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Financial Regulation Outlook

April 2015
Financial Systems and Regulation Area

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Summary

Basel reviews the standardised approach for credit risk

Some aspects of the proposal raise industry concern. As part of the ongoing review of how banks calculate their Risk Weighted Assets (RWAs) with the focus on restoring confidence in capital ratios, the Basel Committee has recently consulted on two issues: i) revision of the standardised approach (SA) for credit risk and ii) the design of a capital floor framework based on this revised SA, that would apply to internal-model based approaches in order to limit the reduction of capital requirements achievable with their use. Additionally, the Committee is working on “technical fixes” to internal models to narrow the modelling choices available to banks and a consultation is expected later this year.

FSB on financial reform agenda

Push for EMDEs and progress on the work plan for Antalya. The Financial Stability Board (FSB) has included five additional institutions from emerging market and developing economies (EMDEs) as Plenary members. This complies with its goal of rising EMDE representation and to further take into account their specificities and implementation concerns.

Mexico’s RCAP Review

Overall compliant with Basel standards. The Basel Committee on Banking Supervision has just finished its review of Mexico’s adherence to the international capital standards within its Regulatory Consistency Assessment Programme (RCAP); on 16 March, Mexican regulation was awarded an overall “Compliant” grade, the highest possible mark with regards to its risk-based capital requirements.

Banking union: Single Resolution Board’s kick-off

First Plenary session and priorities for 2015 and 2016. Since November 2014 all eurozone banks are under the scrutiny of a single supervisor, the ECB. Going forward, banks in serious trouble will also be resolved by a newly created European body, the Single Resolution Board (SRB). Indeed, the SRB is already up and running but it will not be fully operational until January 2016, when it will become the single resolution authority and will take control of the Single Resolution Fund, provided the IGA regulating such Fund has duly entered into force.

IMF Financial Stability Report

Decentralised business model strengthen financial stability. On 8 April 2015 the International Monetary Fund published its Global Financial Stability Report. It emphasises that the decentralised banking model has proved it positive effects on financial stability.

ECB annual report on supervisory activities

The launch of the European banking supervision has been one of the most significant steps towards a deeper economic integration since the creation of the euro. The ECB has put together the appropriate pieces to turn the Single Supervisory Mechanism into a reality. As such, the ECB has developed the corresponding legislation and has made a remarkable effort in recruiting the appropriate staff. However, the SSM faces a number of challenges in the years to come; among others, the need to define a common supervisory culture that ensures the highest standards of supervision.

1 Basel reviews the standard approach for credit risk

Some aspects of the proposal raise industry concern

As part of the ongoing review of how banks calculate their Risk Weighted Assets (RWAs) with the focus on restoring confidence in capital ratios, the Basel Committee has recently consulted on two issues: i)revision of the standardised approach (SA) for credit risk, and ii) the design of a capital floor framework based on this revised SA, that would apply to internal-model based approaches in order to limit the reduction of capital requirements achievable with their use. Additionally, the Committee is working on "technical fixes" to internal models to narrow the modelling choices available to banks and a consultation is expected later this year.

Proposal to review the SA for credit risk

A far-reaching overhaul of risk weight calculation under the SA is proposed with the purpose of making this approach more risk-sensitive, thus coming closer to internal ratings based approaches and, at the same time, reducing reliance on external ratings. Most types of risks are considered, with the exception of sovereign risk that has been left for a later stage. To **improve risk sensitivity, new risk drivers are proposed** for assigning RW to several types of exposures and the granularity of the RWs has been increased. In the case of residential mortgages, the loan-to-value ratio and the debt-service coverage ratio are being considered, with RW varying in a range between 25% and 100%, instead of the currently applied 35%.

The aim of reducing reliance on **external ratings has been taken to the extreme of removing their use** for assigning risk weights **for banking and corporate exposures** and instead using a couple of risk drivers (for banking, capital ratio and non-performing assets ratio; for corporates, revenue and leverage). Even if this approach has the appeal of favouring consistency with the US, where the Dodd-Frank Act prohibits their use in regulation, its implementation would be questionable if it leads to a worsening of the risk sensitivity of the framework. This could be the case of the current proposal that includes, for the sake of simplicity, only a couple of risk drivers instead of the numerous drivers incorporated in the external ratings' methodologies.

The banking industry has reacted with concern (link to responses) as the proposal faces the risk of introducing a more complex framework without the reward of improving its risk sensitivity or comparability. Some concerns highlighted: i) tightening of capital requirements for high quality portfolios; ii) penalisation of exposures in emerging markets due to limitations in data availability to calculate the risk drivers; iii) more complexity and iv) an increase in the pro-cyclicality of the prudential framework.

With respect to the **design of a capital floor**, Basel intends to tie model-derived requirements more closely to the SA and proposes a floor designed as a percentage of RWAs under the SA. It is to be decided if the floor applies at an aggregate level or by differentiating risk categories. Given ongoing initiatives to address excessive RWA variability and the forthcoming minimum leverage ratio, the introduction of a new permanent floor should be carefully assessed, so as not to unduly impair the risk sensitivity of capital ratios. The **impact on capital ratios would depend crucially on the level of the floor**, which will be disclosed by the end of 2015.

2015: a decisive year to complete the revision of regulatory capital ratios

The Committee intends to finalise by the end of 2015 a comprehensive revision of the RWAs, the denominator of the capital ratio. The review covers the main risks of the banking business and has the potential to have a material impact on the capital ratios calculated under Basel III. Although the comprehensive calibration pursues neutrality on average, which is not assured, some entities would be more affected than others.

Basel Committee's ongoing revisions of RWAs

	Standardised approach	Internally modelled approach	Permanent floor
Credit Risk	1st consultation ended in March 2015	1st consultation expected in 1H 2015	1st consultation ended in March 2015
Market Risk	3rd consultation ended in February 2015	3rd consultation ended in February 2015	1st consultation ended in March 2015
Operational risk	1st consultation ended in January 2015	No revision	1st consultation ended in March 2015

Source: BBVA Research based on BCBS

The challenge is the calibration. It should be done by bearing in mind the huge effort already made on the numerator side. Basel itself states that the increase in capital requirement is not a goal per se, but the revision proposed is so significant that many analysts are starting to call it "Basel IV".

2 FSB on financial reform agenda

Push for EMDEs and progress on the work plan for Antalya

The Financial Stability Board (FSB) has included five additional institutions from emerging market and developing economies (EMDEs) as Plenary members. This complies with its goal of rising EMDE representation and to further take into account their specificities and implementation concerns.

The Financial Stability Board held their latest Plenary session in Frankfurt on March 26. One of the highlights of the meeting was its further push to include a broader and deeper representation of Emerging Markets and Developing Economies (EMDEs). Five new institutions from EMDEs were included as Plenary members: the ministries of finance of Argentina, Indonesia, Saudi Arabia and Turkey and the South African Reserve Bank were each granted a place as Plenary members, even though the countries already had representation from other own institutions (i.e. central banks). This increases the representation of emerging markets on the FSB, doubling it for these five countries, which was identified as one of the key objectives from the review of its structure in 2014. EMDEs now have a stronger presence on the FSB and are better aligned with their increasing importance in the global economy.

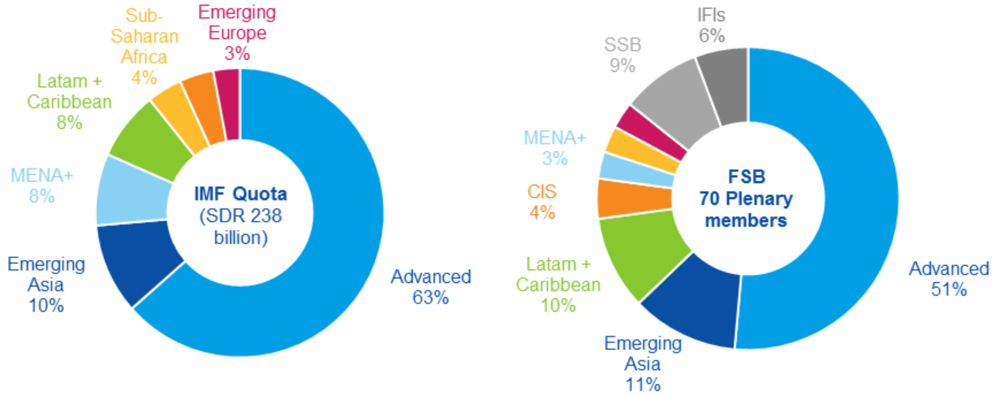
Furthermore, on the previous day of the March Plenary meeting, the FSB organised an Emerging Market Forum to discuss and to better understand the concerns of emerging markets with the implementation of the financial reform agenda and its impact on their economies. The ultimate goal was to improve their view on issues such as Basel III, OTC derivatives, resolution frameworks and macroeconomic policies. Formalising such forums to coincide with the FSB's plenary meeting is a great opportunity to better discuss and consider the specificities of emerging markets regarding financial stability themes.

More recently, Mark Carney – the FSB's Chairman- sent a letter ahead of the G20 finance ministers and central bank governors meeting held in Washington on 17 April. The letter identified the progress on the Work Plan for the G20 Antalya Summit. Implementation and completing the global financial reform agenda continue to be the FSB's top priorities in regulation, together with the need to address new emerging risks. However, the evaluation of intended and unintended consequences of the implementation of financial regulation in EMDEs is of increasing importance and will be fundamental for finding an appropriate balance between financial stability and global economic growth. The FSB's priorities are consistent with the Turkish G20 Presidency's focus on Implementation, Investment and Inclusion, the so called "three I's strategy".

Finally, EMDEs still represent a minority of FSB Plenary members, even though there has been a significant improvement of representation and greater acknowledgement of their concerns (e.g. Regional Consultative Groups and annual impact reviews). The FSB Plenary member distribution between developing and advanced countries (34 vs. 51% -the remaining 15% is for standard setters-) is consistent with the world's nominal GDP division among them (39 vs. 61%) and the IMF quota distribution (37 vs. 63%). EMDE representation should gradually rise as their financial markets continue to develop and gain further weight in the world economy.

The recent steps taken by the FSB are in the right direction and contain the adequate level of representation and progressiveness needed for an appropriate implementation of financial regulation in EMDEs.

Distribution of IMF Quotas and FSB Plenary members



Source: Financial Stability Board (www.financialstabilityboard.org), International Monetary Fund and BBVA Research.

SSB: Standard Setting Bodies (i.e. BCBS, CGFS, CPMI, IAIS, IASB and IOSCO), IFIs: International Financial Institutions (i.e. World Bank, IMF, BIS and OECD)

3 Mexico's RCAP Review

Overall Compliant with Basel Standards

The Basel Committee on Banking Supervision has just finished its review of Mexico's adherence to the international capital standards within its Regulatory Consistency Assessment Programme (RCAP); on 16 March, Mexican regulation was awarded an overall "Compliant" grade, the highest possible mark with regard to its risk-based capital requirements[1].

This result comes after years of significant work on the part of the Mexican financial authorities and the banking sector. The country was an early adopter of Basel III, issuing its general set of rules in November 2012, with additional tuning throughout 2013 and even late 2014 when, in order to attain "Compliant" status, a series of adjustments were introduced to address areas of opportunity identified during the RCAP examination.

Mexican regulation was deemed fully "Compliant" in 12 out of 15 components that make up the assessment, with a "Largely Compliant" grade for both the countercyclical buffer and Pillar 3 disclosure. Finally, the Market Risk (Internal Markets Approach, IMA) rating was "Non-applicable", since Mexican authorities have not implemented this component into the regulatory framework.

Countercyclical Buffer

The RCAP found that the general provisions currently in place, which enable the National Banking and Securities Commission (CNBV) to ask for additional capital from banks, were not enough to meet the Countercyclical Buffer standard.

The report states concerns on the expediency of the additional capital requirements, particularly in scenarios of high credit demand and of strong pressures from the private sector (and even from other parts of the government) looking to keep the credit boom and economic expansion going.

Pillar 3 Disclosure

The main concerns behind the "largely compliant" grade have to do with omissions in the Mexican rules of the "Scope of Application" and "Operational Risk" tables from Pillar 3 of the Accord, which were deemed potentially material by the assessment team. These missing items could be quickly remedied by the Mexican authorities, since there seems to be no deep-rooted cause for their omission. Rather, their absence seems to stem from a poor interpretation of the requirement with regards to the first table, and a question of timing regarding the latter[2].

Final Remarks

The findings of the RCAP team are a success for the Mexican banking system, its participants and authorities. It validates the considerable efforts, in time and resources, that have been made in order to meet the heightened international standards satisfactorily, and in several cases within the allotted timeframes.

Mexico's RCAP results reinforce the trust in the resilience and strength of the Mexican banking system, although attention must remain on the implementation of the rules by the financial authorities.

1: The same rating was granted to the implementation of the Liquidity Coverage Ratio (LCR) standard.

2: Missing "Scope of Application" items require an outline of differences in the basis of consolidation for accounting and regulatory purposes; identification of restrictions, or impediments, on transfer of funds or regulatory capital within the group; aggregate amount of surplus capital of insurance subsidiaries included in the capital of the consolidated group; etc. For its part, omissions on "Operational Risk" include a description of the advanced measurement approaches for operational risk (AMA); in the case of partial use, the scope and coverage of the different approaches used; for banks using the AMA, a description of the use of insurance for the purpose of mitigating operational risk; etc.

4 IMF Financial Stability Report

Decentralised business model strengthens financial stability

On 8 April 2015 the International Monetary Fund published its Global Financial Stability Report. It emphasises that the decentralised banking model has proved it positive effects on financial stability.

During the 1990s and early 2000s, financial liberalisation in the wake of the emerging market crisis, coupled with the poor performance of some domestic competitors, created opportunities for banks from the developed countries to enter emerging markets. This expansion had considerable heterogeneity, depending on whether the banks' overseas business was conducted by a decentralised model via autonomous subsidiaries or by a centralised model via parent-dependent branches. However, the recent crisis has demonstrated that not all funding and organisational models pose the same overseas risks.

This fact has been acknowledged by the IMF in its Financial Stability Report[3], Chapter 2: "A higher reliance of affiliates on local funding sources increases their resilience to global shocks". The multinational banking model, characterised by its decentralised structure with stable funding (mainly by retail deposits), has shown a higher resilience to withstand global shocks. Conversely to international banks, which are chiefly focused on cross-border transactions out of their home countries, multinational banks operate locally through subsidiaries and therefore are locally funded, contributing to the development of local capital markets. This feature of local instead of cross-border operations results in a decline in sensitivity of capital flows to systemic crisis and yields a reduction in potential contagions.

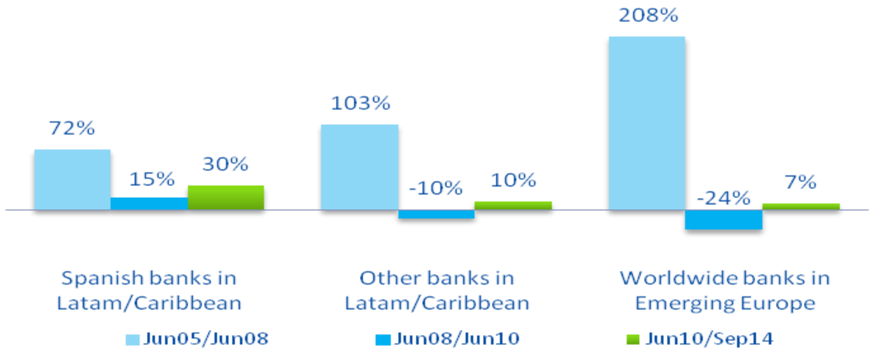
In this regard, the IMF includes three regulatory recommendations aimed at enhancing financial stability:

- Banks' structures should be divided into independent subsidiaries which are locally funded.
- Banks should have higher capital levels and steadier funding sources.
- More cooperation among authorities is necessary.

The recent eurozone crisis has provided empirical evidence of the decentralised model's strengths in terms of limiting contagion. Although the solvency problems in Spain were confined to savings banks, the liquidity restrictions affected all peripheral banks in a context of fragmented eurozone financial markets. There was almost no contagion of these liquidity problems to Spanish banks' subsidiaries in Latin America, in sharp contrast with the impact of the euro crisis in Central and Eastern European branches and subsidiaries of other European banks with a centralised model, despite the fact that their home markets suffered less contagion from the sovereign crisis than Spain. As Figure 1 shows, multinational Spanish banks in Latam smoothed both the bubble and the burst, as compared to other banks operating in the same region. Emerging Europe is another example where global banks expanded via branches and subsidiaries and whose international banking business model was not able to buffer the negative effects of the crisis period.

Figure 1

Changes in foreign claims of reporting banks to Latam and Emerging Europe



Source: BBVA Research

3: https://www.imf.org/External/Pubs/FT/GFSR/2015/01/index.htm

5 Banking union: Single Resolution Board's kick-off

First Plenary session and priorities for 2015 and 2016

Since November 2014 all eurozone banks are under the scrutiny of a single supervisor, the ECB. Going forward, banks in serious trouble will also be resolved by a newly created European body, the Single Resolution Board (SRB). Indeed, the SRB is already up and running but it will not be fully operational until January 2016, when it will become the single resolution authority and will take control over the Single Resolution Fund, provided that the IGA regulating the Fund has duly entered into force.

The Single Resolution Board (SRB) started operations on 1 January 2015 but it was its first Plenary session, held in Brussels on 25 March, which marked the official start of the banking union 1.0 (see Watch). The meeting was attended by the SRB's top executives,[4]representatives from all National Resolution Authorities of the eurozone's Member States as well as observers from the European Commission and the ECB.

Priorities for 2015: warming up for the single resolution take-off

Beyond adopting several administrative decisions, the Plenary went over its working priorities for 2015, which are mainly geared by the provisions of the Single Resolution Mechanism Regulation that are already in force (see below). This includes mostly managerial and preventive tasks conferred to the SRB, such as: i) the establishment of **close cooperation procedures with key stakeholders**(SSM, national resolution authorities etc.) and international partners (resolution authorities in third countries outside the banking union); (ii) the setting of **new resolution standards and resolution plans;** (iii) the establishment of **close cooperation agreements in cross-border resolution** issues, and (iv) completing the SRB team with a total of 120highly-qualifiedstaff members (with the goal of having 300 staff by 2017). Before 2016,the Member States participating in the banking union should ratify the Intergovernmental Agreement (IGA)which governs the funding and use of the Single Resolution Fund. **The entry into force of this IGA is a condition *sine qua non*** key provisions of the SRM Regulation cannot enter into force, including those giving the SRB all the resolution powers in the banking union as well as those conferring to the SRB the management of the Single Resolution Fund.

The agenda for 2016: taking on full resolution powers

Assuming a timely entry into force of the IGA, **starting on 1 January 2016 the SRB will become the single resolution authority for, at least, the most significant banks in the eurozone.** This means that the SRB will be responsible for: i) drawing up resolution plans in cooperation with national authorities; ii) triggering and conducting any resolution processes, and iii) managing the Single Resolution Fund. In the resolution processes, the SRB will seek to pursue the best actions allowed by the EU law (Bank Recovery and Resolution Directive) in order to preserve financial stability and the taxpayer's pocket. To this end, it will have recourse to the bail-in tool, by which, first and foremost, shareholders and unsecured creditors will have to assume a cost of up to at least 8% of the liabilities. After the bail-in, the Fund could be tapped, up to a limit of 5% of the bank's liabilities. This Fund will be 100% European and will have an estimated ex-ante capacity of EUR55bn by 2023, but not before then. As of 2023, if there are still costs to cover from the resolution process beyond these funds, help can be sought from a public European mechanism which has yet to be defined (the fiscal backstop) and which is unlikely to involve the ESM, since the latter was created to rescue member states in difficulties, rather than banks. Alongside the transition, between 2016 and 2023, given that a shared fiscal backstop will not yet exist, bridging finance will be available from national sources, and as a last resort, the ESM might directly recapitalise distressed banks if all the previous loss-absorption mechanisms (bail-in, resolution fund) are not sufficient, and if the sovereign state is not in a position to cover the remaining costs of the resolution process nor to ask the ESM for assistance through an indirect recapitalisation.

4: Chair, ElkeKönig, Vice Chair, TimoLöyttyniemi, and the four Directors appointed.

6 ECB publishes annual report on supervisory activities

Remarkable process in the building up of one of the banking union pillars

The launch of the European banking supervision has been one of the most significant steps towards a deeper economic integration since the creation of the euro. The ECB has put together the appropriate pieces to turn the Single Supervisory Mechanism (SSM) into a reality. As such, the ECB has developed the corresponding legislation and has made a remarkable effort in recruiting the appropriate staff. However, the SSM faces a number of challenges in the years to come; among others the need to define a common supervisory culture that ensures the highest standards in supervision.

Overview and foundation of the SSM

The setting-up of the banking union has been the greatest step toward economic integration since the creation of Economic and Monetary Union. Its establishment was deemed the best way to address one of the key challenges: the weakness in the banking sectorand its fragmentation.

More precisely, the establishment of the SSM and running it while also conducting the comprehensive assessment (CA) was a major organisational challenge. During this period, the structure and governance of the SSM was created and it is now part of the European and global supervisory architecture.

Among the most significant achievements, the ECB completed the legal framework for the SSM supervision, developed the supervisory model (i.e. issuing the Guide to Banking Supervision) and fulfilled a recruitment of approximately 1,000 staff to carry out its supervisory tasks. Regarding the supervisory culture, the SSM has elaborated a Supervisory Manual, an internal document that defines the methodology for supervision within the SSM that tries to cover the best supervisory practices among Participant Members. Moreover, the SSM has published some Supervisory Guidelines which are a brief abstract of the Manual and give a general view of how supervision will take place within the SSM.

Putting the SSM into practice

At the end of 2014, two essential milestones in the preparation for the supervisory work for 2015 had been successfully completed: i) the draft Supervisory Review and Examination Process (SREP) decisions to be implemented in 2015, and ii) the strategic and operational planning for 2015, including the key priorities for the SSM. The discussions on the SREP decisions to be implemented in 2015 started well before 4 November 2014 and were prepared by the JSTs. The preparation of these decisions was extremely important to foster the integration of teams, the sharing of information and the exchange of views. Regarding the preparation of the SREP decisions to be implemented in 2016, the process will be different. As mentioned before, these decisions will be based on the SSM's own methodology, which benefits from the NCAs´ previous experience and best practices and is embedded in the Supervisory Manual.

Main priorities for 2015

The supervisory priorities for 2015 build on the findings in the comprehensive assessment, particularly regarding credit risk. In addition to this, there are many other focuses mentioned in the annual report, chief among them being: i) the efficacy and robustness of banks' credit risk management functions with a view to assessing the risk mitigation capacity of the control environment. The AQR identified specific weaknesses in certain areas such as methodologies, policies, misclassification of non-performing exposures or provisioning models; ii) the assessment of business model viability to avoid aggressive "search-for-yield" strategies; iii) the governance of financial institutions, such as the composition of the board, its expertise, diversity, challenges and culture, and iv) the review of the validation of banks´ internal models.

Apart from the priorities mentioned above, one of the main challenges the SSM will have to face (not only in 2015 but also in the years ahead) will be fostering greater harmonisation. This implies taking stock of existing national supervisory practices and identifying best practices among them, developing standards and testing and further refining harmonised supervisory methodologies.

Assessment

The year 2014 represented an important milestone in the establishment of an integrated monetary union in the euro area. The progress made so far has been remarkable, but the SSM faces considerable challenges in the years ahead. One of the most important ones will be to reach a high degree of harmonisation in supervisory practices that ensures homogeneous supervisory decisions across the SSM. This is easier said than done.

Main regulatory actions around the world over the last month

	Recent issues	Upcoming issues
GLOBAL	On **24 Mar IOSCO** issued the final Code of Conduct for **Credit Rating Agencies** On **26 Mar FSB**, in its plenary session, increased the **representation of emerging makets** by welcoming 5 new members. On **2 Apr FSB** appointed G. Stevens (RBA), D. Tarullo (Fed) and R. Menon (MAS) as **Chairs of its Standing Committees. A. Carnstens** was appointed Chair of IMF's **International Monetary and Financial Committee (IMFC)** On **7 Apr IOSCO** launched two **consultations** on **business continuity plans** for trading venues and intermediaries On **8 Apr IMF** published its **Global Financial Stability Report,** where it reviewed trends on global banking and the asset management industry On **13 Apr FSB** launched the **second peer review** on **resolution regimes** On **17 Apr FSB** released a letter to **G20 on progress in financial reforms** On **21 Apr BCBS** removed selected **national discretions** under **Basel II** and clarified several aspects on the funding valuation adjustment	In **Nov Turkey** will host the **G20 Leaders summit** in Antalya
EUROPE	On **17 Mar ECB** published a Regulation on **reporting of supervisory financial information** On **20 Mar ESMA** launched a consultation on disclosure requirements for private and bilateral Structured Finance Instruments On **24 Mar ECON** backed the Regulation on **Securities Financing Transactions (SFTs)** On **24 Mar ESMA** launched a consultation on **complex debt instruments and structured deposits** in MiFID II On **25 Mar** the **Single Resolution Board** (SRB) held its **first plenary** session On **29 Mar ECB and BoE** agreed enhanced arrangements for **information exchange** and cooperation regarding **UK CCPs** On **31 Mar** the **Single Supervisory Mechanism** released **its annual report** On **31 Mar ECON** approved the draft regulation on **indices used as benchmarks** in financial contracts On **1 Apr EBA** issued a **Recommendation** on equivalence and confidentiality of **non-EU supervisory authorities** On **9 Apr EBA** released its annual report on **convergence of supervisory practices** in the EU banking sector, identifying significant progress. On **16 Apr EBA** published its annual **assessment of EU colleges of Supervisors** In **April**, several **EP Committees**, including ECON, issued their opinions on the **Transatlantic Trade and Investment Partnership (TTIP)** On **20 Apr** the **Council** adopted the Regulations on European Long Term Investment Funds (**ELTIFs**) and on fees for **card-based transactions.** On **20 Apr** the **Council** adopted at first reading its position on new rules for preventing **money laundering and terrorist financing** On **20 Apr** the **Budget and ECON** committees backed EP's negotiating stance for the **European Fund for Strategic Investments (EFSI)** On **20 Apr ECB** presented its **Annual Report 2014**, covering: macroprudential policy, SSM, banking union and banking structural reforms On **23 Apr ESMA** launched a consultation on **guidelines for assessing knowledge and competences** of investment advisors under **MiFID**	On **26 May** EP vote on **Banking Structural Reform** 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
MEXICO	On **16 Mar BCBS** published the **Regulatory Consistency Assessment Program** on **Mexico** On **27 Mar Banco de México** announced a review of its rules on **bank commissions** regarding account mobility, price transparency and services provided by third-parties where no value has been added by banks.	

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cont.		Upcoming issues
MEXICO	On **17 Apr Banco de México** issued rules on **derivatives** establishing *TIIE 28 swaps* as a standardized contract, required to be traded on **exchanges** or **electronic trading platforms** and cleared on a CCP.	
LATAM	In **April Peru**'s central bank cut **reserve requirements** in domestic currency from 8% to 7.5% In **April Colombia's Ministry of Finance** launched consultations on changes to the **accounting and tax treatment of convertible bonds** and regulations on **electronic payments and deposits institutions**.	
USA	On **26 Mar** Federal Agencies announced that the new deadline for certain non-banking institutions to submit their **resolution plan**s is 31 Dec 2015	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. Other supervisors' priorities include the Volcker Rule, liquidity requirements and resolution planning.
	On **2 Apr IMF** published 3 supporting documents to the **Financial Sector Assessment Programme** for the US, assessing the implementing of principles of banking supervision, securities regulation and insurance sector.	**US-EU negotiators** expected to reach an **agreement** on rules for **derivatives clearinghouses** by June
	Sec published final rules and a proposed rule on registration of **security-based swap** data repositories and reporting and dissemination requirements for security-based swaps transaction data.	**Fed** intends to assess banks' proprietary trading and market-making exercises as enforcement of the **Volcker rule** takes effect.
	On **13 Apr Fed** launched a **consultation** on reserve requirements for banks in the Federal Reserve	
	On **17 Apr** the Fed released information on the operating structure of the **Large Institution Supervision Coordinating Committee** (LISCC) supervisory program	
TURKEY	On **22 April** the remuneration rate for required reserves maintained in Turkish liras has been raised by 50 bps, starting as of 8 May.	
ASIA	On **12 Mar** People's Bank of China (PBoC) and China Banking Regulatory Commission announced a guide for **M&A loan risk management for commercial banks** On **16 Mar BCBS** published the **Regulatory Consistency Assessment Program** on **Hong Kong** On **30 Mar PBoC** issued a new policy for **private housing mortgage loans** for second time home-owners, establishing that down-payments should be no lower than 40%. On **1 April in China commercial banks' leverage ratio** became applicable and should be no lower than 4%, regardless of whether it is consolidated or unconsolidated. In **April** the Reserve Bank of **India** tightened provisioning norms for **restructured debt of Indian banks** in light of concerns over rising asset quality issues of Indian public sector banks	

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

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