary in order to have a good-quality Own Risk and Solvency Assessment (ORSA) in place.

SPAIN

- **CNMV issues its second quarter bulletin 2021**
It [focuses](#) on equity markets, where significant gains were observed as the vaccination process progresses and as a result of the economic reopening. However, this upward trend began to weaken as of mid-June.

United Kingdom

- **BoE issues a consultation on its approach to set MREL and guidance on bail-in execution**
i) Consultation on the review of the approach for [setting MREL](#) (focus on resolution strategy, MREL calibration, eligibility, and the application of MREs within banking groups). Deadline: Oct 1, 2021. ii) Operational guidance on [bail-in execution](#), providing information on operational processes and arrangements involved in bail-in.
- **FCA consults on Packaged Retail and Insurance-based Investment Products (PRIIPs)**
[Proposes](#) to change disclosure documents provided to retail investors to provide more clarity to consumers about what the products are, the risk presented and information to help understand likely future performance.
- **PRA issues a policy statement to amend the definition of ‘higher paid material risk taker’**
Provides [feedback](#) on a former consultation as well as amendments to the Remuneration Part of the PRA Rulebook and an updated Supervisory Statement on remuneration. Effective date: Jul 23, 2021.
- **FCA and BoE encourage market participants in a switch to Risk Free Rates (RFRs) in the LIBOR**
[Support](#) and encourage liquidity providers in the LIBOR cross-currency swaps market to adopt new quoting conventions for interdealer trading based on RFRs instead of LIBOR, from Sep 21, 2021.
- **PRA issues statement on the recalculation of the Transitional Measure on Technical Provisions (TMTP)**
[According](#) to its data recent movements in risk-free rates (RFR) meet the threshold for a material change in risk. PRA would accept applications from firms to recalculate TMTP as at Wednesday Jun 30, 2021.

United States

- **Agencies issue a joint statement to improve CRA procedures**
They commit to work together in order to [strengthen and modernize](#) the CRA, as joint action will best achieve a consistent framework across all banks to help meet the credit needs of the communities.
- **FDIC consults on a rule to simplify deposit insurance coverage rules**
Seeks to merge [deposit categories](#) and simplify its calculus to determine coverage of trust accounts. It also amends coverage for mortgage servicing accounts. Deadline: 60 days after publication in the Federal Register.

Recent publications of interest (in English and Spanish)

- [Press Article](#). *Post-covid banking regulation*. July 2021.
- [Press Article](#). *The challenge of restructuring sovereign debt*. 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.

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

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