

Financial Regulation: Weekly Update

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Highlights

1. BCBS and EBA publish their respective Basel III monitoring report
2. BIS issues joint report on building a multi CBDC platform for international payments and on retail CBDCs
3. FSB publishes a Financial Stability Surveillance Framework
4. ECB publishes the results of its economy-wide climate stress test
5. EBA launches the 2021 EU-wide transparency exercise

Global

- **BCBS publishes Basel III monitoring report**
As of Dec 31, 2020, the estimated impact of the [implementation](#) of the final Basel III standards is an increase of 2.9% in minimum capital requirements: Credit risk and the output floor are the main drivers of the impact.
- **BIS issues a series of reports exploring the possibility of a retail CBDCs**
A joint work with seven central banks seeking to take forward their work on a [retail digital currency](#) and analyze policy options and practical implementation issues.
- **BIS issues a joint report on building a multi CBDC platform for international payments**
Phase 2 of the [project](#) achieved a prototype that enables three participant central banks to control the flow of their CBDCs and monitor transactions and balances. The report introduces the scope of the third phase.
- **FSB publishes a Financial Stability Surveillance Framework**
[Supports](#) the comprehensive, methodical and disciplined review of vulnerabilities, helping to identify and address new and emerging risks to financial stability.
- **IAIS issues its global insurance market report**
It provides the first quantitative study on the impact of [climate change](#) on insurers' investments (taking into account their asset-side exposures).

Europe

- **EBA publishes Basel III monitoring report**
As of Dec 31, 2020, the full [Basel III](#) implementation would result in an increase of 18% of minimum capital requirements, generating a capital shortfall of €3.1bn of T1. Main drivers are the output floor and credit risk.
- **ECB publishes the results of its economy-wide climate stress test**
[Assess](#) the resilience of non-financial corporates and euro area banks to climate risks, under various assumptions in terms of future climate policies. The results show that there are clear benefits in acting early.

- **EBA launches the 2021 EU-wide transparency exercise**
The [exercise](#) is exclusively based on supervisory reporting data, keeping burden to banks to a minimum. This is part of the EBA's efforts to monitor risks and vulnerabilities. The results are expected by December.
- **ESMA issues consultation on the review of the short selling regulation**
[Suggests](#) operational improvements on the calculation of net short positions, its publication process and its notification and system to reduce reporting burdens. Deadline: Nov 19, 2021.
- **ESMA publishes its 2022 annual work program**
It [includes](#) the exercise of supervisory powers for benchmarks, data service providers and central counterparties, the development of Capital Markets Union, sustainable finance and digitalization.
- **ESRB publishes its latest risk dashboard**
The [dashboard](#) is a set of quantitative and qualitative indicators of systemic risk in the EU financial system. It is published on a quarterly basis.
- **ESMA issues MiFID II review report on algorithmic trading**
It [concludes](#) that no fundamental issues have emerged with respect to the MiFID II algorithmic trading regime, which has overall delivered on its objectives and recommends simplifying the regime to make it more efficient.
- **ESMA recommends to EC to delay buy-in rules regarding CSDR implementation**
As final EC legislative proposal for [CSDR review](#), possibly including changes to the buy-in regime, is expected by end of year, ESMA is in favor of delaying the entry into force of buy-in rules, expected by February 2022.
- **ESMA issues opinion on how to improve access to and use of credit ratings**
It [highlights](#) the difficulties experienced by users of credit ratings and recommends that legislators amend the CRA Regulation or take alternative legislative action to address these.
- **ESMA issues a series of Q&As**
It [updates](#) the Q&As regarding EMIR implementation, SFTR data reporting and MiFID II/MiFIR transparency tools.

Spain

- **CNMV adopts guidelines under MiFID II/MiFIR**
It will [adopt](#) the obligation to provide market data under MiFID II consisting of the publication of pre- and post-trade data on financial instruments trading on reasonable commercial terms.

United Kingdom

- **FCA announces further arrangements for the orderly wind-down of LIBOR at end-2021**
The [announcements](#) confirm the methodology for synthetic LIBOR and publishes [consultation paper](#) on the FCA's proposed decision on which legacy contracts can use these synthetic rates. Deadline: Oct 20.
- **PRA issues consultation on liquidity requirements to Domestic Liquidity Sub-Groups (DoLSubs)**
[Proposes](#) changes to LCR ratio, and liquidity risk management, monitoring, reporting, and disclosure in the Liquidity Part of the PRA Rulebook (Appendix 1) and the Statement of Policy (SoP). Deadline: Oct 12.

- **BoE publishes recommendations from industry-led group to address barriers to investment**
The [objective](#) is to facilitate greater investment in longer-term, less liquid assets. Appropriately managed, investment in such assets has the potential to generate better returns for investors.

United States

- **FRB issues report on cybersecurity and financial system resilience**
The [report](#) covers the Board's policies and procedures related to cybersecurity risk management; activities to address cybersecurity risks and current and emerging cybersecurity threats.
- **OCC issues bulletin regarding process for voluntary liquidation of mutual FSA**
It [provides](#) an overview of the regulatory requirement and process used to review a voluntary liquidation of a mutual Federal Savings Association (FSA), without being sold to another owner or merged with another entity.
- **OCC issues report on mortgage lending**
It [shows](#) an improvement in mortgage loans performance comparing second quarter 2021 performing mortgage loans (95%) to second quarter of 2020 (91.1%).
- **CFTC issues clarification and temporary no-action letter**
i) Advisory to [clarify](#) activities that may trigger the Swap Execution Facility registration requirement, and ii) temporary no-action letter to [non-bank swap dealers](#) in Japan, Mexico, UK, and the EU.

Recent publications of interest (in English and Spanish)

- [Press Article](#). *The banking system, prepared for the default to come*. August 2021.
- [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.

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

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