

Regulation Outlook

Madrid, 14 May 2014
Economic Analysis

- **2H14 EU regulation agenda:** level 2 regulation takes up the baton.
- **FTT:** political agreement but uncertainty still remains.
- **EU Resolution and DGS Funds:** interlinks, similarities and differences.
- **SSM:** framework regulation.
- **Long-Term Financing:** a road-map.
- **Securitisation:** agreeing on a regulatory standard for high-quality securitisation.

Index

Editorial.....	3
1. 2H14EU regulation agenda	4
2. FTT: political agreement but uncertainty still remains	5
3. EU Resolution and DGS Funds.....	6
4. SSM: framework regulation	7
5. Long-Term Financing: a roadmap	8
6. High quality securitisation	9
Main regulatory actions around the world	10
Abbreviations.....	12

Editorial

2H14 EU regulation agenda

Level 2 regulation takes up the baton. The seventh parliament (2004-09) was marked by intense activity that resulted in the approval of about 30 new Directives and Regulations which comprise a new single EU rulebook aimed at ensuring a more resilient and resolvable financial sector. The new parliament will entail intense work at the technical level in order to develop and implement all these provisions.

Financial Transaction Tax

Political agreement but uncertainty still remains. During the last ECOFIN held on 6 May, 10 out of the 11 Member States participating in the enhanced cooperation procedure confirmed their commitment to adopt a common framework to introduce a financial transaction tax (FTT), but only a few details have been defined. Participating countries have only agreed on a progressive implementation, focusing initially on the taxation of shares and some derivatives.

EU Resolution and DGS Funds

Similarities and differences in terms of structure, use and size. The Resolution Funds and the Deposit Guarantee Scheme funds are key elements of the new crisis management framework. They help to bring credibility to the 'no bail-out' principle and to the decisions taken by resolution authorities.

Single Supervisory Mechanism (SSM): framework regulation

The publication of the SSM Framework Regulation represents a decisive step towards the creation of a common supervisory model across the entire euro area. In addition, it is also a remarkable milestone in the build-up to banking union.

Long-Term Financing: a road-map

A challenge for the European economy. On 27 March 2014, the European Commission published a report focusing on SMEs and Public Private Partnership (PPP) with six main goals: mobilising private sources of LTF, making better use of public funding, developing European capital markets, improving SMEs' access to financing, attracting private finance to infrastructure and enhancing the wider framework for sustainable finance.

High-quality securitisation

Agreeing on a standard for regulatory purposes. To fulfil the political aim of easing restrictions on less complex securitisation products, defining regulatory high-quality securitisation is the first step in the path envisaged by the European Commission. The revision of the European regulatory framework is considered a necessary condition to help to restore the securitisation channel that could complement pure banking or capital markets funding, particularly in the case of SMEs and other players that cannot tap the markets directly.

1. 2H14 EU regulation agenda

Level 2 regulation takes up the baton

The seventh parliament (2004-09) was marked by intense activity that resulted in the approval of about 30 new Directives and Regulations which comprise a new single EU rulebook aimed at ensuring a more resilient and resolvable financial sector for the EU. The cornerstone of this *single rulebook*, the CRDIV pack, is already in force and requires significant development at the technical level. Other key texts, such as the BRRD, the DGSD, the SRM Regulation or the revised versions of the UCITS Directive and the MiFID/MiFIR framework were endorsed by the parliament in its last Plenary. In the coming 18 months, more than a hundred technical standards will be developed by the ESAs.

Level 1 (Directives and Regulations)

Although the bulk of the EU financial reform was developed in the seventh parliament, it is expected that legislators may pass several pending initiatives over the next 18 months. These include, among others, a proposal to implement a structural reform in the banking sector, another to introduce a Financial Transaction Tax (FTT) in 11 Member States, two Directives introducing new regulation over shadow banking (MMFs and securities financing) and others related to digital banking. It is also expected that the European Commission (EC) will table a proposal to establish a crisis management framework for non-banks. The EC will also be very busy implementing and following up on its recently announced strategy to foster long-term financing, including a better regulatory treatment of high-quality securitisations. This will be a top issue in the EU regulatory agenda given its importance to the EU economic recovery. Last but not least, it is expected that the EC will issue its proposal for a revision of the European System of Financial Supervisors (ESFS) in the coming months.

Levels 2 and 3 (EC delegated acts and ESAs technical guidance)

The high number of new Directives and Regulations approved in the seventh parliament will entail intense work at the technical level in order to develop and implement the provisions of level 1 legislation. These include, inter alia, delegated acts by the EC (for example regarding the Leverage Ratio, the Liquidity Coverage Ratio or the methodology to calculate the individual banks' contributions to the Resolution Fund introduced in the BRRD and also in the SRM Regulation) as well as regulatory technical standards (RTS) or implementation technical standards (ITS) that are drafted by the competent ESA (EBA, ESMA or EIOPA), generally subject to a public consultation process and ultimately endorsed by the EC (see the 2014 work plans for EBA ([here](#) and [here](#)), ESMA and EIOPA). More are expected in the following months, especially in relation to CRDIV/CRR (latest update on the status of the RTS and ITS).

Regarding the macro-prudential aspects of the CRDIV/CRR, it is expected that the ESRB will issue guidelines (the counter-cyclical buffer) and recommendations and opinions (on the national flexibility measures and on the use of the systemic risk buffer). Legislative proposals might arise from an EC consultation with the ESRB and the EBA on the capacity of the new macro-prudential framework to contain systemic risk.

On the other hand, the ECB, as the new single supervisor, and the Single Resolution Board will be responsible for defining shared rules applicable in the participating Member States in the forthcoming months. As an example, the ECB is expected to publish in October the final regulation establishing the methodology for calculating the supervisory fee and an ECB guide to supervisory practices. Additionally, the EBA is working on preparing a supervisory handbook based on Basel rules applicable in the EU28.

Level 4 (national transposition/implementation) and other considerations

All the Directives agreed during this last parliament will have to be transposed to the national level in the next months. For example, before January 2015 Member States will have to have approved their respective national frameworks for banking resolution, in line with the BRRD, as well as the corresponding updates in their deposit protection systems, following the guidelines of the new DGSD.

Although it is not considered to be part of the European legislative process, in order for the SRM Regulation to come into force, national endorsement of the Intergovernmental Agreement (IGA) which regulates the working and use of the single fund is required. As for the ESM on direct bank recapitalisation, a political agreement is expected to be reached on 19 June and should be approved by ESM's Board of Governors so that it can come into force once the SSM becomes fully operational this autumn. For that to happen, some countries, including Germany, will have to adapt their national legislation to allow the ESM to inject public funds to European banks.

2. Financial Transaction Tax

Political agreement, but uncertainty still remains

During the last ECOFIN held on 6 May, 10 out of the 11 Member States participating in the enhanced cooperation procedure confirmed their commitment to adopt a common framework to introduce a financial transaction tax (FTT), but only a few details have been defined.

Political agreement between 10 of the 11 Member States involved

France, Germany, Austria, Belgium, Estonia, Greece, Italy, Portugal, Slovakia and Spain confirmed that they will adopt a FTT under enhanced cooperation. Slovenia has not signed the declaration - not because it disagrees with the initiative, but simply because there is currently no government in place. The purposes of the initiative are maintained: (i) harmonisation of the national frameworks; (ii) ensuring the contribution of the financial sector to tax revenue, and (iii) creating a disincentive to transactions that do not enhance the efficiency of financial markets.

Progressive implementation from 2016

Up to now, participating countries have only agreed on a progressive implementation of the FTT, focusing initially on the taxation of shares and some derivatives. Later on, the FTT would be applied on a wider base of derivatives, step by step. Discretion would be provided to national authorities to adopt a wider tax base in order to preserve their existing national framework. The first steps are expected to be implemented on 1 January 2016 at the latest. The legislation is expected to be finalised by year-end.

Opposition of uninvolved Member States: UK and Sweden.

The UK is concerned about the damaging impact of the FTT, not only on participating countries but also on uninvolved Member States, as they are significant trading counterparties of involved countries. The UK presented an action for annulment of the authorisation of enhanced cooperation before the Court of Justice, that was dismissed by the Court on 30 April 2014. The Swedish position is getting closer to that of the UK. The Netherlands deplores the lack of detail in the declaration.

Assessment: enhanced cooperation is continuing but uncertainty still remains

The purpose of the agreement is only political. It was not expected that the involved Member States would agree on the details of the enhanced cooperation during this ECOFIN. The declaration was necessary before the end of the current EU parliament, in order to ensure that the enhanced cooperation procedure would be pursued.

Negotiations are still hard; uncertainty still remains on key details. The lack of definition in the declaration confirms the difficulties being met by the involved Member States in agreeing on the key elements of the FTT. In that vein, the principle of taxation is still not clear. Big Member States prefer the issuance principle while the smaller ones support the residence principle. Other key issues that will be subject to tough negotiations include: (i) the scope of derivatives subject to the tax both initially and progressively; and (ii) the tax rate.

Anyway, this initiative is being driven for political reasons and is hard to justify from an economic perspective. The efficiency of any FTT in achieving its objectives is questionable. This initiative would be disruptive for the real economy, and would alter the competitive equilibrium, with significant drawbacks that would more than offset the benefits arising from its revenue. The G-20 leaders themselves rejected this initiative.

3. EU Resolution and DGS Funds

Similarities and differences in terms of structure, use and size

From the resolution standpoint, the Deposit Guarantee Scheme Directive (DGSD), the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM) Regulation include interlinked elements that are related to the procedures and financing arrangements to be used in case of bank failure.

In this sense, EU Member States shall establish two types of financing arrangements. On the one hand, the BRRD sets up the Resolution Fund to ensure the effective application of the resolution tools and powers that are needed to resolve a failed bank. Moreover, this fund is always used as a private backstop only after an 8% bail-in has already been applied to cover losses. On the other hand, the DGS reimburses a limited amount of deposits (up to EUR100,000) to depositors whose bank has failed.

When thinking about interlinks among these funds, four key questions arise to understand the connection between them.

Can the Resolution Fund and the DGS be merged?

Although the Resolution Fund and the DGS have different goals and may, in principle, be used at different stages of the crisis management process, the BRRD establishes that Member States may use the same administrative structure as their financing arrangements for the purposes of their DGS. Nevertheless, in the Eurozone Single Resolution Fund will co-exist with its national DGS (until the single DGS pillar gets incorporated into banking union, which may require a revision to the Treaty and hence will take some years).

Figure

Institutional Resolution Scheme based on current regulatory framework (BRRD, SRM and DGS)

	In 2015	From 2016
Eurozone (EU-18)	Local DGS + Local RF (*)	Local DGS + Single RF (SRM)
Non-Eurozone	Local DGS + Local RF(*)	Local DGS + Local RF (*)

(*) Merger is possible in the same jurisdiction.

Source: BBVA Research

Could the contribution be replaced?

The BRRD states that contributions to the DGS shall not count towards the target level for resolution financing. Thus, the contributions would be at least 1.8% of total covered deposits (1% from the Resolution Fund contribution and 0.8% of the deposit guarantee scheme contribution).

Will the contribution for the Resolution Fund change between 2015 and 2016?

The calculation of individual contributions to the Resolution Fund will change for the banks in the Eurozone, as in 2015 the contribution will be determined in proportion to the weight of the banks' adjusted liabilities (that is, net of shareholders' funds and covered deposits) with respect to the national total. However, from 2016 when the Single Resolution Fund is implemented, the individual contribution will be calculated pro rata to the relative weight of entities' liabilities vs. the total liabilities of the new system that comprises banking union.

When will the Resolution Fund be used?

In the case of the DGS and national Resolution Funds, the mutualisation of funds is not feasible, but voluntary borrowing is allowed. So the DGS may lend to other schemes within the EU.

4. SSM framework regulation

ECB has recently published the regulatory framework for the SSM

In April 2014 the European Central Bank (ECB) published the SSM (Single Supervisory Mechanism) Framework Regulation which establishes the main principles for cooperation within the SSM between the European Central Bank and National Competent Authorities (NCA). This represents a decisive milestone in the setting-up process of the SSM and facilitates the assumption by the ECB of its new supervisory role from November 2014 onwards. In addition to this, the ECB has taken other steps to build up the new "infrastructure" for supervision (e.g.: 3 members of the Supervisory Board have already been appointed, a draft version for the creation of the Mediation Panel has been passed and decisive steps have been taken in the recruiting process for the new supervisory function, among other elements).

The SSM should define and implement a "common" supervisory model. To this end, the ECB will publish the Public Guide of Supervisory Practices. This guide will also give further details on how the ECB will exercise its supervisory tasks on a daily basis. Apart from this, the ECB is still working on a Supervisory Manual which will be an internal document and will be more detailed than the Guide mentioned before.

The SSM Regulation Framework lays down general organisational principles for supervision rather than detailed operational rules. In this regard, the new regulation defines the Joint Supervisory Teams (JSTs) as the core of the supervision of significant supervised entities, but the framework only creates a legal basis for their establishment, but without providing criteria for their composition or detailed rules of procedure. To be more precise, it defines that there will be just one JST for each significant supervised entity or significant supervised group. It is expected that these JSTs will be formed by May/June 2014.

The Regulation Framework established that the significance of a supervised group will be determined at the highest level of consolidation within the participating Member States. This means that there will only be a single JST for all supervised entities belonging to a supervised group if that group has its head office in a participating Member State. The methodology for determining the significance of supervised entities provides a required level of flexibility in applying each individual criterion (e.g.: size, specific circumstances or cross border activities) for determining significance. **As such, individual decisions on the classification of a supervised entity as significant or less significant will still require an institution-specific assessment and an ECB decision.** This is a qualification which, by the way, is subject to change over time.

Another aspect that has been extensively debated is the language regime. In fact, the final regulation has made various arrangements including provisions that lessen the use of English as a general rule. **Documents addressed to the ECB could be drafted in any official language.** In fact, every entity could choose an official language other than English for all written communications to and from the ECB.

As regards reporting, national competent authorities will be the point of entry for both significant and less significant entities. In this context, the ECB will organise the procedures relating to the collection and quality review of data reported by supervised entities. However, the framework does not refer to the categories of data that have to be sent to the ECB and is not the legal basis for additional reporting requirements.

In a nutshell, **this framework represents a decisive step towards the creation of a banking union**, since the SSM will be one of its cornerstones. In this regard, the build-up of a common supervisory regime would be of utmost importance.

5. Long-Term Financing: a road-map

A challenge for the European economy

On 25 March 2013, the European Commission (EC) adopted a Green Paper on the long-term financing (LTF) of the European economy. On 27 March 2014 the EC published a report focusing on SMEs and Public Private Partnership (PPP) with six main goals: mobilising private sources of LTF, making better use of public funding, developing European capital markets, improving SMEs' access to financing, attracting private finance to infrastructure, and enhancing the wider framework for sustainable finance.

A random walk through the EC's report

The crisis has affected the capacity of the financial system to match savings and long-term investments. In an uncertain and deleveraging environment, investors lost their risk appetite and increased their preference for liquidity, whereas SMEs and PPPs reduced their demand for LTF. The result has been a non-optimal level of long-term investment and financing. In this context, the EC has proposed **six measures** to foster LTF for the European economy:

1. **Mobilising private sources of LTF:** (i) for **banks**, it is necessary to strike the right balance between improving the resilience of banks to liquidity shocks versus avoiding excessive restrictions on maturity transformation; (ii) for **pension funds**, insurers should be free to invest in every asset type and there should be a single market. (iii) **insurance companies** should shift to alternative investments (private equity) and infrastructure and occupational pension funds could contribute to more long-term investment.
2. **Making better use of public funding:** it is necessary to provide guidance on general principles of governance and transparency. Encouraging the cooperation of National Promotional Banks (NPBs) and Multilateral Development Banks (MDBs) is also very important.
3. **Developing European capital markets:** (i) in **equity and corporate bond markets**, administrative costs and information disclosure requirements have to be reduced. Undertakings for collective investment in transferable securities (UCITS) and European long term investment funds (ELTIFs) should be allowed to invest in SMEs, even if those SMEs are not listed on regulated markets; (ii) in **securitisations**, high-quality securitisations (HQS) are a key instrument to release funding to SMEs; (iii) the treatment of **covered bonds** has to be reviewed to define the basic framework for an integrated European market, and (iv) in **private placements** the EC will conduct a study.
4. **Improving SMEs' access to financing** to reinforce non-bank funding sources: a study is to be carried out on EU and national legislation and practices affecting the availability of SME credit information. The EC will also assess best practices for helping SMEs to gain access to capital markets.
5. **Attracting private finance to infrastructure:** improving information for European infrastructure projects and funding sources is a must.
6. **Enhancing the wider framework for sustainable financing:** (i) in **corporate governance**, the EC will promote the alignment of long-term interests of asset managers, investors and companies, and the importance of high-quality information; (ii) in **accounting standards**: the EC will consider whether the use of fair-value accounting is appropriate; and (iii) in the **tax and legal environment**, the EC will promote equity investments and will review its recommendations on best practice.

In our opinion high-quality securitisations are going to play a very important role in long-term financing. The following section provides a more detailed analysis.

6. High-quality securitisation

Agreeing on a standard for regulatory purposes

To fulfil the political aim of easing restrictions on less complex securitisation products, defining regulatory high-quality securitisation (HQS) is the first step on the path envisaged by the European Commission. It should shortly be followed by a revision of the regulatory framework for banks, insurance companies and other potential institutional investors.

A global standard? Europe is moving ahead

The European Commission, following the intentions declared in its communiqué of 27 March on Long-Term Financing, has requested the advice of the European Banking Authority on the possibility of defining a category of HQS to be used in banking regulation. The Commission is also focusing on the possibility of achieving a harmonised banking approach with that outlined by EIOPA for insurance companies, which includes a definition of HQS (Type A) and assigns to it lower capital requirements. The ECB and the BoE have joined efforts by requiring a revision of the Asset Backed Securities (ABS) regulatory treatment, which was recently backed by a senior IMF official, although clarifying that Europe should not push ahead alone with new regulations. Nevertheless, a greater urgency in Europe to restore the securitisation channel could justify a divergence from global standards, at least temporarily.

On the definition of HQS

HQS definition should promote robust securitisation practices and prevent weaknesses such as those shown during the crisis by ABS, with complex structures and/or those backed by sub-prime residential mortgages. But additionally to this backward-looking approach to select the right criteria for HQS, it could be convenient to look forward and identify risk factors that could be relevant in the future.

Already developed central bank eligibility criteria, industry initiatives such as the Prime Collateralised Securities quality label and EIOPA proposed criteria for Type A securitisation for insurance companies form a useful starting point. Following that, we summarise the desirable features and **potential criteria to be considered in the definition of HQS**.

- **High quality of the underlying assets.** Only common types of underlying assets related to funding the real economy (loans to SME, prime residential mortgages and so on) and subject to a sound risk underwriting process should be considered, with the exclusion of assets in default at issuance or those granted to credit-impaired borrowers.
- **Sound structural features.** Only simple structures, to preclude model risk and volatile behaviour associated, for instance, with re-securitisations (CDO of ABS, ABS-squared). Synthetic securitisation could be excluded, if associated with relevant counterparty/legal risks.
- **Transparency.** Readily available and sufficiently detailed information on the underlying pool and on the transaction structure is necessary to promote investors' confidence. For that, initiatives as the European Data Warehouse, where loan-by-loan information on securitisations may be found, are immensely useful.
- **Listing features.** Admission to trading on a regulated market favours standardisation and transparency, enables liquidity and fosters market discipline.

As each securitisation has tranches with different seniority, **additional criteria could be considered to select only the tranches of highest credit quality**. Attention should be paid to not excessively reinforcing dependency on the credit rating agencies. Their questionable practice of setting a sovereign cap when rating ABS could become problematical if it prompts the exclusion of loans originated in certain countries from qualifying for HQS.

Next steps

Reaching an agreement on the definition of HQS and on the necessary regulatory adaptations are the two challenges to be overcome in the short term, to foster a more favourable environment for the restoration of the securitisation channel in Europe.

Main regulatory actions around the world in 2014

Recent issues

Upcoming issues

Global	<p>On 15/04 BIS published a new supervisory framework on large exposures</p> <p>On 30/04 BIS presented its final report on point of sale (POS) disclosure</p> <p>On 12/05 FSB published final thematic peer review on reducing reliance on credit rating agencies</p>	<p>On 15/11/2014 Australia will host the G20 Leaders Summit</p>
Europe	<p>On 14/04 the Council formally approved the MAD/MAR and the EU audit market reform</p> <p>On 15/04 the EP approved: the payment accounts directive, the BRRD, the DGSD, the SRM Regulation, the MIFIR/MiFID II package, the PRIPs, the CSDs and the UCITS V</p> <p>On 24/04 the Council published a compromise text to the EC's proposed regulation on European Long-term Investment Fund</p> <p>On 06/05 the Council formally approved the BRRD</p> <p>On 13/05 the Council formally approved the MIFIR/MiFID II package</p>	<p>Between May and July the Council should formally approve all the remaining legislation voted by the European Parliament in the last Plenary Session</p> <p>In 06/2014 the Eurogroup will decide on the main features of the direct bank recapitalisation ESM tool and present the IGA agreement on SRM</p> <p>In 11/2014 the ECB should directly supervise European credit institutions' SSM, after publication (10/2014) of the results of the comprehensive assessment of the banking sector</p>
Mexico	<p>Changes to the AML/CFT regime: broadening of scope to fully capture trusts, introduction of "blocked persons' lists" and requirements not to engage and to cease all operations with clients therein</p> <p>The CNBV has presented a new proposal of rules for Development Trusts and Entities, that will level the playing field vis-à-vis the banking sector</p> <p>The Banking and Securities Commission issued rules regarding their new powers to public all their sanctions and disciplinary actions</p>	<p>The regime applicable to trusts that issue "Certificados bursátiles fiduciarios inmobiliarios" (Mexican equivalent to U.S. REITs) is under review</p> <p>The Basel III liquidity regime, a joint rule by CNBV and Banco de Mexico, is at this time under development and is expected to be in place by January 2015</p>
LatAm	<p>On 01/04 in Peru, the new reserve requirements (of 12.0% for deposits in domestic currency) came into effect</p> <p>On 25/04 Brazil approved a resolution setting the guidelines for the implementation by financial institutions of socio-environmental responsibility policies</p> <p>On 05/05 Brazil implemented a new credit portability system, to reduce the number of procedures and the costs for borrowers to transfer their debt from one financial institution to another</p>	<p>At the beginning of 2014 Brazil's Supreme Court will deliberate whether banks should reimburse depositors for the losses stemming from anti-hyperinflation policies adopted in the 1980s and 1990s. The negative impact on the financial system and the economy is potentially huge</p>

Continued on next page

(Cont.)

Recent issues

Upcoming issues

USA	<p>On 07/04 the Fed announced that it will give banks an extra 2 years to make certain debt holdings compliant with the Volcker Rule, but it stopped short of granting an exception the industry had been seeking</p>	<p>Credit cards in the U.S. will soon feature embedded fraud-prevention microchips, as major credit card companies push banks and merchants to convert to EMV technology by October 2015</p> <p>By 01/07 the FDIC should have adopted a final rule to implement section 210(r) of the D-F Act which would prohibit entities that have contributed to the failure of a "covered financial company" from buying a covered financial company's assets from the FDIC</p> <p>The US Supreme Court agreed to resolve a disagreement over how to interpret a legal provision that allows borrowers to rescind their mortgage loans</p>
Turkey	<p>The regulation came into force which cancels instalment payments for telecommunication, jewelry and food&oil purchases on corporate credit cards (still valid for remaining cards)</p>	<p>SDIF: Potential inclusion of commercial deposits under the Saving Deposit Insurance Fund scheme coverage.</p> <p>At the last Monetary Policy meeting of the central bank, members evaluated the possibility of paying interest for the portion of banks' reserve requirements held in TL. CBRT has not been paying interest since late 2010 (5% at that time)</p>
Asia	<p>On 14/04 China issued stricter guidelines on trust companies as part of efforts to counter systemic risks from the biggest players in China's shadow banking sector</p> <p>On 16/04 Hong Kong asked banks to show their stable funding requirements and to agree to regular onsite examinations and stress testing</p> <p>On 22/04 China announced that the reserve requirement ratio for rural commercial banks at county levels will be slashed by 2%</p> <p>On 22/04 India barred Indian companies from repaying domestic rupee loans using funds raised through external commercial borrowings</p> <p>On 01/05 China proposed to regulate informal bond market makers by setting up rules on their operating conditions and promotion to formal market-making status</p>	<p>The Financial Services Authority of Indonesia wants the government to allow state-owned banks to cut their dividend payments in order to strengthen their capital, in preparation for economic integration within the ASEAN Economic Community in 2015</p> <p>Hong Kong is reported to push for a capital reserve requirement of 3.5%</p>

Source: BBVA Research

Abbreviations

AIFMD	Alternative Investment Fund Managers Directive	FROB	Spanish Fund for Orderly Bank Restructuring
AQR	Asset Quality Review	FSAP	Financial Sector Assessment Program
BCBS	Basel Committee on Banking Supervision	FSB	Financial Stability Board
BIS	Bank for International Settlements	FTT	Financial Transactions Tax
BoE	Bank of England	IAIS	International Association of Insurance Supervisors
BoS	Bank of Spain	IASB	International Accounting Standards Board
BRRD	Bank Recovery and Resolution Directive	IHC	Intermediate Holding Company
CCAR	Comprehensive Capital Analysis and Review	IIF	Institute of International Finance
CCP	Central Counterparty	IMF	International Monetary Fund
CET	Common Equity Tier	IOSCO	International Organization of Securities Commissions
CFTC	Commodity Futures Trading Commission	ISDA	International Swaps and Derivatives Association
AMC	Company for the Management of Assets proceeding from Restructuring of the Banking System (Bad bank)	ITS	Implementing Technical Standard
CNMV	Comisión Nacional de Mercados de Valores (Spanish Securities and Exchange Commission)	Joint Forum	International group bringing together IOSCO, BCBS and IAIS
COREPER	Committee of Permanent Representatives to the Council of the European Union	LCR	Liquidity Coverage Ratio
CPSS	Committee on Payment and Settlement Systems	LEI	Legal Entity Identifier
CRA	Credit Rating Agency	MAD	Market Abuse Directive
CRD IV	Capital Requirements Directive IV	MiFID	Markets in Financial Instruments Directive
CRR	Capital Requirements Regulation	MiFIR	Markets in Financial Instruments Regulation
CSD	Central Securities Depository	MMFs	Money Market Funds
DGSD	Deposit Guarantee Schemes Directive	MoU	Memorandum of Understanding
DFA	The Dodd-Frank Wall Street Reform and Consumer Protection Act	MPE	Multiple Point of Entry
EBA	European Bank Authority	MS	Member States
EC	European Commission	NRAs	National Resolution Authorities
ECB	European Central Bank	NSAs	National Supervision Authorities
ECOFIN	Economic and Financial Affairs Council	NSFR	Net Stable Funding Ratio
ECON	Economic and Monetary Affairs Committee of the European Parliament	OJ	Official Journal of the European Union
EFSS	European Financial Stability Facility	OTC	Over-The-Counter (Derivatives)
EIOPA	European Insurance and Occupational Pensions Authority	PRA	Prudential Regulation Authority
EMIR	European Market Infrastructure Regulation	QIS	Quantitative Impact Study
EP	European Parliament	RRPs	Recovery and Resolution Plans
ESA	European Supervisory Authority	RTS	Regulatory Technical Standards
ESFS	European System of Financial Supervisors	SCAP	Supervisory Capital Assessment Program
ESM	European Stability Mechanism	SEC	Securities and Exchange Commission
ESMA	European Securities and Markets Authority	SIB (G-SIB, D-SIB)	Global-Systemically Important Bank, Domestic-Systemically Important Bank
ESRB	European Systemic Risk Board	SIFI (G-SIFI, D-SIFI)	Global-Systemically Important Financial Institution, Domestic-Systemically Important Financial Institution
EU	European Union	SII (G-SII, D-SII)	Systemically Important Insurance
EZ	Eurozone	SPE	Single Point of Entry
FASB	Financial Accounting Standards Board	SRB	Single Resolution Board
FBO	Foreign Bank Organisations	SREP	Supervisory Review and Evaluation Process
FCA	Financial Conduct Authority	SRF	Single Resolution Fund
FDIC	Federal Deposit Insurance Corporation	SRM	Single Resolution Mechanism
Fed	Federal Reserve	SSM	Single Supervisory Mechanism
FPC	Financial Policy Committee	UCITS	Undertakings for Collective Investment in Transferable Securities Directive

DISCLAIMER

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations 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.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance.

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.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in 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.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.

This report has been produced by:*Chief Economist for Financial Systems & Regulation*

Santiago Fernández de Lis
+34 91 5379852
sfernandezdelis@bbva.com

Chief Economist for Regulation and Public Policy

Maria Abascal
maria.abascal@bbva.com

Tatiana Alonso
tatiana.alonso@bbva.com

Saïfeddine Chaïbi
saïfeddine.chaïbi@bbva.com

Rosa Gómez Churrua
rosa.gomez@bbva.com

Arturo Fraile
arturo.fraile@bbva.com

Wojciech Golecki
wojciech.golecki@bbva.com

Chief Economist for Recovery and Resolution Policy

José Carlos Pardo
josecarlos.pardo@bbva.com

Pilar Mirat
mariapilar.mirat@bbva.com

Victoria Santillana
mvictoria.santillana@bbva.com

Chief Economist for Global Regulatory Coordination

Matías Viola
matias.viola@bbva.com

BBVA Research**Group Chief Economist**
Jorge Sicilia*Emerging Markets:*

Alicia García-Herrero
alicia.garcia-herrero@bbva.com.hk

Cross-Country Emerging Markets Analysis
Álvaro Ortiz Vidal-Abarca
alvaro.ortiz@bbva.com

Asia
Xia Le
le.xia@bbva.com.hk

Mexico
Carlos Serrano
carlos.serrano@bbva.com

LatAm Coordination
Juan Ruiz
juan.ruiz@bbva.com

Argentina
Gloria Sorensen
gsorensen@bbva.com

Chile
Jorge Selaive
jselaive@bbva.com

Colombia
Juana Téllez
juana.tellez@bbva.com

Peru
Hugo Perea
hperea@bbva.com

Venezuela
Oswaldo López
oswaldo_lopez@bbva.com

Developed Economies:

Rafael Doménech
r.domenech@bbva.com

Spain
Miguel Cardoso
miguel.cardoso@bbva.com

Europe
Miguel Jiménez
mjimenezg@bbva.com

United States
Nathaniel Karp
nathaniel.karp@bbvacompass.com

Global Areas:

Economic Scenarios
Julián Cubero
juan.cubero@bbva.com

Financial Scenarios
Sonsoles Castillo
s.castillo@bbva.com

Innovation & Processes
Clara Barrabés
clara.barrabes@bbva.com

Financial Systems & Regulation:

Santiago Fernández de Lis
sfernandezdelis@bbva.com

Financial Systems
Ana Rubio
arubiog@bbva.com

Financial Inclusion
David Tuesta
david.tuesta@bbva.com

Regulation and Public Policy
María Abascal
maria.abascal@bbva.com

Recovery and Resolution Strategy
José Carlos Pardo
josecarlos.pardo@bbva.com

Global Coordination
Matías Viola
matias.viola@bbva.com

Contact details**BBVA Research**

Paseo Castellana, 81 – 7th floor
28046 Madrid (Spain)
Tel.: +34 91 374 60 00 and +34 91 537 70 00
Fax: +34 91 374 30 25
bbvaresearch@bbva.com
www.bbvaresearch.com