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Regulation Outlook

December 2014
Financial Systems and Regulation Area

- EU fails the exam on consistency with Basel III: The Basel Committee grades EU “materially non-compliant”
- ESM direct recap (DRI) passed as last resort backstop: will buttress credibility of banking union, despite late approval and €60bn cap
- The role of regulation in Juncker’s Investment Plan: The Single Market as *conditio sine qua non* for success
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Summary

EU fails the exam on consistency with Basel III

Basel Committee grades EU "materially non-compliant". On 5 December the final results of the Regulatory Consistency Assessment Programme for EU and US were disclosed. The EU was considered as having "material" shortcomings in its implementation of the global bank capital rules, whereas the US was assessed as "largely compliant". EU got a worse grade than in the preliminary assessment of 2012, when it was declared to be "largely compliant". Nevertheless, some doubts arise on the peer review process, as the EU is one of the regions which has devoted more efforts to have a detailed transposition. In any case, European banks are well-capitalised even under adverse scenarios, as the recent comprehensive assessment has proven.

ESM direct recapitalisation (DRI) approved as last resort backstop

With a €60bn cap, the new tool will buttress the credibility of the banking union. On 8 December, the Board of the ESM endorsed the long-awaited direct recapitalisation instrument (DRI, or direct recap). The new tool allows the eurozone to directly recapitalise, as a last resort, ailing (though viable) banks in countries were the sovereign is in a very weak fiscal position. Though the tool is probably not to be used, it is still important for the banking union project.

The role of regulation in Juncker's Investment Plan

The Single Market as *conditio sine qua non* for success. On 26 November, Commission President Jean-Claude Juncker and the European Investment Bank (EIB) presented an Investment Plan for Europe. Its aim is to mobilise at least €315bn of public and private funds between 2015 and 2017 to promote long-term investment, job creation and economic growth, especially through SMEs. The proposal is not a single stimulus measure; instead it consists of three dimensions: a new European Fund for Strategic Investments (EFSI), a selection of projects and regulatory reforms. Since Europe's investment problem goes beyond the lack of finance, the third dimension of the Plan becomes essential.

The European MREL

Main characteristics and TLAC comparison. On 28 November, the EBA released the consultation paper on the criteria for determining the MREL in Europe. The MREL could be seen as the transposition of the FSB's TLAC into the European Union. The final design of the MREL and TLAC is not yet clear. However, the coming year will be critical in designing the optimal loss-absorbing needs in the banking industry, to ensure resolvability without unduly penalising financial intermediation and financial stability.

PSD2, regulating new payment service providers

Changing the rules for electronic payments. On 24 July 2013, the European Commission presented a Payment Services Directive proposal (PSD2) which updates the current Directive (PSD1), in force since 2007. The rule is the result of the Commission´s attempt to boost innovation and competitiveness in the payment market by opening access to Third-Party Providers (TPPs). PSD2 also seeks to guarantee a high level of protection for consumers and payment security. The European legislative process is quite advanced and it is expected that PSD2 will be approved in the following months.

1 EU fails the exam on consistency with Basel III

Basel Committee grades EU “materially non-compliant”

On 5 December the final results of the Regulatory Consistency Assessment Programme (RCAP) for EU and US were disclosed. The EU was considered as having “material” shortcomings in its implementation of the global bank capital rules, whereas the US was assessed as “largely compliant”. EU got a worse grade than in the preliminary assessment of 2012, when it was declared to be “largely compliant”. Nevertheless, some doubts arise on the peer review process, as the EU is one of the regions that has devoted more efforts to have a detailed transposition. In any case, European banks are well-capitalised even under adverse scenarios, as the recent comprehensive assessment has proven.

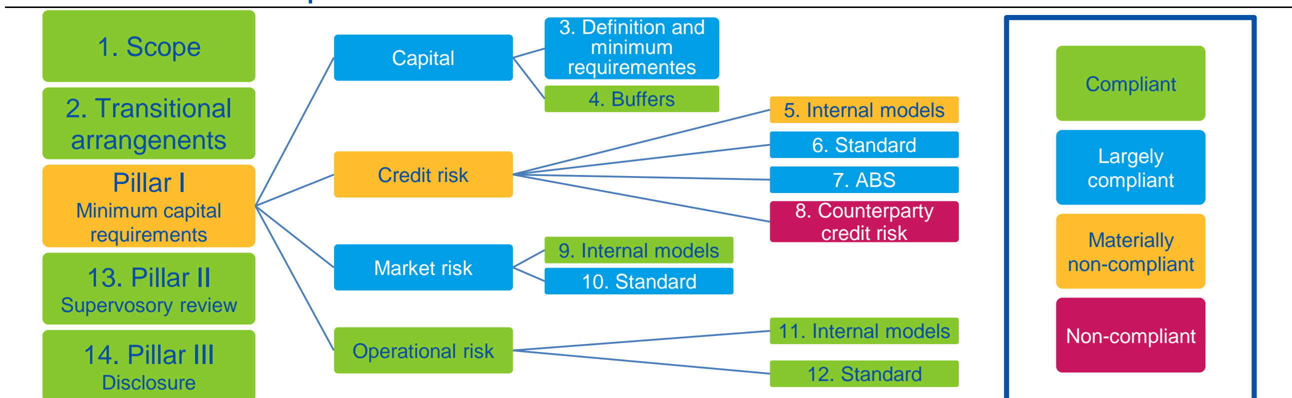
Main gaps to comply with Basel III

Even if 12 of the 14 components assessed met, either fully or largely, the minimum provisions of Basel III, the failure of the remaining two (counterparty risk and internal models approach for credit risk) was considered severe enough to drive an overall negative assessment.Three shortcomings were considered particularly relevant:

1. **CVA exemption**: Capital charges for OTC derivative transactions with certain counterparts are lower than in Basel III. The aim of this exemption was to preserve incentives **for corporates** to hedge the financial risks associated to their normal activity.
2. **SMEs**: Capital charges for claims to Small and Medium-sized Enterprises are lower than in Basel III. A multiplier of 0.7619 was introduced in Europe to calculate Risk Weights, as a **transitional measure** to restore long-term financing in Europe, and it is scheduled **to be reviewed by 2017**.
3. **Zero Risk Weights for sovereign debt:** EU allows more leeway than Basel III **for banks that use internal models** to apply a zero risk weight to claims **on sovereigns and other public sector debtors,** due to the wider scope of the **permanent partial use** of the standard approach.

Obviously, the overestimation of capital ratios due to these deviations from Basel III will differ among banks, depending on the type and volume of exposures maintained. For instance, the CVA exemption could be particularly relevant for certain investment banks which are very active in OTC derivatives.

Graph 1
Assessment of Basel III capital framework for EU



Source: BBVA Research based on BCBS’s RCAP for the European Union

EU reaction and possible way forward

It should be noted that the EU has opted for a very ambitious approach of a very detailed transposition of the international standard, which will apply not only to large internationally active banks but all 8,000 European entities. Against this background, the response from relevant members of **the European Parliament** showed strong support for the EU legal provisions for **SMEs and corporates as a way to support economic growth** amid a fragile economic recovery. The **European Commission** noted that EU banks have capital well above the minimum, after correcting for differences identified in the RCAP and justified departures from global standards due to the need to adapt to European specificities. It stated: i) that the **CVA issue** should be reviewed in the EU in the context of the changes being currently considered by the Basel Committee; ii) the temporary nature of **SME** gap and, iii) that the EU intends to eliminate the gap on the **permanent partial use at the latest in 2018 (it may be done at an early date)** as EBA will issue guidelines to set limits in volume.

2 ESM direct recap (DRI) passed as last resort backstop

Will buttress credibility of banking union, despite €60bn cap

On 8 December, the board of the ESM endorsed the long-awaited direct recapitalisation instrument (DRI, or direct recap). The new tool allows the eurozone to directly recapitalise, as a last resort, ailing (though viable) banks located in countries were the sovereign is in a very weak fiscal position. Though the tool is probably not to be used, it is still important for the banking union project.

Use is restricted to emergency situations. The DRI would be applicable to euro area financial holding companies and credit institutions (as defined in relevant EU legislation) that are systemically relevant or that pose a serious threat to financial stability. Activation requires the following three conditions to apply at the same time:

(1) **Breach of regulatory capital.** The bank is unable (or almost unable) to meet its capital requirements,
(2) **No private solution.** The bank cannot cover the capital gap from private sources, including bail-in
(3) **No sovereign support**. The sovereign is unable to provide financial assistance, either on its own or with the help of an ESM loan (Spanish programme) without jeopardising its fiscal sustainability or its access to markets.

Member State must request the assistance. Fulfilment of the conditions will be checked by the Commission, the ECB, the ESM, the resolution authority and the IMF (when required). Based on these assessments, the ESM board will decide whether to grant the assistance. Once approved, a due diligence process shall start, involving the drafting of a restructuring plan and a valuation of the bank's assets by the ESM, the Commission and the ECB, to determine the capital gap.

Last resort backstop with strict burden-sharing conditions

1. A **bail-in of no less than 8%** will be applied over all liabilities (this is an early application of the bail-in tool contained in the Banking Recovery and Resolution Directive, which will be applicable from January 2016).
2. The **resolution fund** will be called upon to contribute a further **5% of total liabilities**.
3. Conversion or write-down of any **remaining unsecured** non-preferred (unexcluded) liabilities.
4. ESM direct recap gets activated, but under a **franchise scheme** with the Member State**:**
   4.1 If the **capital ratio under 4.5% CET1**: Member States would cover all capital needed up to 4.5% and the ESM would provide the rest until reaching the ECB required ratio.
   4.1 If the **capital ratio is above 4.5% CET1 but below the ECB required level.** Member State to contribute a 20% share during 2015-16 (10% thereafter) and the ESM to cover the rest. The ESM Board can exceptionally suspend the Member State's contribution but unanimity is required.

There will be conditions. The requesting Member State will have to sign a Memorandum of Understanding (MoU) with the European Commission (on behalf of the ESM). This MoU might include conditionality clauses both for the recapitalised banks and also concerning general economic policies of the Member State. In particular, it will include the conditions required by the Commission under the state aid framework, as well as any further institution-specific conditions agreed by the ESM, the Commission, the ECB and the requesting Member State in order to ensure strong governance at the bank. While this can include appointing or dismissing senior staff and setting caps to remuneration, the ESM will not be involved in the day-to-day management.

ESM overall lending capacity preserved with a €60bn cap for the DRI. The total amount that the ESM can inject into banks is €60bn. The ESM will set up a (wholly owned) subsidiary to conduct the recapitalisation and manage its temporary participation in the bank. Depending on its actual use, the maximum lending capacity of the ESM (currently at €500bn) might be revised downwards in the future to preserve its high creditworthiness.

When will the DRI be operational? The DRI is already operational (since 8 Dec 2014) although the results of the comprehensive assessment suggest that its use any time soon is very unlikely. The DRI has been conceived to provide a temporary[1] last resort financial backstop for eurozone banks in the context of banking union, which resolution pillar (the Single Resolution Mechanism) will start operation in January 2015, with full resolution powers from January 2016. Retroactive implementation (i.e. to cover losses associated to legacy assets) is possible, but will be decided on a case-by-case basis and by mutual agreement of ESM members.

1: According to the SRM rules a common European public backstop for the Single Resolution Fund shall be in place by 2024.

3 The role of regulation in Juncker's Investment Plan

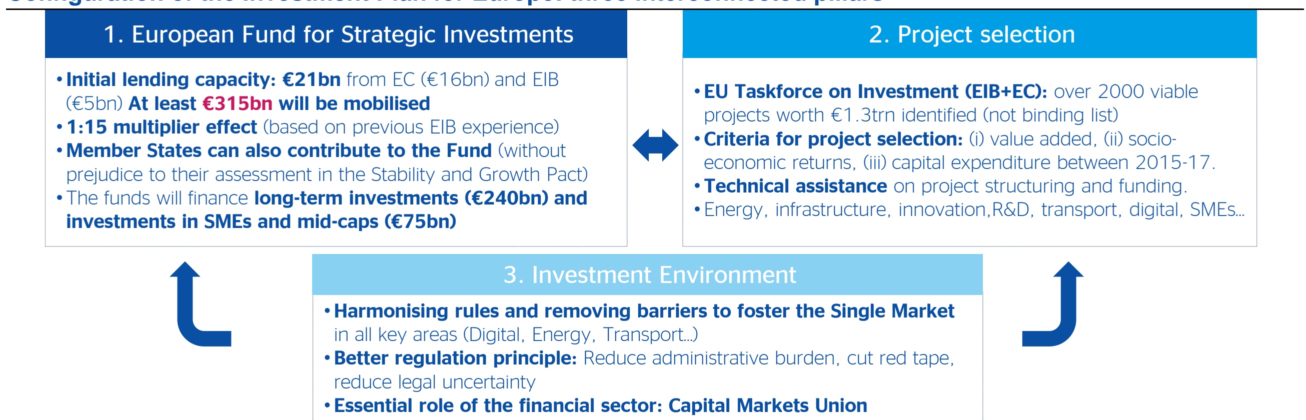
The Single Market as *conditio sine qua non* for success

On 26 November Commission President Jean-Claude Juncker, together with the European Investment Bank (EIB), presented an Investment Plan for Europe. Its aim is to mobilise at least €315bn of public and private funds between 2015 and 2017 to promote long term investment, job creation and economic growth, especially through SMEs. The proposal consists of three dimensions: a new European Fund for Strategic Investments (EFSI), a selection of projects and regulatory reforms. Since Europe's investment problem goes beyond the lack of finance, the third dimension of the Plan becomes essential.

Rationale and objectives

- Lack of confidence and economic uncertainty are preventing investment from taking off in the EU, especially in terms of long-term projects and investments in SMEs. The Plan tackles the increased risk aversion by mobilising public and private funds, backed by an EU guarantee to finance investment projects that would not happen otherwise. The ultimate objective is to boost job creation and long-term investment without endangering already stretched national public finances.

Figure 1
Configuration of the Investment Plan for Europe: three interconnected pillars



Source: BBVA Research based on European Commission

Single Market and Capital Markets Union

- **On the regulatory front**, the aim is to eliminate regulatory barriers, in order to deepening the single market and to reap the benefit of more efficient capital allocation. Recent reforms in financial regulation and the launch of the Banking Union constitute first steps towards the right direction, but they must be completed with a **Union for Capital Markets**. There is no concrete definition for it yet (see BBVA Research Flash), but it encompasses a wide range of initiatives in different areas, aimed at harmonising rules and reducing fragmentation of capital markets at the EU-wide level. Promoting alternative sources of finance to complement bank financing and a genuine single market for capital is expected to increase investor confidence and reduce the cost of funding.
- **Main areas for action in the short term include:** the proposed Regulation on European Long Term Investment Funds (ELTIF), a definition and framework for high quality securitisation (EBA has already launched a consultation) and promotion of private placement in Europe. Also, several initiatives are specifically targeted to SMEs: increasing the availability of credit information and a review of the Prospectus Directive to reduce the burden on SMEs.
- The Plan falls under direct remit of **Vice-president Katainen**, who will coordinate other Commissioners such as Hill (*Financial Stability, Financial Services & CMU*) or Bienkowska (*Internal Market, Industry, Entrepreneurship & SMEs*). Constant collaboration with EIB and Member States is also expected.

Timeline

Both ECOFIN and the European Council have approved the Plan in December. The Parliament still needs to endorse it. The Commission will consult interested parties and propose legislation in early 2015 to ensure that the Plan is operational by June 2015. An assessment and revision of its work will be conducted in mid-2016. The success of the Plan will rely on the concrete management of the investment projects and on avoidance of crowding out effects of already existing investment decisions.

4 The European MREL

Main characteristics and TLAC comparison

On 28 November, the EBA released the consultation paper on the criteria for determining the MREL in Europe. The MREL could be seen as the transposition of the FSB's TLAC into the European Union. The final design of the MREL and TLAC is not yet clear. However, the coming year will be critical in designing the optimal loss-absorbing needs in the banking industry, to ensure resolvability without unduly penalising financial intermediation and financial stability.

On 28 November, the EBA released the consultation paper on the criteria for determining the minimum requirement for own funds and eligible liabilities for bail-in (the so-called MREL), in order to ensure a harmonised application in Europe. With the MREL, European authorities will ensure that banks have enough liabilities to absorb losses in case of failure, and, therefore, shareholders and creditors should shoulder much of the recapitalisation burden, instead of tax-payers.

The EBA proposes six criteria to determine the MREL:

- **The "default loss absorption amount" definition**: the first criteria should be the minimum capital prudential requirements that the institution must comply with on a going-concern basis.
- **The "recapitalisation amount" definition**: The EBA acknowledges that the resolution plan may not imply that the entire group is recapitalised in the same form as that in which it enters into resolution. Therefore, the recapitalisation amount should be the minimum capital requirement that the post-resolution institution needs to comply with in order to restore market confidence.
- **The "DGS" criteria**: the resolution authority may reduce/increase the MREL in order to take into account any estimated use of the deposit guarantee scheme (DGS) if needed.
- **The "SREP adjustment" criteria:** Based on the SREP's outcome, the MREL could be adjusted if there is any weakness and the resolution authority considers that these risks and vulnerabilities are not adequately reflected in the capital requirements.
- **The "No Creditor Worse off than in Liquidation adjustment" principle (NCWO).** The EBA is considering not including in the MREL all the unsecured debt, when it accounts for less than 90% of the total liabilities in the same rank, in order to minimise the risk of any legal challenge in resolution.
- **The "8% of total liabilities floor".** The EBA ensures that banks, at least the G-SIBs and O-SIBs, have enough liabilities, 8% of total liabilities including own funds, before deciding to use other recapitalisation measures such as the resolution fund or the government stabilisation tools.

The MREL requirement will come into force in January 2016 at the latest. However, the EBA recognises the enormous impact of this requirement on banks' funding structure and cost, and it proposes a long phase-in period of 48 months.

Against this backdrop, the MREL could be seen as the transposition of the FSB's TLAC into the European Union. Despite having the same purpose**, both ratios have significant divergences**. Chief among them are that: the MREL is assessed individually per institution (no common Pillar 1 standard), it will take into account the recapitalisation needs based on the preferred resolution strategy, it will have a quantitative floor based on total liabilities, and the treatment of senior unsubordinated debt in the MREL would depend on the amount of senior debt that is *pari passu* with other ordinary liabilities. Last but not least, the MREL will apply to all institutions in Europe, whereas the TLAC is only focused on GSIBs.

The MREL rightly recognises that banks are different, and a common standard may not be the optimal solution when thinking of how to resolve a financial institution. However, applying a case-by-case analysis is not trouble-free. The role of the resolution authority is crucial when determining the specific requirement in each institution. In order to ensure a harmonised application of the previous criteria, the EBA should analyse whether there have been any divergences in the levels set for comparable institutions in Europe.

5 PSD2, regulating new payment service providers

Changing the rules for electronic payments

On 24 July 2013, the European Commission presented a Payment Services Directive proposal (PSD2) which updates the current Directive (PSD1), in force since 2007. The rule is the result of the Commission´s attempt to boost innovation and competitiveness in the payment market by opening access to Third-Party Providers (TPPs). PSD2 also seeks to guarantee a high level of protection for consumers and payment security.

The European legislative process is quite advanced, and it is expected that PSD2 will be approved in the following months.

New players in the payments market

TPPs are providers that intermediate between banks and clients, either to initiate a payment as a complement of the end-to-end purchase experience or to offer aggregate financial information from different accounts. They are focused on the user interaction, offering easy and user-friendly services that improve the customer experience. Yet in some cases they do not offer a high level of protection, even when accessing bank accounts and /or the infrastructure of other traditional payment service providers. Nor are they subject to the same degree of regulation and supervision as traditional players.

To reach a level playing field, PSD2 includes TPPs under its scope, as new Payment Service Providers that will have to adhere to similar but proportional regulations as the traditional payment service providers in matters relating to ***registration, licences and supervision by the competent authorities***.

Bank accounts do not belong to the financial institutions but to their clients, and they have the right to decide who has access to them

Under PSD2, banks and other account servicing providers will be required to allow TPPs to access their clients' accounts without discrimination in terms of time, priority and fees, once the client concerned has given consent. At this point, PSD2 should not allow TPPs to use clients´ credentials issued by banks to offer the service required. If that were to be allowed, the long-standing efforts made by the banking sector to educate their clients on how to protect their identity credentials, and to therefore protect them from growing threats from fraud, would be made worthless.

Although PSD2 establishes new rules that seek to clarify the sharing of liability and the responsibility of the parties in case of fraud or unauthorised transactions, issues related to account access and obtaining client consent should be properly addressed. Banks are responsible for protecting their clients' information and have devoted considerable efforts to it. If TPPs do not offer equivalent levels of safeguards, and they should carry the responsibility for any damage occurring in their sphere of activity. Thus, contractual arrangements between parties will be required to clearly define operational processes, responsibilities and commercial conditions.

EBA is committed to develop second-level rules

The European Banking Authority, in close cooperation with the European Central Bank, will be in charge of providing guidelines and operating rules on issues relating to technical mechanisms, to guarantee interoperability between all the stakeholders such as authentication and security protocols, mechanisms for obtaining consent from the payer and norms relating to the "passporting" of institutions operating in several Member States. The specifications included in these second-level rules will define whether the level playing field is finally reached and a trustworthy payment environment has been created.

Main regulatory actions around the world in 2014

	Recent issues	Upcoming issues
GLOBAL	On **25 Nov ISDA** published principles for **CCP recovery** On **27 Nov IOSCO** launched consultation on **cross-border regulation** On **01 Dec Turkey** assumed the **Presidency of the G-20** for one year On **05 Dec BCBS** published its Assessment of Basel capital regulations in EU and US under the **RCAP** On **09 Dec BCBS** launched a **consultation** on **disclosure requirements for the Net Stable Funding Ratio (NSFR)** On **11 Dec BCBS and IOSCO** launched a consultation on criteria for identifying **simple, transparent and comparable securitisation** **On 19 Dec BCBS** published consultative document on remaining issues of the **review of the trading book** **On 19 Dec FSB** published annual update on global adherence to regulatory and supervisory standards on **international cooperation and information exchange** **On 22 Dec BCBS i**ssues consultative document: **Revisions to the Standardised Approach for credit risk** **On 22 Dec BCBS** published a consultative paper on **the design of a capital floor** framework based on standardised approaches.	**FSB** will review its **representation structure** to better capture emerging market and developing economies (EMDEs)
EUROPE	On **25 Nov EC** committed to **enhance transparency** in relation to their meetings and negotiations **On 26 Nov EC adopted an investment plan for the EU** On **27 Nov** EBA published an opinion and a report on the **defintion of credit institutions** On **01 Dec Donald Tusk** takes office as **President of the Council** On **01 Dec** launched **consultation on AIFMD asset segregation** requirements On **04 Dec the EU Council** approved an agreement with the EP on **insolvency proceedings** On **05 Dec the EU Council** agreed its stand on the second **Payment Services Directive (PSD2).** The agreement enables trilogues to begin. On **05 Dec CE** announced **top management posts for the SRB**. On **08 Dec** the **ESM direct recapitalization** instruments was adopted On **09 Dec Council** agreed on the proposal for a **provisional system on contributions** to cover administrative costs of the **SRF** On **09 Dec** the Regulation of **Key Information Documents for PRIIPs** was published in the **OJEU** **On 09 Dec** the **Council** adopted rules to extend automatic **exchange of information among tax administrations** On **10 Dec EBA** reported on **implementation and transposition of the CRD IV** package On **11 Dec EBA** launched a consultation on passport notification requirements for **mortgage credit intermediaries** On **11 Dec EBA** issued final technical advice on criteria and factors for **intervention of structured deposits under MiFIR** On **12 Dec CE** adopted **equivalence decisions** for the purposes of credit risk weighting under the **Credit Requirements Regulation** On **12 Dec EBA** published **two consultation papers** under the **Mortgage Credit Directive** On **16 Dec EBA** published the criteria to identify **other systemically important institutions (O-SIIs)** On **16 Dec EBA** launched a **consulation on Liquidity Coverage Ratio and Leverage ratio supervisory reporting** On **16 Dec EC** presented its **Work Programme for 2015**, as well as the list of pending legislative proposal to be **withdrawn and new initiatives** On **17 Dec EP and Council** agreed on the EU **anti-money laundering** directive and on the **Regulation on interchange-fees for card-based payments** On **18 Dec EBA** launched a **consultation** on the functioning of **resolution colleges** On **18 Dec ESMA** launched **consultation** on implementing measures for **new settlement regime**	In **1H2015** several legislative proposals are expected to be adopted: MMFs, indices used as benchmarks, payment services directive, long-term shareholder engagement, reporting and transparency of SFTs and a revision of general data protection regulation On **01 Jan Latvia** will start its six-month rotation **Presidency of the Council** On **1Q 2015** EC will launch a **consultation** on the proposal for a **Capital Markets Union** On **Jan 2015** the **EP** will vote on the **Commission Work Programme for 2015**

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cont.	Recent issues	Upcoming issues
MEXICO	On **8 Dec the Secretariat of Finance announced that they** will conduct an annual assessment of commercial banks' contribution to the economy. On **15 Dec CNBV** Issued changes to its banking rulebook to better deal with discounts, assignment and factoring of receivables	Upcoming CNBV regulation includes **"Ring Fencing", Recovery Planning and changes to the capital regime** as a result of the BIS RCAP findings. A **considerable amount of regulatory projects** is expected, with the aim of completing most of the Financial Reform's secondary regulation in 2014.
LATAM	On **28 Nov Peru**'s Superintendence of Banking and Insurance **deactivated countercyclical provisions** On **16 Dic Argentina** Central Bank increased from 5.5% to 6.5% of private sector deposits the ressources to be allocated to loans for SMEs in 2015.	
USA	On **01 Dec Fed** announced a revision on policies related to risks in **payments systems** On **09 Dec Fed** issued rules to strenghten capital requirements for US **G-SIBs**. On **12 Dec Fed** launched **a consultation** on application of the capital framework for **depository institution holding companies** with non-traditional capital structures On **16 Dec** Federal Agencies announced rules to reflect ISDA protocol in **regulatory capital and liquidity coverage ratio rules** **On 17 Dec FDIC** issued Guidance for the **Resolution Plans of Large Banks** **On 22 Dec Banking Agencies'** issued statement on BCBS' Consultative Paper **"Revisions to the Standardized Approach for Credit Risk"**	
TURKEY	**On 10 Dec CBT** announced that **Financial Leasing, Factoring and Financing Institutions** will be able to use revolving loans from abroad **On 17 Dec CBT** took action due to the overshooting of lira currency against USD and EUR by announcing that, it will meet **foreign exchange needs of the energy importing state owned enterprises**	**The new monthly interest cap for credit cards** to be effective from 1 Jan 2015
ASIA	On **04 Nov China**'s Insurance Regulatory Commission announced **additional capital for systemically important insurance companies.** On **13 Nov** the **People's Bank of China** has allowed city commercial banks to apply for cash injections in an effort to boost lending to small enterprises. On **20 Nov** the **China Banking Regulatory Commission** banned the issuance of **credit card ABS** after allowing banks to first issue the debt products in 2013. On **15 Dec the Reserve Bank of India** eased refinancing rules for **long term loans by banks to infrastructure sector**.	**The People's Bank of China** is creating the **deposit insurance scheme** that will **cover up to 500,000 Chinese yuan of a bank account**, implemented as early as Jan 2015.

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
EFSF	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 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 Transferrable Securities Directive

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