BBVA | RESEARCH

Financial Regulation Outlook

March 2015
Financial Systems and Regulation Area

- Basel reviews the securitisation prudential framework: Tightening of capital requirements
- Turkish G20 Presidency: Renewed focus on emerging markets (EMEs)
- TLAC next steps: Quantitative Impact Study (QIS): The QIS is a key milestone in designing the optimal Total Loss-Absorbing Capacity framework.
- EBA on Basel III Monitoring Exercise: On track
- EBA updates on future EU-wide stress test: Announces next exercise for 2016 and will carry out a transparency exercise during 2015
- Faster payments: The need to upgrade current payment infrastructures

Index

Summary 3

1. Basel reviews the securitisation prudential framework 4

2. Turkish G20 Presidency 5

3. TLAC next steps: Quantitative Impact Study (QIS) 6

4. EBA on Basel III Monitoring Exercise 7

5. EBA updates on future EU-wide stress test 8

6. Faster payments 9

Main regulatory actions around the world over the last month 10

Abbreviations 12

Summary

Basel reviews the securitisation prudential framework

Tightening of capital requirements. Short after the burst of the financial crisis, the Basel Committee took some measures in 2009 to strengthen the capital requirements of securitisation, particularly for complex products like re-securitizations and those managed with a short-time horizon (trading book exposures). But a more comprehensive revision to address the shortcomings revealed in those years was left for a later stage and the final revised framework has been published on 11 December 2014, to come into force by 2018. A further revision is expected in 2015 for HQS, once definition is finalized.

Turkish G20 Presidency

Renewed focus on EMEs. Since December 2014 Turkey holds the G20 presidency and has announced its focus will be to ensure an inclusive and robust growth. Financial regulation is among its priorities and is committed to fully implement the pending issues of the regulatory agenda, which have already impacted emerging market economies (EMEs). Use of available flexibility will be essential to support growth in EMEs.

TLAC next steps: Quantitative Impact Study (QIS)

The QIS is a key milestone in designing the optimal Total Loss-Absorbing Capacity framework. The TLAC's public consultation period ended on 2nd February. Now is the time for carrying out a comprehensive Quantitative Impact Study (QIS) to define the optimal calibration of the TLAC. The FSB will assess the potential impacts on financial system, financial stability and the real economy.

EBA on Basel III Monitoring Exercise

On track. The EBA (at European level) and the BCBS (at global level) both published their 7th Basel III Monitoring Report on March 3rd, using data as of June 2014. Overall, the trend towards enhancing the resilience of banks' balance sheets is underpinned. Indeed, there has been an improvement in all the three pillars of the new prudential framework: capital, leverage and liquidity. The EBA estimates a capital shortfall of EUR2.8bn for a 7% CET1 of Group 1 banks, which means a decrease of 75% compared with the previous publication.

EBA updates on future EU-wide stress test

Announces next exercise for 2016 and will carry out a transparency exercise during 2015. On the 24th of February, the Board of Supervisors of the European Banking Authority (EBA) announced their decision of not running an EU-wide stress test during 2016, and will instead carry out a transparency exercise during 2015, which will provide data on balance sheets and portfolios. Main driver of this decision relies on the acknowledgment of the progress of the European banks in strengthening capital positions due to the last Comprehensive Assessment. However, European banks will be subject to a stress test under the SREP.

Faster payments

The need to upgrade current payment infrastructures. Nowadays it is normal to receive immediately an e-mail sent from the other side of the world. Yet it still takes more than two days to transfer funds, even without being a cross-border transaction. The digital age demands an acceleration of payment processes.

1 Basel reviews the securitisation prudential framework

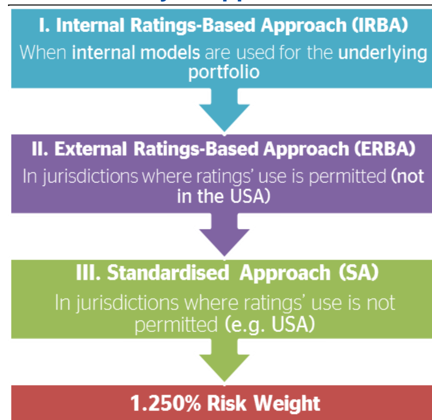
Tightening of capital requirements

Short after the burst of the financial crisis, the Basel Committee took some measures in 2009 to strengthen the capital requirements of securitisation as part of the so called Basel 2.5, particularly for complex products. But a more comprehensive revision to address the shortcomings revealed in those years was left for a later stage and the final framework has been published on 11 December 2014, to come into force by 2018. A further revision is expected in 2015 for HQS, once the definition is finalized.

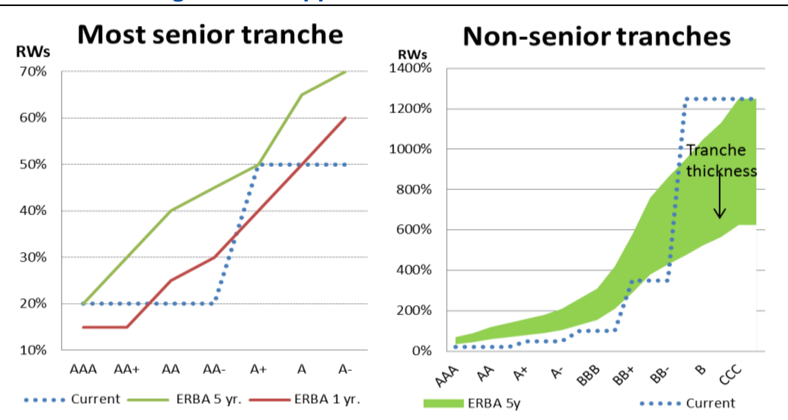
Revised securitisation framework

The aim of the revision has been multifold: i) enhance the framework's risk sensitivity and prudence ii) reduce mechanistic reliance on external ratings iii) increase risk weights for highly-rated securitization, as several performed poorly during the crisis (particularly re-securitisation) and iv) reduce cliff effects.

Figure 1
New hierarchy of approaches



Graph 1
External Ratings-Based Approach



Source: BBVA Research based on Basel document

The new hierarchy of approaches to calculate capital requirements places the most risk sensitive approaches on the top (IRBA, based on a supervisory formula and several risk drivers). But placing the External Rating-Based Approach in the second place, could maintain to a large extend the dependence of EU capital requirements on ratings provided by credit rating agencies (for investors it is difficult to apply the IRBA). This could give rise to higher capital requirements for EU transactions, particularly for those impacted by the sovereign "caps" included in the rating methodology, and raise level playing field issues with the USA.

Minimum capital requirements have been revised for all approaches, resulting in higher charges than current ones for several transactions. This is the case for most tranches with long term maturity when applying the ERBA, except for the most subordinated ones (see Graph 1). Additionally, with the objective of mitigating possible model risk, the Committee proposes to set a **15% Risk-Weight floor**. This floor is higher than the current floor for IRBA users (current floor: 7%), although is similar or lower for ERBA (current floor: 20%). A higher floor will increase the capital requirements for the most senior tranches of high quality securitisations, particularly when IRBA is applied.

Assessment

The revised framework toughens capital requirements and fails to take into account the lower risk of high quality securitisation, shown for instance in the low default rates of many EU securitization transactions in recent years. It maintains, and even raises in some instances, a penalizing capital charge in comparison to other instruments and to the underlying portfolio. But **global regulators are aware of the possible convenience of further reviewing the framework for securitisation of high quality and intend to do it along 2015**, once the work in progress to define simple and transparent securitisations is finalized. We consider that this latter revision is wholly necessary to promote sustainable securitisation markets as intended both at global (FSB) and European level.

2 Turkish G20 Presidency

Renewed focus on EMEs

Since December 2014 Turkey holds the G20 presidency and has announced it will focus on ensuring inclusive and robust growth. Financial regulation is among its priorities and it's committed to fully implement the pending issues of the regulatory agenda, which have already impacted emerging market economies (EMEs). Use of available flexibility will be essential to support growth in EMEs.

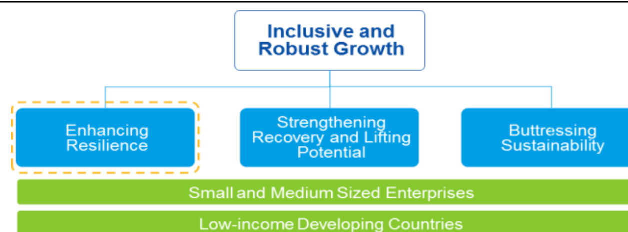
Global growth can be enhanced by an effective implementation

Turkey begun its one-year rotating presidency of the G20 in December of 2014 and is expected to focus on promoting a more inclusive and robust growth, in particular in low-income developing countries (LIDC). The presidency has also expressed its commitment to further include emerging markets in the global discussions and fully implement agreed reforms from the last G20 summit. The latter is of crucial importance since it was estimated that if all recommendations are fully implemented, the G20 collective GDP will rise 2.1% through 2018. The positive impact on growth will also benefit non-G20 members, but to a lesser extent (+0.5%).

Final push to finalize the post-crisis reform agenda

Financial regulation has been identified as essential for enhancing the resilience of the global financial system. According to the last Basel Committee on Banking Supervision (BCBS) progress report there has been broad implementation, even in emerging markets: 8 out of 10 Financial Stability Board (FSB) jurisdictions that are EMEs have fully implemented Basel III risk-based capital regulations and four adopted the Liquidity Coverage Ratio (LCR) in 2015. FSB members include the most relevant EMEs (e.g. Brazil, India, Russia and China), but the majority of EMEs are left out. To solve this, the FSB has established six Regional Consultative Groups (RCGs) that meet regularly throughout the year and in which all are Co-Chaired by non-FSB members. A number are also implementing some of the internationally agreed reforms.

Turkish G20 Presidency Priorities for 2015



Source: G20 Turkey 2015, https://g20.org/

Concerns remain for emerging market economies (EMEs)

Even though the reform agenda has focused on advanced economies, where the financial crisis originated and the majority of internationally active banks are housed, EMEs have been indirectly impacted. The higher capital requirements and more limited leverage of internationally active banks, together with more stringent liquidity measures, have reduced their appetite for riskier assets such as EMEs. The FSB has mentioned that this is an expected consequence of the reform agenda, as a better pricing of risk and capital were among the main purposes of the reform. The FSB argues that in the long run, short term credit shortfalls should be more than compensated by less volatile credit cycles and greater resilience of the global financial system. However, several concerns remain for EMEs. (i) There is a structurally lower supply of credit towards EMEs, something worrisome given the low starting point in banking penetration of the region. (ii) Promoted changes in business models and structures of financial market participants could potentially hinder EMEs ability to disperse risk. (iii) The potential negative impact of structural banking reform initiatives (e.g. reduced efficiency of cross-border groups and decreased liquidity of financial markets). (iv) The suitability and spill-overs of OTC derivatives reforms in smaller markets. (v) Implementation challenges and enhancing home-host coordination to resolve issues are still of concern.

Flexibility will be crucial to support growth in EMEs

Assuring an adequate use of the provided flexibility during implementation (e.g. phase in periods, calibration of parameters, applying national discretions and proportionality) will be essential for limiting the negative impact on growth in EMEs.

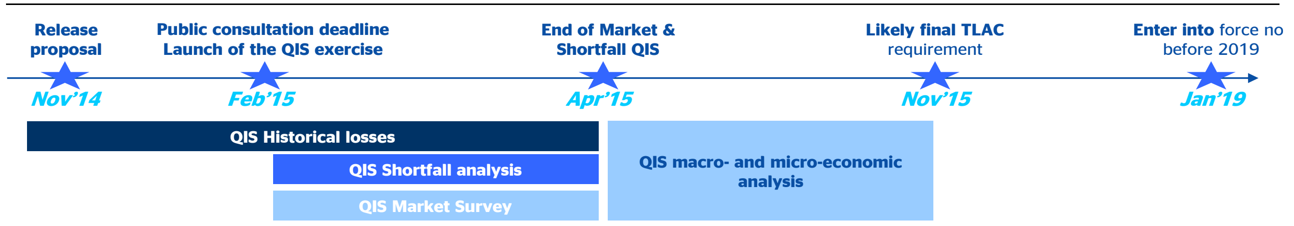
3 TLAC next steps: Quantitative Impact Study (QIS)

The QIS is a key milestone in designing the optimal Total Loss-Absorbing Capacity framework

The TLAC's public consultation period ended on 2nd February. Now is the time for carrying out a comprehensive Quantitative Impact Study (QIS) to define the optimal calibration of the TLAC. The FSB will assess the potential impacts on financial system, financial stability and the real economy.

In November 2014, the Financial Stability Board (FSB) launched the new total loss-absorbing capacity requirement (TLAC). On 2 February, the consultation period ended with the financial industry having expressed their positions on TLAC. Since then, FSB is carrying out a comprehensive Quantitative Impact Study (QIS) to define the optimal calibration of the TLAC.

TLAC proposed calendar in 2015



Source: BBVA Research

The QIS consists of four elements:

- **Historical losses back-testing**: setting a minimum TLAC as the maximum of 16-20% of RWA and at least twice the leverage ratio should be reviewed against the historical losses and recapitalisation needs over different crises.
- **G-SIB shortfall analysis**: G-SIBs will have to fill out, during Q1 2015, several templates at different levels (at group consolidated and sub-consolidated per material or resolution entity levels) in order to assess the external and internal TLAC needs and current shortfalls. The analysis should be done in two ways: i) at group level , the consolidated TLAC in SPE banks and the sum of external TLAC of the resolution entities in MPE banks, and ii) at an individual level, the internal TLAC in SPE banks and external TLAC in MPE banks.
- **Market survey**: The objective is to assess the potential changes in the debt markets in terms of market appetite, pricing, size, rating features, etc. The market survey is focused on three different targets based on their particular role: to issuers, to potential investors, and to credit rating agencies.
- **Macro- and micro-economic impact**: Based on the previous outcomes, the macro- and micro-analysis will assess the impact on the financial sector and the effects on the whole economy.

The FSB will revise the TLAC's principles and features based on the industry responses and the QIS exercise outcome. Therefore, **the quantitative impact assessment (QIS) should be very ambitious in providing granular results based on the specific features of each market**. In particular, the QIS should review the impact on: developed and emerging market economies; international banking products; the depth of debt markets; the willingness of investors to buy this type of debt; the base of retail deposit funding; the refinancing risks and financial interconnectedness. Moreover, a particular question to solve is whether emerging markets with underdeveloped local capital and debt markets are prepared to assume the future external TLAC requirements of G-SIB's subsidiaries located in those markets, at reasonable cost and without posing financial instability risks.

4 EBA on Basel III Monitoring Exercise

On track

The EBA (at European level) and the BCBS (at global level) both published their 7th Basel III Monitoring Report on March 3rd, using data as of June 2014. Overall, the trend towards enhancing the resilience of banks' balance sheets is underpinned. Indeed, there has been an improvement in all the three pillars of the new prudential framework: capital, leverage and liquidity. The EBA estimates a capital shortfall of EUR2.8bn for a 7% CET1 of Group 1 banks, which means a decrease of 75% compared with the previous publication.

Takeaways from the EBA exercise

Capital: Enhancing fully loaded capital base continues. There is an increase in Basel III fully loaded ratios, both since the beginning of the monitoring exercise (data as of Jun'11) and from the last report (data as of Dec'13), due to a higher tap to capital markets. Fully loaded capital is lower that current capital base as a consequence of a stricter capital definition and of a lesser extent by RWAs increasing. **CET1 ratio** under current regulation is lower in this exercise for G1 because of the first application of CRR / CRD IV rules, which entails stricter methodology compared with Dec'13. Same reason applies to the slowdown in the CET1 ratio increase for G2. Nevertheless, the **capital shortfall has dramatically dropped to** EUR2.8bn versus EUR11.5bn estimated in the previous report for G1. In that vein, more and more entities (over 90%) are above 7% CET1 in the current situation.

Liquidity: Liquidity ratios keep improving. As shown in Chart 3 the average LCR has improved both for G1 and G2 since previous publications. This improvement is mainly driven by structural adjustments (increase in stock of liquid assets, reduction in net cash outflows). The **increase in HQLA is presented by Level 1 assets** (top tier liquid assets), with over 80% of HQLA constituting this kind of assets. Also, within Level 1 assets, a shift from cash and central banks reserves towards sovereign bonds has been observed. Over 75% of banks are already above the 100% requirement, resulting in an overall LCR shortfall of EUR114.6bn. **NSFR remains almost unchanged** with bias to improvement (revision of Basel Committee Standard).

Leverage: Banks have significantly increased their ratios since previous exercises, partly **due to the recalibration** of the ratio in January 2014. However, this increase has been lower than the ones in previous publications because of the application of the CRR rules for capital definition. **The shortfall** for G1 is EUR2.4bn and EUR3.7bn for G2.

Chart 1
Group 1 Capital CET1 ratio (%)

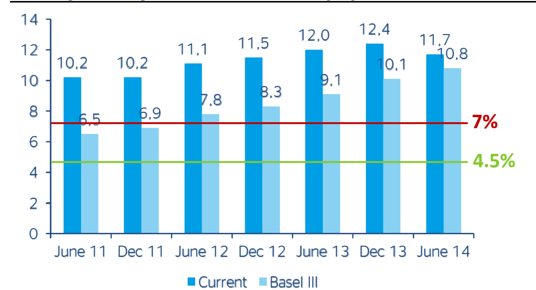


Chart 2
LCR

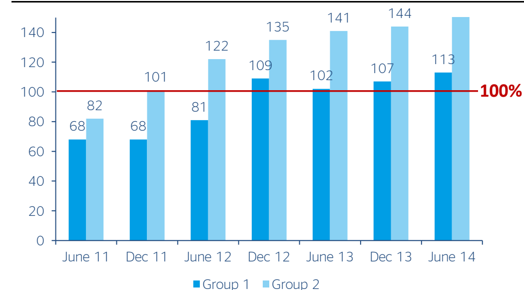


Chart 3
Group 2 Capital CET1 ratio (%)

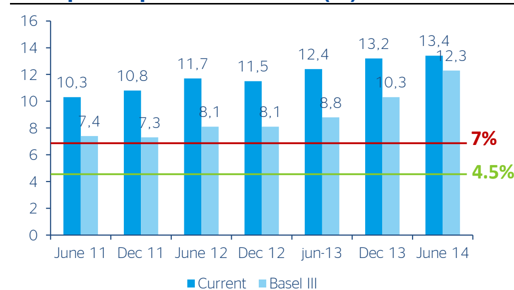
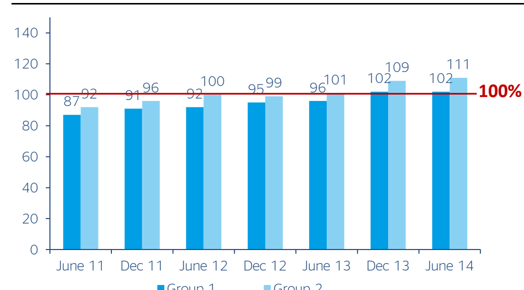


Chart 4
NSFR



Source: BBVA Research based on EBA

5 EBA updates on future EU-wide stress test

EBA announces next stress test exercise for 2016 and will carry out a transparency exercise during 2015

On the 24th of February, the Board of Supervisors of the European Banking Authority (EBA) announced their decision of not running an EU-wide stress test during 2016 and, will instead carry out a transparency exercise during 2015, which will provide data on balance sheets and portfolios. Main driver of this decision relies on the acknowledgment of the progress of the European banks in strengthening capital positions due to the last Comprehensive Assessment. However, European banks will be subject to a stress test under the SREP (Supervisory Review and Examination Process).

EU banks have strengthened their capital positions

In October 2014, the European Central Bank (ECB) unveiled the results of the EU-wide stress test, one of the elements which, along with asset quality review (AQR), compose the comprehensive assessment (CA). Regarding the stress test, the results proved the existing progress that EU banks are making in strengthening their capital position. But this development started showing up gradually before the exercise that was carried out in 2014.

In the period comprised between EBA's 2011 stress test to December 2013, the recapitalisation exercise brought an increase of the Core Tier 1 capital ratio by over 200 bps. Consequently, kick off point for the 2014 stress test exercises was strengthened in comparison to previous exercises. Results of the 2013 exercise showed an aggregate weighted average CET1 of 11.5%, exceeding the regulatory minima. Projected aggregate CET1 fell 260 bps in the adverse scenario, where 24 banks stood below the defined thresholds (equivalent to a EUR 24.6bn shortfall). Additional capital raised in 2014 by banks with a shortfall reduced the capital needs for those banks to EUR 9.5 bn and the number of banks with shortfall decreased to 14.

In the same vein, according to latest BIS and EBA monitoring reports on BIS III implementation the majority of banks have strengthened their capital positions as of June 2014.

Next steps

The 2014 EU-wide stress test was an intensive exercise, which allowed to uncover a large amount of quantitative and qualitative information of the banks in scope, facilitating the on-going supervision. One of the main lessons learnt from 2014 proved the process had improved significantly compared to previous exercises, requiring significant planning and preparation. This leads to the need of planning ahead and to grant with sufficient time to the authorities and banks in order to prepare for the next exercise.

Due to these reasons, it has been decided to start preparing for the next EU-wide stress test in 2016, and to carry out a transparency exercise during 2015 (similar to the one carried out by EBA during 2013). Although details remain to be decided, it is expected to include the publication of detailed data on banks' balance sheets and portfolios, but no projections included.

Assessment

Financial institutions are suffering some sort of "supervisory fatigue". The 2014 comprehensive exercise was an intense and extremely demanding exercise. However it was necessary to restore the confidence on the European financial system. The decision from the EBA not to run a stress test exercise this year is welcome. In fact the information requirements by the new supervisor are very comprehensive and the efforts by financial institutions to satisfy these requirements are non-negligible.

However, according to Art 100 of the CRR, the competent authorities shall carry out at least annually supervisory stress tests on institutions they supervise, to facilitate the review and evaluation process (SREP). So, the positive outcome of a stress test exercise (to assess the reliability of banks´ balance sheets) will remain.

Finally, when designing future stress, authorities should learn from the experience gained in 2014 and as such the entire process should be streamlined reducing therefore the huge burden it supposed for financial institutions. Apart from this, the methodology should ensure consistency among macroeconomic scenarios and merits of geographical diversification should be recognized.

6 Faster payments

The need to upgrade current payment infrastructures

Nowadays it is normal to receive immediately an e-mail sent from the other side of the world. Yet it still takes more than two days to transfer funds, even without being a cross-border transaction. The digital age demands an acceleration of payment processes.

Faster payments demand

In recent years, payments have been one of the most significant areas of financial innovation. Advances such as virtual currencies and new retail payment services replacing debit and credit cards with “push” transfers in e-commerce are changing the traditional landscape. Most of these innovations offer low-cost and fast transfer of funds, even if cross-border transactions are involved. Furthermore, technology is rapidly evolving, offering tools to process information in real time and to consume it ubiquitously on sophisticated mobile devices. These capabilities are changing the consumer's expectations of payment services, meaning that delayed availability of funds is no longer acceptable.

Thus, traditional clearing and settlement platforms, in which retail payments are typically batched and then netted (usually on a multilateral basis) for settlement each day, are becoming obsolete (in spite of remaining in force for processes that do not require immediacy as pensions or payrolls)

On the other hand, faster payment initiatives are fostering the emergence of innovative means of payment. Most of them are related to “person to person” or “person to business” payments and enhance mobile devices to become the new channel for payments. Innovative solutions also permit the use of an alternative and convenient identifier for consumers, such as e-mail or telephone number, that links to their bank account.

Faster payments initiatives

Most countries around the world have already faced the development of real-time payments infrastructure such as Japan or Mexico. In Europe, most relevant European experiences came from Faster Payments UK (2008) or, more recently, the Danish Nest Real-Time 24x7 system (2014). Both initiatives are implemented on a deferred net settlement with three cycles per day, which is not exactly instant payments but provides a good start to it. It is important to take into account that faster and irrevocable real-time payments demand new risk management frameworks, in which real-time capabilities should be developed to review transactions for possible fraud, money laundering or terrorist financing. This is probably the most important hindrance to be faced in the development of faster payment infrastructures.

While domestic initiatives are more than welcome as they enhance local innovation, a global perspective is also needed to really modernize payment infrastructures and to compete with alternative networks that seek to disintermediate the banks.

Catalytic action of regulators and central banks

Regulators and central banks are urgently demanded to catalyse the development of faster retail payment infrastructures. Good news comes from the Federal Reserve that is working to speed up and further secure the retail payments infrastructure in the U.S. Following a public consultation in September 2013, it has just released a paper with its Strategies for Improving the U.S. Payment System. Likewise, the ECB is chairing the European Retail Payments Board (ERPB), a multi-stakeholder group that is fostering the development of an integrated, innovative and competitive market for retail payments in the European Union. The ERPB has recently included in its agenda the topic of faster payments and has invited stakeholders to present their first assessments in June 2015.

Both of them, the Fed and the ECB, are encouraged to seize the opportunity to modernise current payment systems by setting the incentives to develop schemes and standards needed to reach interoperability in a trustworthy global retail payments environment.

Main regulatory actions around the world over the last month

	Recent issues	Upcoming issues
GLOBAL	On **24 Feb IOSCO** published a report **comparing US and EU's prudential standards** for securities sectors On **25 Feb IOSCO** published a review on implementation of **financial benchmark principles** On **26 Feb CPMI and IOSCO** issued **quantitative disclosure standards for central counterparties** On **26 Feb CPMI and IOSCO** published three reports on **US, EU and Japan**'s implementation of the **Principles for Financial Market Infrastructures** On **03 Mar BCBS** published the results of the seventh **Basel III monitoring exercise** using data as of Jun 2014 On **04 Mar IOSCO** launched a second consultation on the **assessment methodology for Non-Bank Non-Insurer G-SIFIs** On **11 Mar CPMI and IOSCO** announced a review of **CCP stress testing** On **18 Mar BCBS and IOSCO** published revised framework for **margin requirements for non-centrally cleared derivatives**.	**FSB** will review its **representation structure** to better capture emerging market and developing economies. In **Nov Turkey** will host the **G20 Leaders summit** in Antalya.
EUROPE	On **25 Feb EBA** issued an opinion on **Credit Valuation Adjustment (AVC)** On **25 Feb** an **ECB decision** on methodology and procedures regarding fee factors used to calculate **annual supervisory fees** was published in the OJEU On **26 Feb EBA** issued a **recommendation** on convergence of lending-based **crowdfunding regulation** across the EU On **26 Feb ECON** passed draft regulation on **Money Market Funds** (MMFS) On **2 Mar EBA** published a set of papers for **benchmarking the internal approaches** that EU institutions use to calculate own-funds requirements. On **3 Mar EBA** announced its decision not to carry out an EU-wide **stress test in 2015**. Instead, in 2015, EBA will run a transparency exercise On **3 Mar EBA** published the **results of the seventh Basel III monitoring exercise,** using data as of June 2014 On **4 Mar CJEU** published its decision regarding ECB's location policy for **central counterparties (CCPs)** On **4 Mar EBA** launched a consultation on **guidelines on remuneration policies** On **4 Mar EBA** launched a consultation on improvements to the **IRB approach** framework On **6 Mar EBA** published technical **advice on resolution** procedures for EU banks On **6 and 9 Mar EBA** launched **two consultations on recovery and resolution on**: (i) records for financial contracts and (ii) business reorganization plans On **10 Mar ESRB** published a report on the **regulatory treatment of sovereign exposures** On **10 Mar EP** adopted two regulations on: (i) European Long Term Investment Funds (**ELTIFs**) and interchange fees for **card-based transactions** On **10 Mar** the **Council** agreed its position on European Fund for Strategic Investments (**EFSI**) On **12 Mar** the Council adopted its position on new rules for **insolvency proceedings** On **18 Mar EC** presented a **tax transparency package**, including legislative a non-legislative measures to fight tax evasion and aggressive tax planning On **19 Mar EBA** launched a consultation on **banks' exposures to shadow banking**	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 In **2Q or 3Q 2015 EC** is expected to launch a public consultation on retail financial services, insurance and consumer policy issues In **2H 2015 EC** will publish an **action plan** on **Capital Markets Union** In **2015 EC** will launch a consultation on an EU **covered bonds** framework In **2015 EC** will publish a proposal on an EU framework for **recovery and resolution of systemically important financial infrastructures** such as CCPs

Continued on next page

cont.		Upcoming issues
MEXICO	On **16 Mar BCBS** published a report on **Mexico's implementation of Basel's risk-based capital standards** finding them to be overall "compliant". On **17 Feb the Federal Congress** passed constitutional reforms on state and local governments' financial discipline, broadening Congress' reach in auditing and controlling subnational finances. On **20 Mar Banco de México** issued its new rules on payroll account portability, in line with the Financial Reform.	On **5 Jan COFECE**, the economic competition watchdog, announced investigation into anticompetitive practices on the "generation, processing and commercialisation of credit information". Results to be published in 4Q2015.
LATAM	On **27 Feb Brazilian** authorities changed **capital requirements** for Saving and Loans Associations, set the minimal limits for **liquidity coverage ratio (LCR)** and set the methodology to calculate the **leverage ratio**.	
USA	On **20 Feb** Federal Bank Agencies launched a **consultation on interagency efforts to reduce regulatory burden** On **05 Mar Fed** released the results of **supervisory banks stress tests** On **11 Mar Fed** released the results of the **Comprehensive Capital Analysis and Review** On **16 Mar Fed** announced that it will require banking organizations to include their **Legal Entity Identifiers (LEIs)** on certain regulatory reporting forms.	In **2015**, regulators will expect **banks to step up** standards for **governance, consumer protection** compliance, **third-party risk management, cybersecurity, credit quality and anti-money laundering** compliance. **Fed** intends to accelerate its **time frame for a faster and more secure payments system** from 10 years to 3 or 4 years. **CFPB** is considering **new rules for overdraft fees** but does not plan to ban them entirely
TURKEY	On **27 Feb** Central Bank announced that the amount of FX selling auctions will be set on a daily basis depending on the conditions in the foreign exchange market On **18 Mar** BRSA has lowered the risk-weightings of loans extended to customers who receive their retirement pension from the Social Security Institution via the bank, as long as the pension payment continues. .	
ASIA	On **6 Mar** China's Banking Regulatory Commission directed the country's banks to boost lending to struggling small businesses. On **6 Mar** China's Securities Regulatory Commission announced it is looking into a proposal that would allow banks to enter the brokerage industry. On **14 Mar** the Indian Government passed amendments to the insurance bill which raised foreign investment limit in India's domestic insurance companies. On **16 Mar BCBS** published **Regulatory Consistency Assessment Program on Hong Kong**	

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

DISCLAIMER

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

Estimates 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.

With particular regard to investment in financial assets having a relation with the economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions on the information contained in this document. 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. Its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature, by any means or process, are not permitted except in cases where it is legally permitted or expressly authorised 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

Arturo Fraile
arturo.fraile@bbva.com

Pilar Soler
pilar.soler.vaquer@bbva.com

Rosa Gómez Churruca
Rosa.gómez@bbva.com

Lucía Pacheco
lucia.pacheco@bbva.com

Santiago Muñoz
santiago.munoz.trujillo@bbva.com

Chief Economist for Recovery and Resolution Policy
José Carlos Pardo
josecarlos.pardo@bbva.com

Victoria Santillana
mvictoria.santillana@bbva.com

Guillermo Martín
gmartin@bbva.com

Head of Supervisory and Regulatory Affairs-Frankfurt Office
Matías Viola
matias.viola@bbva.com

Chief Economist for Financial Inclusion
David Tuesta
david.tuesta@bbva.com

BBVA Research

Group Chief Economist
Jorge Sicilia Serrano

Developed Economies Area
Rafael DoménechVilariño
r.domenech@bbva.com

Spain
Miguel Cardoso Lecourtois
miguel.cardoso@bbva.com
Europe
Miguel Jiménez González-Anleo
mjimenezg@bbva.com
US
Nathaniel Karp
Nathaniel.Karp@bbva.com

Emerging Markets Area
Alicia García-Herrero
alicia.garcia-herrero@bbva.com

Cross-Country Emerging Markets Analysis
Alvaro Ortiz Vidal-Abarca
alvaro.ortiz@bbva.com
Asia
Le Xia
le.xia@bbva.com
Mexico
Carlos Serrano Herrera
carlos.serranoh@bbva.com
LATAM Coordination
Juan Manuel Ruiz Pérez
juan.ruiz@bbva.com
Argentina
Gloria Sorensen
gsorensen@bbva.com
Chile
Jorge Selaive Carrasco
jselaive@bbva.com
Colombia
Juana Téllez Corredor
juana.tellez@bbva.com
Peru
Hugo Perea Flores
hperea@bbva.com
Venezuela
Oswaldo López Meza
oswaldo.lopez@bbva.com

Financial Systems and Regulation Area
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
Supervisory and Regulatory Affairs Frankfurt Office
Matías Viola
matias.viola@bbva.com

Global Areas

EconomicScenarios
Julián Cubero Calvo
juan.cubero@bbva.com
FinancialScenarios
Sonsoles Castillo Delgado
s.castillo@bbva.com
Innovation&Processes
Oscar de las Peñas Sánchez
oscar.delaspenas@bbva.com

Contact details

BBVA Research
PaseoCastellana, 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