

Weekly Regulation Update

Financial Systems and Regulation

EUROPE

- **Parliament approves the three key final pieces for banking union**

The chamber **voted in favour of** (i) the new Bank Recovery and Resolution Directive (BRRD), (ii) the revision of the Deposit Guarantee Scheme Directive (DGSD) and (iii) the Regulation setting out the Single Resolution Mechanism (SRM). The next steps are the formal approval by the Council and publication in the OJEU. Comes into force: January 2015 (January 2016 in the case of bail-in and resolution faculties from the Single Resolution Board).

- **Other measures approved in the European Parliament's final plenary**

(i) Revision of MiFID (Markets in Financial Instruments Directive), (ii) **Payment Accounts Directive** (iii) **Central Securities Depositories regulation**, (iv) revision of UCITS (collective investment products) and (v) Regulation of **key information documents (KIDs)** for investments.

- **ECB and BoE ask for securitisation to be simplified in order to drive credit**

In the **joint report** they ask for the regulations on securitisation to be reviewed. They will issue a discussion document in May (see **Regulation Flash** on the report).

- **EBA, ESMA and EIOPA in consultations about OTC derivatives**

They are consulting about **technical standards** on risk-mitigation in OTC derivative contracts not cleared by central counterparties (CCPs). Runs to 14/07.

- **EBA postpones sending reporting templates to the supervisor (SREP)**

The **first report** on own funds, large exposures, leverage ratio, liquidity and NSFR has been put back to 30 June, and the asset encumbrance report to 11/02/2015.

- **Council adopts a legislative package on market abuses**

The **Directive** and the **Regulation** extend the number of instruments and include "criminal sanctions" against market manipulation.

- **Council adopts measures to reform audit market**

Covering: (i) an improvement in the accounts to be presented by public-interest entities and (ii) mandatory rotation of auditors every 10 years to increase transparency and trust.

- **Commission consults on exchange rate (FX) instruments**

The **aim** is to clarify what financial instruments may be classified and the exchange rate for applying the corresponding legislation (MiFID, EMIR). Runs to 9/05.

- **Council approves amendments for the insurance industry**

Clarifies the functions of EIOPA and ESMA. Member States will have to transpose the Omnibus II Directive nationally by 01/2016.

UNITED KINGDOM

- **FCA publishes guide to new rules for granting mortgages**

The **intention** is to ensure that borrowers are only granted mortgages that they can afford. New rules come into force: 26/04.

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GLOBAL

- **FSB reports back to the G-20 on progress in reforming the financial system**

It identifies **three areas** where more effort will be needed to meet deadlines: SIFIs, shadow banking and OTC derivatives.

- **BIS publishes a new supervisory framework on large exposures**

As a general rule, **it is limited** to 25% of a bank's Tier 1 capital and in the case of global systemically important banks (G-SIB) to 15%. It will come into force in 01/2019.

- **BIS presents an information booklet about LCR**

The Basel Committee has published a **Q&A** on the introduction of the *Liquidity Coverage Ratio* (LCR) based on the **01/2013 framework**.

Recent publications of interest:

- **Regulation Outlook** for April 2014.
- **Regulation Flash: High Quality Securitisation** (14/04/2014).

Earlier editions of our *Weekly Regulation Update* in **Spanish** and in **English**.

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