BBVA | RESEARCH

Financial Regulation Outlook

Second Quarter 2017 | REGULATION UNIT

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Summary

CRD V: State of play

Beginning of the negotiations in the Council and the Parliament. The presentation of the Commission's proposal last November was only the first step in the legislative process of the European Union. Now, work is being developed in the Council and the Parliament, both of which need to reach an internal agreement before a final text can be agreed. Even though there seems to be widespread support for the proposal, further technical details are still being discussed. It is not clear how long will this process take, although we can expect at least one year of negotiations.

Author: Pilar Soler

MREL: Unresolved issues

Parliament and Council negotiations. As of today, several topics regarding MREL are being hotly debated. Some are widely accepted such as the subordination proposal or the need to "grandfather" the new eligibility criteria. However, others are encountering more resistance such as the MREL-MDA relationship or the concept of MREL Guidance.

Author: Javier García

NPL - ECB guidelines

Among the identified sources of risks for the banking sector, heightened levels of non-performing loans (NPLs) stand out as one of the key supervisory priorities. Seeking to support banks to tackle this issue, the European Central Bank (ECB) published a guidance to banks on NPLs. Although it was a leading priority to be dealt with in 2016, it seems likely to remain at least until 2018, as it relies not only on banks and the ECB to tackle this issue but on other players (i.e. national policy makers or the potential buyers of these portfolios) who hamper its swift resolution. We provide an assessment on the content of this guidance and the effects for banks and the wider economy.

Authors: María Amparo Villoslada and Macarena Ruesta

Uncertainties surrounding Brexit

Article 50 and the future EU-UK relationship. The process that will leave the UK outside the EU has formally started. But uncertainties on the future relationship and its consequences remain, as it is unclear if the UK will be able to strike a deal in two years. Since the current equivalence regime is not reliable as a long term solution, the financial sector should prepare for a hard Brexit contingency.

Author: Matias Cabrera

Innovation and regulation

The need for a balanced framework. To take up the advantages of innovation, there is a need for a holistic approach that promotes new digital value propositions while protecting consumers and the financial system against the risks involved.

Author: Digital Regulation Unit

Creating sustainable opportunities

A lot of work to be done. There has been an increasing focus on sustainable finance and on the implications of climate change for financial stability since 2015. From a financial regulatory perspective, two leading projects are: the FSB's Task Force on Climate-related Financial Disclosures (TCFD) recommendations - at global level - and the creation of a European Expert Group on Sustainable Finance (EEGSF) in the EU.

Author: Arturo Fraile

1 CRD V: State of play

Beginning of the negotiations on the Commission's risk reduction package

In 2015, the Commission issued a communication including several steps towards the completion of the Banking Union. Among the steps mentioned, the Commission committed to work on further reducing risk in the Banking Union. The Commission's recent proposal (risk reduction package) can be framed within these actions aimed at reducing risk in the European Banking sector.

Towards the completion of the Banking Union

The risk reduction package presented by the Commission can be framed within the measures proposed by the Commission to further reduce risk in the Banking Union and with a view to its final completion. In a Communication of the Commission in 2015, the following measures were proposed:

- Reduction of national options and discretions
- Review of the Macro-prudential policy framework
- Harmonisation of national deposit guarantee schemes
- Final design of MREL and implementation of TLAC
- Operationalising the Single Resolution Fund
- Consistent application of Bail-In rules
- Insolvency Law
- Non-Performing Loans
- **Additional prudential measures: Leverage, stable funding, comparability of risk-weighted assets**
- Treatment of sovereign risk

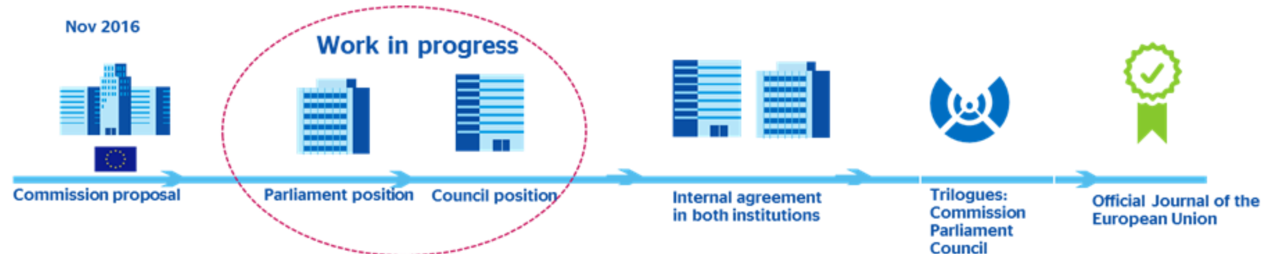
The Commission's proposal is a step in the right direction. It includes the implementation of several international standards into EU law (some regulatory pieces adopted by the Basel Committee after 2010 and the TLAC standard) and the introduction of a package of technical improvements (mainly identified as unintended consequences of the regulation in the Call for Evidence launched by the Commission).

State of play of the negotiations in the Council and Parliament

The presentation of the Commission's proposal last November was only the first step in the legislative process of the European Union. Now, work is being developed in the Council and the Parliament, both of which need to reach an internal agreement before a final text can be agreed. Even though there seems to be widespread support for the proposal, further technical details are still being discussed. It is not clear how long this process will take, although we can expect at least one year of negotiations.

Figure 1

The legislative process in the European Union



Source: BBVA Research

Negotiations in the Council

Negotiations in the Council of the European Union started last December, although technical discussions began with the new year. The approach taken in the discussion has been to divide the proposal into: i) prudential and ii) resolution issues, with both sides being dealt with separately. For the resolution discussion please see next article. Regarding the prudential side, the main issues being discussed include:

- **IFRS 9**: The industry is asking for a freezing of the impact of the new accounting standards until a global solution is reached or at least until the accounting provisions come into force in the US, in order to avoid an unlevel playing field between both jurisdictions. Instead, the Commission proposes to phase-in the impact on capital of the new international accounting standards. A fast-track is being considered for this issue in order to ensure that any provision will be in force in time for the application of IFRS 9 (Jan 2018).
- **Deviations from Basel**: The Commission's proposal included targeted deviations from the Basel agreed standards in order to recognise specificities of the European Union (mainly regarding NSFR and FRTB). Not all Member States seem to agree with these deviations and it is being discussed whether they should be kept in the European prudential framework.
- **Technical improvements**: alongside the transposition of international standards, the proposal also included technical adjustments to the prudential framework. The extension of the SME supporting factor is being discussed with divergent views over the scope that this extension should have.
- **Remunerations:** the discussion has centred around the divergent interpretation of proportionality among Member States and if it applies to small subsidiaries of large institutions or groups. The proposal wishes to harmonise the use of proportionality by establishing common thresholds.
- **Intermediate Holding Company**: almost all Member States consider that the current drafting is not clear enough and require further clarifications regarding the operational aspects of the measure.

Negotiations in the Parliament

Negotiations in the European Parliament have just begun and only a preliminary hearing has been held. Hokmark, Simon and Karas have been appointed as rapporteurs for this proposal. The intention is to have the report ready for June with rapporteurs voting by end-2017. Nevertheless there is a preference for quality over haste in the process. The Parliament prefers to keep a holistic view of the project and both sides (prudential and resolution) will be dealt with simultaneously. At this time in the negotiation MEPs have not gone deeply into the technical details of the proposal which is expected for coming sessions.

2 MREL: Unresolved issues

Status of the negotiations

As of today, the Commission's banking package which includes, among others, changes to the resolution framework, is being negotiated by the co-legislators. Discussions are more advanced at the EU Council where several technical aspects are being debated. Work at the EU Parliament is in a preliminary state although the intention is to vote a text by year end. The final package will most likely take at least one more year before it is approved at the EU level and will not be binding until it is transposed by Member States. Regarding MREL, there are two main unresolved issues which stand out in the negotiation process: the harmonisation of the creditor hierarchies and the new eligibility criteria.

Subordination

The Commission's proposal to harmonise the creditor hierarchies in Europe by creating a new senior non-preferred debt class to facilitate the issuance of MREL eligible liabilities, was separated from the rest of the BRRD in order to fast track its approval. The Commission's intention is for the proposal to be adopted by all Member States by July 2017. In general, the proposal is welcomed by many including the ECB which in a recently published opinion urged the co-legislators to approve it as a matter of urgency. Several reasons explain the need for a fast approval: i) **to reduce the existing divergences** in the treatment of senior debt across Member States, ii) **to foster an effective application of the bail-in tool** while minimising the risk of no creditor worse-off than in liquidation problems, iii) **to provide clarity** to banks and investors, and iv) **to allow banks to start building their MREL buffers** without delay. While many banks do not know yet the date on which they will have to comply with MREL, G-SIIs already know that, by 1 January 2019, they will need to hold an MREL of at least 16% of RWAs or 6% of their leverage ratio exposure. As of today, it is unclear whether the approval will be achieved on time since some stakeholders prefer not to separate it from the rest of the banking package, for consistency purposes. An alternative solution would be to allow Member States to proceed with an "anticipated transposition" of the proposed directive, before July 2017, but with the commitment to make the necessary adjustments once the final text is approved. It is crucial to provide legal certainty for banks willing to issue senior non-preferred debt as soon as possible.

Eligibility of issuances

The amendments to the CRR include new and stricter eligibility criteria for instruments to count towards MREL. Besides the already known maturity or subordination requirements, there are several new conditions, such as the prohibition to include acceleration clauses, the obligation to include a point of non-viability clause referring to the BRRD, and the obligation to include contractual bail-in clauses. These are not included in the outstanding contracts of eligible liabilities which means that they will not be MREL-eligible from the date when the new criteria becomes binding. In order to ensure the continued eligibility of outstanding issuances towards MREL, the Commission's **proposal should be amended so that the new eligibility criteria applies only to issuances made after the date of its entry into force**. The US authorities allow banks to compute issuances made prior to the entry into force of the TLAC rule until their maturity. A similar regime could be adopted in the EU.

3 NPL - ECB guidelines

Background

The **Single Supervisory Mechanism (SSM)**, in order to set out focus areas for supervision, builds on an assessment of key risks faced by supervised banks, bearing in mind developments within the economic, regulatory and supervisory environment.

Among the significant drivers of risk identified by the SSM, the high stock of **non-performing loans (NPLs)**[1] held by institutions deserved heightened attention. Seeking to help banks to tackle this issue, and after nearly one year of work by the NPL Task Force, **the European Central Bank (ECB) published a guidance to banks on NPLs**. Banks should engage on its proportionate implementation, regardless of its non-binding nature, as non-compliance with the guidance may trigger supervisory measures.

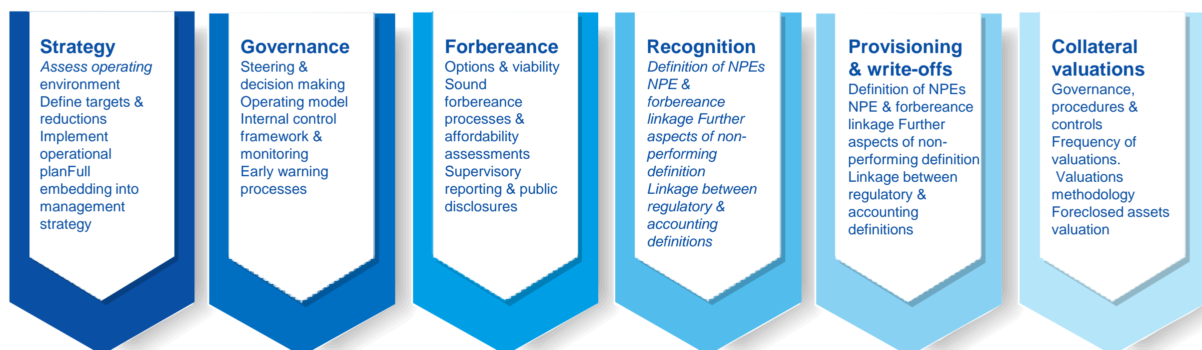
Content of the guidance

For the purpose of this guidance, the SSM defines a high NPL bank as a bank with an NPL level considerably higher than the EU average as defined by the EBA Risk Dashboard[2]. It is addressed to significant institutions under SSM direct supervision, but the SSM considers some chapters of the guidance (strategy, governance and operations) to be more relevant for high NPL-banks.

With a clear scope defined, the guidance follows the **NPL management lifecycle** including six chapters which cover: i) strategy, ii) governance and operations, iii) forbearance treatments, iv) NPL recognition[3], v) provisioning and write-offs and vi) collateral valuations.

Figure 2

NPL Management Lifecycle



Source: Guidance to banks on non-performing loans

1: In technical terms, the guidance addresses all non-performing exposures (NPEs), touching on performing exposures with a high risk of turning non-performing. NPL and NPE are used interchangeably within this guidance.
2: Last data: 5.1% in Q4 2016.
3: Banks should implement the definition of NPE and unlikely to pay criteria homogeneously in all parts of the group.

Assessment

Tackling down NPLs is not only relevant for banks, but for the wider economy. A reduction of these exposures will have an impact on bank profitability, capital allocation, credit concession (and therefore monetary policy transmission), and financial institutions' valuation.

We acknowledge the importance of the ECB guidance to banks on NPEs and consider it is adequate to enhance the quality of European bank's balance sheets. It will be very useful as it intends to provide a harmonised framework for NPL resolution across the Banking Union. Nevertheless, as long as national accounting rules continue to be applied, full comparison will not be possible.

It is important to highlight that, despite the fact that the guidance is applicable as of its date of publication, a phasing-in period has been granted. Institutions along with Joint Supervisory Teams (JSTs) should work together on a case-by-case basis, in order to decide a suitable time-bound action plan.

These supervisory efforts have a significant potential to deal with the NPL burden. Supervisory tools to implement the guidance on a mandatory basis – as part of the Supervisory Review and Evaluation Process (SREP) - are available. Europe's NPL burden should be solved in a comprehensive manner, taking into account the efforts already made in some countries, and no compulsory measures should be imposed on all banks. Aligned with this idea and the guidance, a stocktake of national supervisory practices and legal frameworks related to NPLs was released in the guidelines, identifying country challenges and possible enhancements.

Other institutional initiatives to dilute the NPL burden are under discussion. For instance, a **European Clearinghouse** (information platform without risk transfer) could be useful to foster NPL secondary market, increasing transparency and facilitating transactions. On the other hand, a **European Asset Management Company** (AMC) could be less preferable, as it could face difficulties given the different measures that have already been implemented in some countries, the heterogeneity of national assets and procedures, the short term costs for banks, and the mutualisation of risks. Moreover, depending on the price of transfer - at market value or at long-term (real) economic value - it could be enacted without being considered State Aid (in the European Clearinghouse case) or triggering State Aid rules (in the AMC case).

In any event, a proactive and coordinated approach will be desirable from all agents involved in NPEs' life cycle. Institutional initiatives such as increasing transparency, easing judicial procedures or fiscal harmonisation, are necessary to increase banks' asset quality, and strengthen its capacity to support the wider economy.

4 Uncertainties surrounding Brexit

Article 50 and the future EU-UK relationship

With the recent triggering of Article 50 of the TEU, the process that will leave the United Kingdom outside the European Union has formally started. But uncertainties on the future relationship and its consequences for financial firms have not been tempered. It is not clear whether the UK will be able to strike a deal within the next two years. Furthermore, since the current equivalence regime is not reliable as a long term solution, the financial sector should prepare to deal with a hard Brexit scenario.

Brexit was never thought to be an easy path, but despite the formal start of the process we have little clarity on what the final outcome might look like. The tough stance on both sides of the English Channel increases the likelihood of the UK leaving without a new relationship agreement (or at least one that does not contemplate access to the single market for financial services). The 2 years deadline is not going to help either. As a consequence of Brexit, the UK would become a third-country for the purpose of financial regulation. Considering a "*hard Brexit*" (currently the baseline scenario following May's "*Brexit means Brexit*" and her Lancaster House speech), the lack of agreement means that UK-based firms will lose their passport for financial services. This represents a serious threat for those institutions based on the UK, particularly wholesale institutions which will not be able to keep on providing financial services for EU clients.

This situation is particularly problematic for the UK, whose current account depends on financial services exports. But even if the consequences of Brexit are expected to be more severe for the UK, there will be associated costs for the EU as well. Such is the case for market infrastructures. EU financial firms can use non-EU CCPs only if they have been recognised by ESMA, and if the country in which these CCPs are located is granted equivalence. This means that trading through UK-based CCPs might not be acceptable by EU authorities. This would lead to a fragmentation of the liquidity pool, which in turn could lead to an increase in costs. Nevertheless, these costs, while non-negligible, should not be disruptive for the EU since there are alternatives to the City (arguably less efficient than current arrangements). A limited transition period that grants additional time to adjust to the new situation, alongside grandfathering rights for current contracts, would help to reduce uncertainties, limiting the damage.

Is equivalence the solution?

The third-country equivalence regime might temper the negative outcomes in the short-run as it could provide for market access for non-EU firms. But it is insufficient as a long term solution since it is only a piecemeal approach: there are pieces of legislation that do not include a third-country regime, or that only allow the equivalence for limited purposes. Furthermore, equivalence can be withdrawn at any moment if the scheme is no longer deemed to be equivalent. Finally, for this alternative to work we need two assumptions: i) the third country adjusts its regulation following the EU (something the UK might not be so enthusiastic about), and ii) the EU is willing to rely on the third-country's supervision regime (something it might not be so eager to do considering the significance of the EU operations in the UK).

Some voices have asked for a revision of this regime, seeking for "*broad global standards of equivalence*". The idea is to grant equivalence based on compliance with globally agreed regulatory standards, instead of a "*line-by-line*" revision of the regulatory setting. While this idea has merits on its own and should have been considered even without Brexit, any revision of the framework should not be limited only to deal with the threats posed by Brexit. A comprehensive revision of the equivalence framework should be in the benefit of EU financial stability, and not to provide a backdoor to grant access to the single market for financial services.

5 Innovation and regulation

The need for a balanced framework

To take up the advantages of innovation, there is a need for a holistic approach that promotes new digital value propositions while protecting consumers and the financial system against the risks involved.

The digitisation of the financial sector is an opportunity to improve the efficiency of the system and to offer new value propositions to the customers. However, this digital revolution also raises new challenges for the stability and integrity of the financial system and for the protection of consumers.

Regulation and a more intensive supervision (compared to other sectors) are necessary in the financial sector, to achieve four main objectives: i) promote the stability of the financial system, avoiding systemic risk, bank runs and the malfunctioning of payment services; ii) maintain the safety and solvency of banks; iii) protect consumers of financial services, and iv) improve the efficiency and competition of the system. However, the promotion of innovation has often been a subsidiary objective for the authorities, if not completely disregarded. This means the digital transformation of the financial system often faces regulatory obstacles. In some cases these obstacles are explicit prohibitions, but in many others it is precisely the absence of a specific regulatory and supervisory framework which is stifling innovation. There are projects that do not fit easily into the existing regulatory framework, meaning they face an uncertainty which is either delaying projects (awaiting the approval of the authorities) or blocking them before their launch onto the market to avoid regulatory risks, because of the legal uncertainty and lack of trust being generated.

To take up the advantages of innovation, there is a need for a holistic approach that promotes new digital value propositions while protecting consumers and the financial system against the risks involved. This requires a breadth of vision on all interested parties, both public authorities and the private sector, that could exploit these opportunities, overcoming the obstacles that currently exist.

Communication between the authorities and the private sector is a key pillar of the process. For this to be effective, the mechanisms for dialogue need to be simple and agile. Thus, one could coordinate a service for companies provided by the authorities to guide them in their dealings with the regulatory and supervisory framework. A kind of *regulatory hotline* would thus be set up that would allow entities to understand how regulation affects a particular activity or business model, resolve specific questions or receive help with filing applications or meeting requirements. This service would involve formalising a specific channel for the resolution of regulatory uncertainty in a defined period of time which is consistent with market innovation cycles.

In addition, the authorities need to have appropriate environments for experimentation (increasingly known as "*regulatory sandboxes*"). These would be used by the authorities, traditional operators and new entrants to test new technologies and business models with real customers, without having to bear the full weight of regulation from the outset or wait for it to be defined. This means that the authorities would provide some

flexibility and regulatory certainty in a controlled environment in which the tests are limited in terms of substance and time and there are special forms of consumer protection. This would help both players. On the one hand, companies could try out innovative solutions earlier (and with lower costs), and on the other, the authorities could get to know these innovations better, understand their benefits and risks, and identify any necessary changes in the regulatory and supervisory framework.

6 Creating sustainable opportunities

A lot of work to be done

There has been an increasing focus on sustainable finance and on the implications of climate change for financial stability since 2015. From a financial regulatory perspective, two leading projects are: the FSB's Task Force on Climate-related Financial Disclosures (TCFD) recommendations - global level - and the creation of a European Expert Group on Sustainable Finance (EEGSF) in the EU. Nevertheless, sustainable finance is at a very nascent stage and there is still a lot of work to be done.

A step in the right direction

The TFCD's Recommendations aim at being adoptable by all organisations (not just the financial industry). They are expected to foster institutions' governance, strategy and risk management while at the same time bolstering the opportunities derived from the transition to a lower-carbon economy. Their three main goals are to[4] **i)** promote alignment across existing disclosure regimes; **ii)** consider the perspectives of users and the concerns of preparers of climate-related financial disclosures; **iii)** be efficiently implemented by organisations in their financial reporting.To achieve these goals, internationally accepted definitions of the key concepts, such as the definition of carbon-related assets are a must.

From the financial industry's perspective, the TFCD's Recommendations will be helpful for reducing investors' uncertainty, as they will be able to make better-informed decisions. Furthermore, the Recommendations will shed some light on policymakers' understanding of the risks and the market context. In that vein, physical, transition and liability risks have to be considered. Physical risks refers to the impact that climate and weather-related events, such as natural disasters, can have on insurance liabilities and on financial assets. Transition risks could materialise if transition to a low-carbon economy occurs late and abruptly, implying significant changes in the policies and the prices of fossil fuels and related assets. Liability risks could emerge if parties who have suffered the consequences of climate change seek compensation from those they consider responsible[5].

A global sustainable finance strategy should be a common goal and the EU has the potential to play a leading role in this field. The creation of an EEGSF, which started its work last January, is a milestone towards this objective. It was established by the European Commission in its priorities for 2017 for completing the Capital Markets Union.

The EEGSF's main task is to develop a comprehensive European strategy on sustainable finance, by supporting investment in green[6] technologies and ensuring that the financial system can finance growth in a way that is sustainable. In order to achieve this the Group will provide policy recommendations for mobilising public and private capital towards sustainable projects while minimising the materialisation of possible risks in the financial system derived from the exposure to carbon intensive assets.

4: Sources: The FSB-TCFD's Recommendations Report, the Technical Supplement on the Use of Scenario Analysis, and the Annex-Letter: Assessment & Summary.
5: Insurance and reinsurance sectors will be affected as a consequence of their role as insurers of third-party liability claims.
6: Currently, there is no an *official* definition for *green.* The *green certificate* is obtained through an environmental consultant and it is granted to the support of specific environmental initiatives.

Other sustainable initiatives and projects to be aware of

Financial instruments and projects have to abide by some requirements to be considered sustainable. Broadly speaking, a green authentication has to be provided by an independent environmental consultant. Furthermore, it has to comply with the Environmental, Social And Governance (ESG) Criteria, with the goal of the project being specifically environmental (e.g. for renewable energies). Last but not least, there are specific principles depending on the type of products (e.g. the Green Bond Principles for bonds).

At global level, the International Finance Corporation (IFC), a World Bank Group member, has recently launched a programme offering a broader range of investment opportunities in triple-A rated assets that meet ESG standards. It combines its already existing *Inclusive Business* and *Banking on Women bond programmes*. The IFC expects to increase the issuance volume of its responsible social bonds -through benchmarks bonds, private placements and retail market bonds. This new Programme on Social Bonds is aligned with ICMA's Social Bond Guidance and includes the four core components of the Green Bond Principles[7].

In Europe, green financial instruments are also gaining traction. Poland and France have already issued their respective Green Sovereign Bonds. The European Covered Bond Council is working on an initiative on Energy Efficient Mortgages that has the explicit support of the European Commission. Finally the Centre for Climate Change Economics and Policy has recently released its agenda for stimulating private market development in green securitisation.

Concluding remarks

A credible and and internationally accepted framework that provides financial stability to the financial projects is of the utmost importance. In that vein, two necessary conditions need to be highlighted: **i)** overlappings and inconsistencies with existing requirements have to be avoided because they can be misleading to investors and stakeholders; **ii)** Fluid and clear communication, cooperation and coordination among all the players - organisations, international bodies and standard setters - is of the utmost importance.

The main challenge is making the best economic and financial decisions today, bearing in mind relevant future implications in the coming years of those choices, and at the same time avoiding severe financial shocks and losses in asset values. **Last but not least, the current digital transformation** can be used as the lever for the enhancement of valuable information and its disclosure.

7: Use of proceeds, process for project evaluation and selection, management of proceeds, and reporting.

Main regulatory actions around the world over the last months

	Recent issues	Upcoming issues
GLOBAL	**On January 5,** BIS announces delay in the finalisation of Basel III framework	
	On January 12, FSB publishes policy recommendations for asset management activities	
	On January 25, FSB publishes reports on re-hypothecation of assets and on non-cash collateral re-use	
	On February 1, FSB consults on guidance for CCP resolution and resolution planning	
	On February 7, IOSCO publishes report on the implementation of Financial Benchmarks	
	On February 8, IOSCO publishes report on Fintech	
	On February 23, IOSCO publishes report on loan funds	
	On February 28, BIS publishes Basel III Monitoring Report	
	On February 28, CPMI-IOSCO published guidance on Unique Transaction Identifier	
	On March 13, FSB consults on Unique Transaction Identifier (UTI) governance	
	On March 15, BIS consults on identification and management of step-in risk	
	On March 17, FSB publishes priorities under the German G20 presidency	
	On March 24, BIS publishes report on the implementation assessment of Basel III	
EUROPE	**On January 10,** EC announces package to remove barriers to trade in services in the Single Market	
	On January 20, EC launches consultation on the planned CMU mid-term review	
	On January 20, EC has adopts Delegated Regulation amending errors in RTS for risk-mitigation techniques for OTC derivative contracts not cleared by CCP	
	On January 30, EP publishes study on three potential concepts for the future EU-UK relationship in financial services following Brexit	
	On January 11, EBA updates recommendation on equivalence of supervisory regimes	
	On January 13, EBA updates Risk Dashboard	
	On January 18, EBA and ESMA call to clarify margin requirements between CRR and EMIR	
	On January 23, ESAs publish response to EC on amendments proposed to draft RTS on key information documents for PRIIPS	
	On January 16, ESMA releases technical requirements and templates further detailing the relevant reporting requirements under MIFID II and MIFIR	
	On January 18, EBA and ESMA publish joint report on the functioning of the CRR EMIR	
	On January 31, ESMA consults future guidelines on the transfer of data between trade repositories authorised under EMIR	
	On February 7, EC adopts Delegated Regulation on classes of arrangements to be protected in a partial property transfer under Article 76 of the BRRD	
	On February 25, Commission Delegated Regulation (EU) 2017/323 correcting Delegated Regulation (EU) 20016/2251 with regard to RTS for risk-mitigation techniques for OTC derivative contracts not cleared by a CCP	
	On February 15, EP adopts resolution on 2016 Annual Report on Banking Union	
	On February 14, Council and EP agree on proposed Regulation to facilitate consumer involvement in policy making in the financial services sector	
	On February 20, Council agrees on general approach to strengthen cooperation between national consumer protection authorities	
	On February 9, EBA publishes final draft technical standards on exclusion from CVA of non-EU non-financial counterparties	
	On February 10, EBA updates list of institutions involved in the 2017 supervisory benchmarking exercise	
	On February 10, ESAs consult on the establishment of central contact points to strengthen fight against financial crime	
	On February 16, EBA consults on procedures for complaints of alleged infringements of the PSD2	
	On February 23, ESAs publish statement on variation margin exchange	
	On February 1, ESMA publishes framework for its 2017 pan-EU stress test on CCPs	
	On February 3, ESMA publishes Annual Report and Supervision Work Programmes	
	On February 3, ESMA publishes Practical Guide to national rules on major holdings notifications under the Transparency Directive	
	On February 7, ESMA publishes its Risk Assessment Work Programme	
	On February 9, ESMA publishes 2017 Supervisory Convergence Work Programme	
	On February 9, ESMA publishes revision of its draft ITS on position reporting under MiFID II	
	On February 10, ESAs consult on PRIIPs with environmental or social objectives	
	On February 28, ESMA issues implementing rules for package orders under MiFID II	
	On February 3, OJEU publishes Delegated Regulation regarding RTS for benchmarking portfolio assessment standards	
	On February 17, ECB consults on draft amendments to Regulation on reporting of supervisory financial information	
	On February 28, EBA publishes results of the CRD IV-CRR/Basel III monitoring exercise as of end June 2016	
	On March 1, EC publishes a white paper on the future of Europe	
	On March 2, EC adopts draft Delegated Regulation amending EMIR with regard to the list of exempted entities	
	On March 8, EC adopts amended RTS on key information documents under PRIIPs Regulation	
	On March 16, EC adopts Delegated Regulation on the deadline for compliance with clearing obligations for certain counterparties dealing with OTC derivatives under EMIR	
	On March 21, EC consults on the operations of the ESAs.	
	On March 22, EC publishes impact assessment on a review of the appropriate prudential treatment for investment firms under CRD IV and CRR	
	On March 14, EP adopts revised Shareholders' Rights Directive	
	On March 1, EBA consults on specification of an economic downturn	
	On March 2, EBA consults on coverage of entities in banking group recovery plans	
	On March 3, EBA publishes assessment of EU banks internal model outcomes	
	On March 3, EBA provides transparent and harmonised information on asset encumbrance	
	On March 8, EBA publishes final guidelines on LCR disclosure	
	On March 10, EBA issues revised list of ITS validation rules	
	On March 15, EBA updates list of OSIIs in the EU	
	On March 23, ESMA issues final reports on two sets of guidelines regarding the implementation of the Central Securities Depositary Regulation	
	On March 20, ECB publishes final guidance on Non-Performing Loans	
	On March 23, ECB publishes annual report on supervisory activities	
	On March 7, European Payments Council publishes white paper on mobile payments	

	Recent issues	Upcoming issues
MEXICO	**On 6 January,** CNBV publishes adjustments to mortgage and non-revolving consumer credit rating and capitalisation rules **On 14 February,** Banco de México publishes amendments to Circular 22/2010 on basic accounts for the general public, allowing for the distribution of government subsidies through basic accounts **On 21 March,** the Secretariat of Finance released its Fintech law project, a first draft for discussion with the financial sector	
LATAM	**Argentina:** **On March 2,** BCRA reduces reserve requirements of bank deposits by 2% reverting partially the 4% increase made last year **Brazil:** **On January 30**, Central Bank amends internal rules incorporating guidelines to decide and communicate requirements in terms of additional countercyclical capital **On January 30**, Brazilian financial authorities announced segmentation of financial institutions to allow prudential regulation to be applied differently depending on the characteristics of financial institutions **On February 23** local authorities set requirements in terms of both risk and capital management for local financial institutions **On March 9,** Central Bank adjusts current regulation to allow the use of new forms of electronic signature in exchange rate contracts **Peru:** **On January** Central Bank cuts reserve requirements in domestic currency **On February 27,** Central Bank cuts reserve requirements in foreign currency **The Ministry of Economy** launched a repatriation holidays for foreign income generated until December 31th, 2015. This facility is available until December 29th, 2017	On April, further reduction in reserve requirements
USA	**On January 13,** Extended period for comments on the advance notice of proposed rulemaking on enhanced cyber risk management standards **On January 30,** Finalised stress testing rules removing non-complex firms from qualitative aspect of CCAR effective for 2017 **On February 2,** Scenarios released for 2017 Comprehensive Capital Analysis and Review and Dodd-Frank Act stress test exercises **On March 15**, OCC Issues Draft Licensing Manual Supplement for Evaluating Charter Applications From Financial Technology Companies **On March 21,** FFIEC member agencies published a report on findings of a review of rules affecting financial institutions describing several joint actions planned or taken by the federal financial institutions regulators	**On April 5**, resignation of Daniel Tarullo, FRB Governor becomes effective. **CFPB** - Request for Information on the Use of Alternative Data and Modelling Techniques in the Credit Process **(Deadline May 19, 2017)**
TURKEY	**On January 11**, Banks' borrowing limits at the CBRT Interbank Money Market lowered to TL 22 billion and foreign exchange reserve requirement ratios reduced by 50 basis points for all maturity brackets **On January 17,** Banks' borrowing limits at the CBRT Interbank Money Market have been reduced to TL 11 billion Decision to open Foreign Exchange Deposits against Turkish Lira Deposits market **On February 17,** CBRT announced that repayments of rediscount credits can be made in TL provided that they are paid at maturity. CBRT's exchange rate announced on January 2, 2017 (USD/TRY 3.53) applicable **On January 24**, CBRT increased O/N lending rate by 75bps and the late liquidity window by 100bps. Interest Rate Corridor: 7.25%-9.25%, One week repo rate: 8.00%, Late liquidity window rate: 11.00% **On March 6,** CBRT keeps overnight borrowing rate, one-week repo (policy) rate, overnight lending rate at 9.25% and increases late liquidity window rate +75bps Wealth fund set up with initial capital of TL 50 Mn. CBRT increases remuneration rates applied to required reserves in USD from 0.75% to 1.00%	
ASIA	**On January 13**, PBOC stepped up regulatory oversight on the country's fast growing third-party payment industry, effective from April 17. **On March 7**, CBRC launches investigation into credit risk. Lending to overcapacity and property sectors are to be given particular scrutiny. To be completed before end-March with a special report by May **On March 20**, CBRC announces a set of rules to streamline red tape and open the domestic market to foreign banks. These include: 1) no licence requirement for Chinese treasury bond underwriting; 2) locally incorporated foreign banks can make direct investments in Chinese financial institutions; 3) Chinese enterprises encouraged partnering with foreign banks for their internationalisation **On March 24**, India's Finance Ministry introduces the Standing Lending Facility to absorb surplus liquidity in the banking system	

Source: BBVA Research

Abbreviations

AIFMD	Alternative Investment Fund Managers Directive	**FSB**	Financial Stability Board
AMC	Company for the Management of Assets proceeding from Restructuring of the Banking System (Bad bank)	**FTT**	Financial Transactions Tax
AQR	Asset Quality Review	**G-SIB**	Global Systemically Important Bank
BCBS	Basel Committee on Banking Supervision	**G-SIFI**	Global Systemically Important Financial Institution
BIS	Bank for International Settlements	**IAIS**	International Association of Insurance Supervisors
BoE	Bank of England	**IASB**	International Accounting Standards Board
BoS	Bank of Spain	**IHC**	Intermediate Holding Company
BRRD	Bank Recovery and Resolution Directive	**IIF**	Institute of International Finance
CCAR	Comprehensive Capital Analysis and Review	**IMF**	International Monetary Fund
CCB	Counter Cyclical Buffer	**IOSCO**	International Organization of Securities Commissions
CCP	Central Counterparty	**ISDA**	International Swaps and Derivatives Association
CET1	Common Equity Tier 1	**ITS**	Implementing Technical Standard
CFTC	Commodity Futures Trading Commission	**Joint Forum**	International group bringing together IOSCO, BCBS and IAIS
CNMV	Comisión Nacional de Mercados de Valores (Spanish Securities and Exchange Commission)	**LCR**	Liquidity Coverage Ratio
COREPER	Committee of Permanent Representatives to the Council of the European Union	**LEI**	Legal Entity Identifier
CPSS	Committee on Payment and Settlement Systems	**MAD**	Market Abuse Directive
CRA	Credit Rating Agency	**MiFID**	Markets in Financial Instruments Directive
CRD IV	Capital Requirements Directive IV	**MiFIR**	Markets in Financial Instruments Regulation
CRR	Capital Requirements Regulation	**MMFs**	Money Market Funds
CSD	Central Securities Depository	**MoU**	Memorandum of Understanding
DFA	The Dodd–Frank Wall Street Reform and Consumer Protection Act	**MPE**	Multiple Point of Entry
DGSD	Deposit Guarantee Schemes Directive	**MREL**	Minimum Requirement on Eligible Liabilities and own Funds
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	**OJEU**	Official Journal of the European Union
EDIS	European Deposit Insurance Scheme	**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	**TLAC**	Total Loss Absorbing Capacity
FROB	Spanish Fund for Orderly Bank Restructuring	**UCITS**	Undertakings for Collective Investment in Transferrable Securities Directive
FSAP	Financial Sector Assessment Program		

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