

Financial Regulation: Weekly Update

Matías Cabrera and Inés Criado

July 29, 2022

Highlights

1. EBA publishes a consultation on homogeneity in STS securitisations
2. EBA consults on supervisory guidance for the validation of internal ratings based systems
3. EBA publishes report on the use of exemptions included in the large exposures regime
4. ECB and ESRB issue report on climate shocks and financial stability
5. BdE updates the list of OSIIs and sets their macroprudential capital buffer rates for 2023

Global

- **CPMI publishes consultative report on cross-border payments**
It [focuses](#) on facilitating increased adoption of payment versus payment (PvP) to reduce foreign exchange settlement risk and improve cross-border payments. Deadline: Sept 30, 2022.
- **FATF publishes updated risk-based approach guidance for the real estate sector**
It [highlights](#) the importance for the sector of understanding the AML/FT risks it faces and to take appropriate measures to adequately mitigate customer due diligence measures and information of beneficial owner(s).

Europe

- **EBA publishes a consultation on homogeneity in STS securitisations**
It [specifies](#) the criteria for the underlying exposures in securitisation to be deemed homogeneous to facilitate the assessment of underlying risks in a pool of underlying exposures. Deadline: Oct 28, 2022.
- **EBA consults on supervisory guidance for the validation of internal ratings based systems**
The [handbook](#) clarifies the role of validation function as part of corporate governance, in particular in terms of scope of work and interaction with the credit risk control unit. Deadline: Oct 28, 2022.
- **EBA publishes report on the use of exemptions included in the large exposures regime**
It [analyses](#) banks' use of the various exemptions from different perspectives and quantifies the impact of a potential removal of individual exemptions.
- **ECB and ESRB issue report on climate shocks and financial stability**
It [adds](#) further evidence on the systemic nature of climate risks and provides a foundation for a macroprudential policy response, adapting existing instruments, notably systemic risk buffers and concentration thresholds.

- **ESAs issue annual report on voluntary disclosure of principal adverse impact under SFDR**
They have developed a preliminary, indicative and non-exhaustive [overview](#) of good examples of best practices, and less good examples of voluntary disclosures.
- **SRB publishes the MREL dashboard Q1 2022**
It [shows](#): i) slight increase in the average MREL targets with respect to Q42021, ii) slight increase in the average MREL shortfall with respect to Q42021, iii) almost all banks comply with interim MREL target, iv) banks' issuance volume increased with respect to Q42021 and v) MREL funding costs deteriorated.

Spain

- **BdE updates the list of OSIs and sets their macroprudential capital buffer rates for 2023**
It has maintained the [designation](#) of four Spanish banks as O-SIs for 2023. This designation is subject to annual review and the next decision, to be implemented in 2024, will be adopted no later than Dec 1, 2023.
- **MinECO publishes annual report on financial sandbox**
[Proposes](#) to initiate a process of evaluation of possible lines of improvement, additional to those already undertaken, that would allow to optimize the operation and enhance the results of the sandbox.

United Kingdom

- **PRA consults on approach to identifying O-SIs**
It [proposes](#) removing the EBA's scoring methodology from the O-SII identification process and updates to specific indicators and weights in the PRA's scoring methodology. Deadline: Sept 22, 2022.
- **FCA publishes final rules and guidance for a new consumer duty**
It [sets out](#) the final rules and guidance for a new Consumer Duty that will set higher and clearer standards of consumer protection across financial services and require firms to put their customers' needs first.

United States

- **CFTC consults proposal on governance requirements, and consults on comparability determination**
i) Proposal on [amendments](#) to Regulation 39.24 to enhance the Derivatives Clearing Organizations' governance standards. ii) It seeks comments on the application for capital comparability determination from the Financial Services Agency of Japan. Both deadlines: 60 days from date of publication in the Federal Register.
- **OCC updates policy statement on Minority Depository Institutions**
It [revises](#) its 2013 policy statement for MDI to streamline descriptions of its policies, procedures, and programs. It also describes the range of programs the OCC has to preserve and support MDIs.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *The first climate stress tests for European banks have arrived*. May 2022.
- [Press Article](#). *What is the European Union's social taxonomy for sustainable finance?* April 2022.
- [Press Article](#). *Areas for improvement in the EU crisis management framework (page 124)*. February 2022.
- [Press Article](#). *Seven keys to financial regulation in 2022*. January 2022.

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

DISCLAIMER

The present document does not constitute an “Investment Recommendation”, as defined in Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (“MAR”). In particular, this document does not constitute “Investment Research” nor “Marketing Material”, for the purposes of article 36 of the Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (MIFID II).

Readers should be aware that under no circumstances should they base their investment decisions on the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

This document has been prepared by BBVA Research Department. It is provided for information purposes only and expresses data or opinions regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

The content of this document is protected by intellectual property laws. Reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process is prohibited, except in cases where it is legally permitted or expressly authorized by BBVA on its website www.bbva.com or www.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.bbva.com