

# Financial Regulation Outlook

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## Summary

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### Update on MREL and TLAC

**Some progress but uncertainty remains.** As of today, banks and investors are still waiting for more clarity concerning the definitive configuration of MREL. The Commission and the EBA are working on the implementation of TLAC and on the MREL review. Meanwhile, several Member States have released their proposals to implement MREL and TLAC in their national legislative frameworks.

### Basel consults on the Basel III leverage ratio framework

**Stricter rules to be defined for G-SIBs.** Basel intends to finalise the leverage ratio (LR) framework by End 2016, to be implemented as a Pillar 1 measure by Jan 2018. The GHOS agreed in January on a Tier 1 requirement of 3% of total exposure and discussed additional requirements for G-SIBs. In April a consultation was launched.

### Macprudential Policy: Humility and Hope

**First annual ECB/IMF conference.** On 26 and 27 April, the symposium jointly organised by the ECB and the IMF took place. It was aimed at bolstering an analytical framework, the understanding and the diffusion of macroprudential policy (MAPO), at analysing its current state of play and its way forward. The words 'humility' and 'hope' echoed throughout the two days.

### Opinion of the ECB on EDIS

**A necessary third pillar of the Banking Union.** The Council of the European Union and the European Parliament requested the ECB to issue a formal opinion on the Commission's proposal to establish a European Deposit Insurance Scheme (EDIS). On April 20, the ECB released a document firmly supporting the creation of EDIS, with two main recommendations: EDIS should not be preconditioned by Risk Reduction Measures (RRM), and a common backstop should be created.

### Crowdfunding in the EU Capital Markets Union

**Not a case for an EU-level framework at the moment.** The European Commission recognises crowdfunding to be an emerging source of funding for small and medium enterprises and it is therefore included in the Action Plan for a Capital Markets Union. On May 3rd, the Commission published a report on crowdfunding, analysing the status of this activity in the EU and exploring national legal regimes. The report concludes that now is not the time for developing a European legal framework for this activity, given its predominantly local nature.

# 1 Update on MREL and TLAC

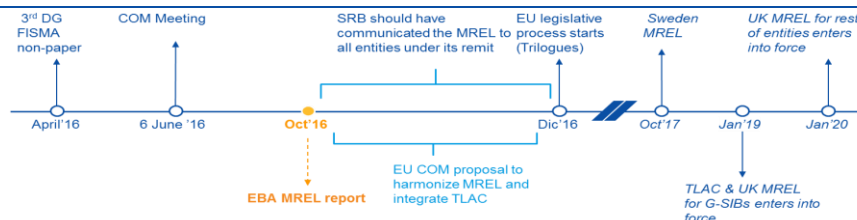
## Some progress but uncertainty remains

As of today, banks and investors are still waiting for more clarity concerning the definitive configuration of MREL. The Commission and the EBA are working on the implementation of TLAC and on the MREL review. Meanwhile, several Member States have released their proposals to implement MREL and TLAC in their national legislative frameworks.

A new bank crisis management framework for Europe is now fully functional thanks to the BRRD and the establishment of a Banking Union. Banks in the EU are now subject to bail-in rules and they will soon have to comply with a new loss absorption requirement: MREL. However, despite the tight schedule, the definitive configuration of this requirement is unknown. The Commission<sup>1</sup> has recently adopted the EBA's RTS on MREL with two amendments: i) the transitional period is now shortened from the initial 48 months to a period "which is as short as possible" and ii) no direct references to the 8% minimum bail-in. Additionally, the EBA will review MREL in October and will most likely suggest several amendments. Furthermore, the Commission is working on how to implement TLAC in Europe. This will most likely be done by adapting its main characteristics to those of the MREL, at least for European G-SIBs. Indeed, an important concern shared by European banks is how TLAC and MREL will converge. Despite having the same purpose, they differ in several areas: TLAC is limited to G-SIBs, is based on a common minimum requirement, and will not apply before 2019. Conversely, MREL applies to all EU banks regardless of their systemic footprint, its calibration will be set on a case-by-case basis, and its application will be from 1 January 2016.

Figure 1.1

### EU Next steps



Source: BBVA Research

Despite the fact that MREL's definition is not yet final, the **UK and Sweden have taken the lead as the first Member States to release proposals on how to adapt this requirement** nationally (the UK also includes TLAC-specific characteristics). Both approaches are based on the RTS but they incorporate several additional features. For example, both provide more details on how to calibrate the requirement by dividing banks into three categories depending on their size and resolution strategies. However, the Swedish proposal is tougher in terms of calibration (32% of RWAs on average) and in terms of debt requirements (a sum equal to the recapitalisation amount) compared to the UK version and the current European design. The Swedish proposal, together with the UK approach, may influence European authorities when reviewing MREL and implementing TLAC.

**More clarity is needed** on general aspects such as: **i)** calibration of MREL, **ii)** differences in treatment of G-SIBs and D-SIBs, **iii)** which liabilities will be accepted for bail-in, **iv)** their loss absorption order, **v)** how this will be made compatible with different banks' business models, **vi)** how TLAC and MREL will be reconciled and **vii)** calendar. Also, a minimum level of harmonization throughout the EU regarding senior debt **subordination** is highly desirable. Other more technical aspects that should be clarified are: the level of consolidation at which the authorities will ask banks to comply with MREL (this should be different for SPE and MPE banks), the treatment of capital buffers, the extent of legislative modifications needed, the possible interactions between MREL and MDA restrictions, and the treatment of MREL breaches, among others.

1: Through a delegated regulation, directly applicable in all Member States, after the approval of both the Parliament and the EU Council.

## 2 Basel consults on the Basel III leverage ratio framework

### Stricter rules to be defined for G-SIBs

Basel intends to finalise the leverage ratio (LR) framework by End 2016, to be implemented as a Pillar 1 measure by Jan 2018. The GHOS agreed in January on a Tier 1 requirement of 3% of total exposure and discussed additional requirements for G-SIBs. In April a consultation was launched<sup>2</sup>.

### Changes to the standard released in January 2014

The consultation revises the standards adopted in 2014, currently used for disclosure of the leverage ratio, and focuses on i) **derivative exposures**: several modifications are being proposed that allow further consideration of netting and margining practices, with the expected outcome –disclosure of the impact still pending - of reducing the amount of exposure and thereby **benefiting entities active in those markets, such as investment banks**; ii) unsettled purchases/sales of financial assets: to ensure consistency across accounting standards (e.g., netting of cash receivables and payables is allowed in the USA, but not in Europe), two alternatives that iron out accounting differences are proposed; and iii) off-balance sheet items: it is proposed to use the same conversion factors for credit-equivalent amounts (CCFs) as in the risk-based Standardised Approach (SA). This could increase the amount of exposure to be considered in the case of commitments (e.g., undrawn credit facilities, including those unconditionally cancellable, particularly for corporates), if the proposal included in the 2<sup>nd</sup> consultation for the revision of the SA is maintained. Additionally, some clarifications<sup>3</sup> are provided to favour consistency across entities and avoid double counting.

### Additional requirements for G-SIBs

In the Committee's opinion, the introduction of a higher LR requirement for G-SIBs is advisable so as to maintain the relative roles of the risk-based ratio and the LR in the prudential framework. The consultation paper does not advance details on the final design or calibration, merely seeking opinions on different alternatives: i) capital buffers versus higher minimum requirements, ii) fixed for all entities or depending on their systemic relevance, and iii) limits on AdT1 or CoCo's inclusion. Some jurisdictions have anticipated global rules, with measures that differ.

Table 2.1

#### Leverage ratio frameworks for G-SIBs

US	Min 3% (Tier 1) plus fixed Tier 1 buffer for all G-Sibs BHCs (2%)	2018
UK	Min 3% (Tier 1) plus variable CET1 buffers: i) Countercyclical buffer and ii) buffer for G-Sibs	2016
Switzerland	Min 5% (Tier 1). Additional Tier1 instruments: 33.3% limit and trigger CET1 ratio $\geq$ 7%	Phase-in until end 2019

Source: BBVA Research

### European course of action

The Commission is to decide on the convenience of introducing a Pillar 1 LR framework in the EU, issuing a legislative proposal if necessary. This has to be done by year-end when a report to the Council/Parliament is due to be delivered. To this end, EBA will finalise its advice to the Commission by July in order to respond to key questions: whether to migrate to a Pillar 1 LR regime and what the minimum level or levels should be taking into account business models/risk profiles. In a [public hearing](#) that took place in April, the EBA showed a preference for a simple framework, consistent with global standards, whose core element is a minimum requirement of 3% and with additional requirements for G-SIBs. Nevertheless, a preferential treatment could be considered (not decided yet) to accommodate global standards to European specificities, in order to preserve certain low risk activities (e.g., very specialized business models, such as public development banks).

2: For more information on this issue, see [Setting a limit to leverage in banking](#), Regulation Economic Watch, May 2016

3: E.g., provisions have to be deducted from the exposure if they have already been subtracted from Tier 1 capital

### 3 Macprudential Policy: 'Humility' and 'Hope'

#### First annual ECB/IMF conference

On 26 and 27 April, the symposium jointly organised by the ECB and the IMF took place. It was aimed at bolstering an analytical framework, the understanding and the diffusion of macroprudential policy (MAPO), at analysing its current state of play and its way forward. The words 'humility' and 'hope' echoed throughout the two days.

It was widely recognised that MAPO remains at an early stage despite the significant growth in the number of measures applied in the EU in 2015 as compared with 2014 -this was also stressed in the ESRB's *Review of Macprudential Policy in the EU in 2015*. There was consensus that MAPO is a useful tool against systemic risks in the whole financial system, and that it has to be used wisely. Thus, policy design has to be built on an adequate internalisation of negative externalities and on bolstering competitive advantages.

**Humility.** The clarification of three essential building blocks is still pending:

**i) Optimum European governance:** Some participants reiterated that the President of the ECB should be the driver of financial stability in Europe, and that the ECB should also be given the power to relax national MAPO measures, to correct the current asymmetry that only allows it to make them harsher where necessary. Others emphasised that European supervision is a diversified body and all of its pieces have to be considered – the ECB, ESRB, European Commission (EC) and the Member States (MS). A third view was that the MS should have primary responsibility, followed by the European institutions. Based on these heterogeneous opinions, communication, coordination and cooperation among all the parties might be the first best in the short term; and at the same time it is necessary to keep working towards simpler, single, common European supervision of financial stability.

The ECB released its first bi-annual Macprudential Bulletin in March, emphasising that it is taking its responsibilities seriously via the SSM and advocates for leading European financial stability and fostering transparency.

**ii) Whether MAPO and monetary policy (MP) should be used jointly or separately under normal conditions:** MAPO and MP seem to be more complementary than substitutes. They might generally reinforce each other, because financial and economic cycles are strongly interconnected despite their different frequencies. However, during the conference, it was noticed that MAPO and MP should focus on their respective targets being sought separately under normal conditions, that both policies should row in the same direction only during stress episodes, and that MAPO should look at price stability at a secondary level because it might be helpful for MP. Would it not be preferable for MAPO and MP to mutually consider, as a second condition, the main goal of the other whenever this is possible?<sup>4</sup>

**iii) The lack of a complete toolkit:** the ECB has raised possible changes in the CRD IV pack to transfer some relevant national MAPO tools – such the LTV, the DTI and the DSTI - from the MS to the European authorities.

**Hope:** some progress has been achieved in calibrating instruments and matching them with objectives<sup>5</sup>, and in measuring and releasing the state of the financial cycle. However, there was agreement that it is too early to judge the effectiveness of the tools implemented, mainly due to a lack of data for a complete financial cycle.

In conclusion, given the fact that "hope is not a policy strategy" and that building trust is a must, prudence, strength and temperance should also be considered, for the sake of a stable and profitable financial system at the service of real economic growth and, most importantly, of people.

4: On the one hand, Timbergen's rule states that a certain number of targets requires an equal number of instruments. On the other, game theory demonstrates that in repeated games cooperative solutions make a stable equilibrium possible.

5: *Effective Macprudential Policy: Cross-Sector Substitution from Price and Quantity Measures* by J. Cizel, J. Frost, A. Houben, and P. Wierts. Among other things, they conclude that quantity-based measures are more effective in reducing bank credit than price-based measures.

## 4 Opinion of the ECB on EDIS

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### A necessary third pillar of the Banking Union

The Council of the European Union and the European Parliament requested the ECB to issue a formal opinion on the Commission's proposal to establish a European Deposit Insurance Scheme (EDIS). On April 20, the ECB released a document firmly supporting the creation of EDIS, with two main recommendations: EDIS should not be preconditioned by Risk Reduction Measures (RRM), and a common backstop should be created.

The document presented by the ECB is organized into three different sections: general observations, specific observations, and a technical document with a set of drafting suggestions. Additionally, the ECB's [Financial Integration in Europe \(2016\)](#) report devotes a complete chapter to analysing and supporting the creation of an EDIS.

**General observations:** The ECB regards EDIS to be **the necessary third pillar of the Banking Union (BU)**. It is the logical step, as national authorities are no longer under control of the situations in which national DGS funds are used. EDIS would increase the level of confidence in the safety of deposits and resilience to local shocks. The ECB welcomes the gradual mutualisation process that allows for further progress on other BU-related aspects (e.g., DGSD and national DGS ex-ante funding). The ECB believes that in order to truly break the sovereign-bank link, a **fiscally neutral common backstop for EDIS is needed**. On the RRM, the ECB highlights the implementation of DGSD as a precondition for EDIS. Other **RRM are welcome but should be pursued in parallel** so as not to delay the transition to EDIS. Nevertheless, if this is the case, risk reduction milestones should be clearly defined (limited only to important ones), and be realistically achievable so that EDIS is not postponed indefinitely.

**Specific observations:** The ECB has issued a series of specific recommendations to improve the current draft. Some of these observations are related to the **objective of the proposed regulation** (define explicitly EDIS's objective of ensuring the highest level of depositor protection), the **scope of EDIS** (it should coincide with SSM), or its **governance** (prevent deposit protection funds from being "consumed" by resolution processes). Others are related to the **minimization of liquidation costs** (allow the use of funds for transferring deposit books), the use of **risk-based contributions** (should they reflect the likelihood of the fund's being used?), or the **duty of EDIS to the DGS** (clarify the legal obligation of EDIS to guarantee depositors in pay-out events during the full insurance phase). The ECB is also concerned about the **disqualification from coverage by EDIS** (supports measures to prevent free-riding, but the triggers to disqualification should be defined more precisely, and alternative penalties could be considered for lesser breaches) and **automatic access for new states joining the SSM** (transitional measures are needed to prevent late entrants from benefiting at the expense of the fund). Finally, the ECB remarked on the **need for backstop arrangements**, otherwise EDIS would not be able to break the sovereign-bank link (national resources would still be the ultimate backstop for deposits).

**Financial Integration Report:** It complements the previous document by presenting the **rationale** for introducing EDIS (e.g., align liability with control at the European level). Furthermore, the report argues that EDIS is fundamental to **preserve the monetary union**, as deposits are important to the concept of "single money". Additionally, the report presents some of the **challenges** for EDIS: implementing **BRRD and DGSD**, or potential Moral Hazard concerns. But the proposal contains certain provisions to deal with these issues, e.g., disqualification, risk-based contributions and a phase-in period. Finally, the report again stressed the importance of **endowing EDIS with a common fiscally neutral backstop**, in order to enhance its credibility.

**Overall:** The ECB endorses the EDIS proposal, suggesting some improvements to the framework proposed by the European Commission. It stresses the need to **further the integration process**, without unnecessary delays regarding RRM.

## 5 Crowdfunding in the EU

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### Not a case for an EU level framework at the moment

The European Commission recognises crowdfunding to be an emerging source of funding for small and medium enterprises and therefore it is included in the Action Plan for a Capital Markets Union. On May 3<sup>rd</sup>, the Commission published a report on crowdfunding, analysing the status of this activity in the EU and exploring national legal regimes. The report concluded that now is not the time for developing a European legal framework for this activity, given its predominantly local nature.

### Current Status of crowdfunding in the EU

Crowdfunding is a relatively new initiative and is growing rapidly in the European Union, although levels of activity differ significantly between different Member States. United Kingdom is the leading country for both equity-based and loan-based crowdfunding projects, followed by France, Germany and Estonia. Among all the different shapes that this activity can take, the main models that have been observed in the European Union are: i) reward-based crowdfunding, ii) equity crowdfunding and iii) loan-based crowdfunding.

Like any other financial activity, crowdfunding also entails risks, which are sometimes common to those existing in other investment activities. For example: i) misinformation risk, ii) the possibility of losing part or all the investment, or iii) not being able to exit the investment. In the development of the activity, it is expected that the sector will grow toward greater institutionalisation and a consolidation of platforms.

### National regulatory frameworks for crowdfunding

Currently, crowdfunding activities have a strong domestic nature and some Member States have developed tailored regulatory frameworks aimed at promoting this activity while safeguarding investor protection. In addition to the specific frameworks, some models of activity also require the application of national rules implementing EU-level directives, such as those regarding consumer and data protection. Also, self-regulation systems have also been developed by industry associations, generally setting minimum standards and requirements and best practices in terms of transparency and good conduct.

National frameworks that rule the crowdfunding sector generally cover the following issues: i) authorisation for engaging in the activity, ii) conduct of business, conflicts of interest and organizational rules and iii) investor protection.

### Cross-border activities

At this stage, cross-border activity in this sector is limited, and it remains a predominantly local activity. The existence of different national frameworks may appear as an impediment to cross-border distribution of funds, even if these frameworks are consistent in their approach. One of the main issues highlighted is the definition of the activity itself and the authorisations required to operate in different countries. There are divergences on whether obtaining an MIFID passport should be enough to operate in different Member States or national authorisation should be required in each country.

### Conclusions

Crowdfunding is still relatively small in the European Union, although it is growing rapidly and has revealed itself to be a key initiative within the Capital Markets Union, capable of facilitating financing for SMEs and thus of contributing to job creation. The Commission considers that now is not the time for EU-level legislation for this activity and will monitor the development of the activity and the convergence of national regimes.



## Main regulatory actions around the world over the last month

	Recent issues	Upcoming issues	
GLOBAL	<p><b>On 05 May ISDA</b> launched Resolution Stay Jurisdictional Modular Protocol</p> <p><b>FSB</b> extended Climate-Related Financial Disclosures consultation deadline to 31 May</p> <p><b>On 09 May ISDA, EBF and GFMA</b> announced agreement to common principles to promote effective global policy on cybersecurity, data and technology</p> <p><b>On 16 May IOSCO</b> issued a review on the implementation of its principles for Financial Benchmarks by the administrators of key interest rate benchmarks</p> <p><b>On 25 May FSB</b> issued a review on the Implementation of the FSB Policy Framework for Shadow Banking Entities</p> <p><b>On 26 May BIS</b> released the first phase of a global code of conduct for wholesale foreign exchange markets and principles for adherence to the new standards</p>	<p>In <b>Sep 2016 China</b> will host the <b>G20 Leaders' Summit</b> in Hangzhou</p> <p>In <b>2016 BCBS</b> will finalise its review of internal models and calibration of leverage ratio applicable in Jan 2018</p>	
	<p><b>On 25 Apr EBA</b> consults on disclosure of un/encumbered assets</p> <p><b>On 27 Apr ESMA</b> update on reporting structured finance instruments information under the CRA Regulation</p> <p><b>On 28 Apr EP</b> has adopted the text of the proposed regulation on indices used as benchmarks in financial instruments and financial contracts.</p> <p><b>On 29 Apr ESMA</b> publishes results of EU central counterparties stress test</p> <p><b>On 02 May ESMA</b> has issued two Opinions proposing amendments to its draft RTSs under MiFID II and MiFIR</p> <p><b>On 04 May EBA</b> seeks views on the use of consumer data by financial institutions</p> <p><b>On 04 May ESMA</b> has published a request for amending its draft RTS on transaction reporting (RTS 22) under MiFIR</p> <p><b>On 04 May EBA</b> publishes corrections to XBRL reporting taxonomies</p> <p><b>On 10 May the European Council Presidency</b> has published a compromise text for the proposed regulation on money market funds</p> <p><b>On 10 May EC</b> has adopted a RTS on reorganisation plans, under BRRD.</p> <p><b>On 11 May EBA</b> provides guidance for computing FSIs</p> <p><b>On 11 May EBA</b> consults on LCR disclosure</p> <p><b>On 11 May ESMA</b> has published its Risk Dashboard for the Q1 2016</p> <p><b>On 12 May ESAs</b> published its Opinion on the EC's intention to amend the ITS on the mapping of ECAls credit assessments under the CRR and Solvency II</p> <p><b>On 12 May EBA</b> agrees with the Commission on changes to the amended technical standards on benchmarking of internal approaches</p> <p><b>On 12 May ESAs</b> clarify their position on technical standards on the credit quality steps for ECAls credit assessments</p> <p><b>On 12 May EP</b> has adopted the proposed regulation regarding exemptions for commodity dealers under the CRR</p> <p><b>On 13 May a Commission Delegated Regulation (2016/709)</b> supplementing the CRR with regard to RTS specifying the conditions for the application of the derogations concerning currencies with constraints on the availability of liquid assets has been published in the OJEU.</p> <p><b>On 17 May the EU Council</b> has adopted the Benchmarks Regulation.</p> <p><b>On 17 May the EC</b> has adopted RTS under MAR</p> <p><b>On 18 May the EU Council</b> Permanent Representatives Committee (Coreper) has endorsed the final draft texts of the Directive to amend MiFID2 and Regulation to amend MiFIR</p> <p><b>On 18 May the EC</b> has adopted a Delegated Regulation under MiFIR on definitions, transparency, portfolio compression and supervisory measures on product intervention and positions.</p> <p><b>On 18 May the EC has adopted RTS</b> on the ratio of unexecuted orders to transactions in order to prevent disorderly trading conditions under MiFID2.</p> <p><b>On 18 May the EC</b> has adopted a draft Delegated Regulation amending Delegated Regulation (EU) No 1222/2014 specifying the methodology for the identification of G-SIIs and subcategories.</p> <p><b>On 18 May ECB</b> has launched a second phase consultation on harmonising options and discretions (O&amp;Ds) in European banking legislation comprising the CRR, CRD 4 and the Delegated Act on the liquidity coverage ratio (LCR).</p> <p><b>On 19 May EC</b> has adopted RTS on access to regulated information at EU level under Article 22 of the Transparency Directive.</p> <p><b>On 20 May</b> a Delegated Regulation (2016/778) supplementing the BRRD on deferrals from paying extra ex-post contributions and criteria for determining critical functions and core business lines has been published in the OJEU.</p> <p><b>On 23 May EC</b> has adopted draft RTS on the valuation of liabilities arising from derivatives BRRD.</p> <p><b>On 23 May EC</b> has adopted a draft Delegated Regulation specifying RTS on assessment criteria relating to the methodology for setting the MREL under BRRD.</p> <p><b>On 24 May EBA</b> publishes final Guidelines on stress tests for DGSs</p>	<p>In <b>Oct 2016 EBA</b> will publish reports on the implementation of the MREL</p> <p>In <b>2016 the EC</b> will present concrete legislative proposals on the Digital Single Market</p> <p>In <b>2016 EU institutions</b> will start working on the design of a common fiscal backstop for the SRF</p> <p>In <b>2016 the EC</b> will bring forward a legislative proposal on TLAC</p> <p><b>Member States</b> are committed to striking a final deal on FTT by <b>June 2016</b></p>	
	EUROPE		

Continued on next page

Main regulatory actions around the world over the last month (cont.)

	Recent issues	Upcoming issues
EUROPE	<p><b>On 24 May EC</b> has adopted two Delegated Regulations under MiFID2 setting out RTS on the admission of financial instruments to trading on regulated markets and the suspension and removal of financial instruments from trading.</p> <p><b>On 25 May</b> a Delegated Regulation (2016/818) amending Implementing Regulation (EU) No 1030/2014 laying down ITS with regard to the uniform formats and date for the disclosure of the values used to identify G-SIIs has been published in the OJEU.</p> <p><b>On 26 May ESMA</b> has issued two final draft RTS on indirect clearing under MiFIR and EMIR</p>	
MEXICO	<p><b>On 01 May the National Banking and Securities Commission (CNBV)</b> identified the banks to be considered DSIB and subject to additional capital buffers: Scotiabank Inverlat, Banco Inbursa, HSBC México – each with a 0.6% buffer –, Banorte (0.90%), Banamex and Santander (1.20% each) and BBVA Bancomer with a 1.50% buffer. These banks will have 4 years from 2016 to meet the additional capital charges at a 25% yearly rate.</p>	<p><b>The CNBV</b> is expected to issue special accounting standards that will allow banks leeway in provisioning credits to clients and regions affected by the financial hardship experienced by Pemex.</p> <p><b>The CNBV</b> is expected to issue its leverage ratio rules, in line with the international standards according to a public review.</p> <p><b>The CNBV's</b> countercyclical and capital conservation buffer rules have passed the mandatory public review process and should be issued in the coming weeks</p>
LATAM	<p><b>On 6 May Colombian MoF</b> published some modifications of the guarantees and requirements for repo operations.</p> <p><b>Colombian Ministry of Finance</b> published modifications to the pension funds' investment regime allowing them to include alt. investments in their portfolios.</p> <p><b>Colombian Central Bank</b> included the investments in international subsidiaries as an element for the computations of banks' USD position.</p> <p><b>On 26 May in Argentina the Central Bank</b> raised reserve requirements by 2 percentage point for June and a similar percentage in July. Reserve requirements on sight deposits will increase by 2.5% and by 1.5% for term deposits. The measure would reduce quasi-fiscal costs for the Central Bank which had so far been sterilizing excess liquidity by placing short term bills (LEBAC) at very high nominal interest rates.</p>	<p><b>Colombian Congress</b> is studying a legislative reform that forbids charges for ATM withdrawals for accounts with average monthly transactions lower than three minimum monthly wages</p> <p><b>The Government of Colombia</b> will present a decree that modified the mandatory pension fund investment regime, modifying the limits for alternative investments</p>
USA	<p><b>On 26 April FDIC</b> adopted rule on deposit insurance for small banks</p> <p><b>On 03 May Agencies</b> consults on proposal for NSFR rule</p> <p><b>On 03 May Fed</b> issued notice on contractual resolution stays in financial contracts for U.S.GSIBs</p> <p><b>On 11 May Fed</b> announced reorganisation in order to reflect its commitment to financial stability and macroprudential policy</p> <p><b>On 16 May Agencies</b> launched consultation on Proposed Rule to Prohibit Incentive-Based Pay that Encourages Inappropriate Risk-Taking in FI</p> <p><b>On 24 May FDIC</b> released a report on Mobile banking</p>	<p>Regulators are working to <b>complete some of the pending reforms outlined by the Dodd-Frank Act</b> before the next administration takes office (2017)</p> <p><b>The Consumer Financial Protection Bureau</b> expects to issue final rules on <b>consumer protection for prepaid cards</b> in the spring of 2016 and on mortgage servicing by mid-2016</p> <p><b>The SEC</b> will publish a notice of proposed rule-making for <b>fiduciary standards</b> in Oct. 2016.</p>
TURKEY		<p><b>The Central Bank of Turkey</b> stated that the FSC will study regulations on CAR so as to prevent the negative impacts on banks of the new regulation and to conserve FX liquidity reserves</p> <p>Draft" regulation regarding auto-enrollment in the private pension system will require the participation of all employees aged 45 or less for six months. After the lock-up period, employees will be granted the option of leaving.</p>
ASIA	<p><b>On 29 April CSRC</b> required the Futures Exchange to enhance market regulation of futures trading in order to curb speculative moves as global commodity prices pick up.</p> <p><b>On 12 May the Government of India</b> enacted a new Bankruptcy Bill that will expedite the liquidation of distressed corporates, driven by third party professionals and within a max of 1-4 years previously. This will aid the banking sector in tackling high levels of NPLs.</p> <p><b>On 13 May CBRC</b> promulgated regulation on commercial banks' sales agent business. The move will the sale of financial products to clients by commercial banks.</p>	<p>China may be considering the establishment of a new cabinet office to co-ordinate financial and economic policy. The new cabinet would fall under the State Council</p>

Source: BBVA Research

## Abbreviations

<b>AIFMD</b>	Alternative Investment Fund Managers Directive	<b>FSB</b>	Financial Stability Board
<b>AMC</b>	Company for the Management of Assets proceeding from Restructuring of the Banking System (Bad bank)	<b>FTT</b>	Financial Transactions Tax
<b>AQR</b>	Asset Quality Review	<b>G-SIB</b>	Global Systemically Important Bank
<b>BCBS</b>	Basel Committee on Banking Supervision	<b>G-SIFI</b>	Global Systemically Important Financial Institution
<b>BIS</b>	Bank for International Settlements	<b>IAIS</b>	International Association of Insurance Supervisors
<b>BoE</b>	Bank of England	<b>IASB</b>	International Accounting Standards Board
<b>BoS</b>	Bank of Spain	<b>IHC</b>	Intermediate Holding Company
<b>BRRD</b>	Bank Recovery and Resolution Directive	<b>IIF</b>	Institute of International Finance
<b>CCAR</b>	Comprehensive Capital Analysis and Review	<b>IMF</b>	International Monetary Fund
<b>CCB</b>	Counter Cyclical Buffer	<b>IOSCO</b>	International Organization of Securities Commissions
<b>CCP</b>	Central Counterparty	<b>ISDA</b>	International Swaps and Derivatives Association
<b>CET1</b>	Common Equity Tier 1	<b>ITS</b>	Implementing Technical Standard
<b>CFTC</b>	Commodity Futures Trading Commission	<b>Joint Forum</b>	International group bringing together IOSCO, BCBS and IAIS
<b>CNMV</b>	Comisión Nacional de Mercados de Valores (Spanish Securities and Exchange Commission)	<b>LCR</b>	Liquidity Coverage Ratio
<b>COREPER</b>	Committee of Permanent Representatives to the Council of the European Union	<b>LEI</b>	Legal Entity Identifier
<b>CPSS</b>	Committee on Payment and Settlement Systems	<b>MAD</b>	Market Abuse Directive
<b>CRA</b>	Credit Rating Agency	<b>MiFID</b>	Markets in Financial Instruments Directive
<b>CRD IV</b>	Capital Requirements Directive IV	<b>MiFIR</b>	Markets in Financial Instruments Regulation
<b>CRR</b>	Capital Requirements Regulation	<b>MMFs</b>	Money Market Funds
<b>CSD</b>	Central Securities Depository	<b>MoU</b>	Memorandum of Understanding
<b>DFA</b>	The Dodd–Frank Wall Street Reform and Consumer Protection Act	<b>MPE</b>	Multiple Point of Entry
<b>DGSD</b>	Deposit Guarantee Schemes Directive	<b>MREL</b>	Minimum Requirement on Eligible Liabilities and own Funds
<b>EBA</b>	European Bank Authority	<b>MS</b>	Member States
<b>EC</b>	European Commission	<b>NRAs</b>	National Resolution Authorities
<b>ECB</b>	European Central Bank	<b>NSAs</b>	National Supervision Authorities
<b>ECOFIN</b>	Economic and Financial Affairs Council	<b>NSFR</b>	Net Stable Funding Ratio
<b>ECON</b>	Economic and Monetary Affairs Committee of the European Parliament	<b>OJEU</b>	Official Journal of the European Union
<b>EDIS</b>	European Deposit Insurance Scheme	<b>OTC</b>	Over-The-Counter (Derivatives)
<b>EIOPA</b>	European Insurance and Occupational Pensions Authority	<b>PRA</b>	Prudential Regulation Authority
<b>EMIR</b>	European Market Infrastructure Regulation	<b>QIS</b>	Quantitative Impact Study
<b>EP</b>	European Parliament	<b>RRPs</b>	Recovery and Resolution Plans
<b>ESA</b>	European Supervisory Authority	<b>RTS</b>	Regulatory Technical Standards
<b>ESFS</b>	European System of Financial Supervisors	<b>SCAP</b>	Supervisory Capital Assessment Program
<b>ESM</b>	European Stability Mechanism	<b>SEC</b>	Securities and Exchange Commission
<b>ESMA</b>	European Securities and Markets Authority	<b>SIB (G-SIB, D-SIB)</b>	Global-Systemically Important Bank, Domestic-Systemically Important Bank
<b>ESRB</b>	European Systemic Risk Board	<b>SIFI (G-SIFI, D-SIFI)</b>	Global-Systemically Important Financial Institution, Domestic-Systemically Important Financial Institution
<b>EU</b>	European Union	<b>SII (G-SII, D-SII)</b>	Systemically Important Insurance
<b>EZ</b>	Eurozone	<b>SPE</b>	Single Point of Entry
<b>FASB</b>	Financial Accounting Standards Board	<b>SRB</b>	Single Resolution Board
<b>FBO</b>	Foreign Bank Organisations	<b>SREP</b>	Supervisory Review and Evaluation Process
<b>FCA</b>	Financial Conduct Authority	<b>SRF</b>	Single Resolution Fund
<b>FDIC</b>	Federal Deposit Insurance Corporation	<b>SRM</b>	Single Resolution Mechanism
<b>Fed</b>	Federal Reserve	<b>SSM</b>	Single Supervisory Mechanism
<b>FPC</b>	Financial Policy Committee	<b>TLAC</b>	Total Loss Absorbing Capacity
<b>FROB</b>	Spanish Fund for Orderly Bank Restructuring	<b>UCITS</b>	Undertakings for Collective Investment in Transferable Securities Directive
<b>FSAP</b>	Financial Sector Assessment Program		

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