

Financial Regulation: Weekly Update

25 May 2018

Regulation Unit

Highlights

Council agrees general position on the banking package. EC issues a proposal for regulation on SBBS and concrete actions on sustainable finance. EBA consults on technical standards and guidelines to quantify downturns for LGD, and updates OSII list. Spanish Economy Ministry consults on sandbox proposal. U.S. Congress passes a financial regulation relief Bill.

EUROPE

- Council agrees general position on the banking package

Common position on the [amendments](#) to the CRD, CRR, BRRD and SRMR. Now it is necessary that Parliament reaches an internal position before final rules can be agreed between Council, Parliament and Commission.

- EC publishes a proposal for a regulation on Sovereign Bond-Backed Securities (SBBS)

Seeks to enable a regulatory framework for [SBBS](#) (which are claims on a portfolio of euro-area government bonds). They would be issued by the private sector and do not require mutualisation. Feedback until: 19 Jul.

- EBA consults on the estimation of an economic downturn and the estimation of the appropriate LGD

i) [Technical Standards](#) specifying nature, severity and duration of an economic downturn and ii) [Guidelines](#) with the different methods to be used to quantify downturn LGD estimates. Deadlines: 22 Jun.

- EC proposes concrete actions on sustainable finance

It [proposes](#): i) EU classification system (taxonomy), ii) institutional investors should integrate environmental, social and governance (ESG) factors into decision-making process, iii) low-carbon benchmarks and, iv) include ESG factors in the advice given to clients. Proposes regulation on [benchmarks](#) (feedback: 20 Jul), distribution of [insurance-based](#) investment products (feedback: 20 Jul), and [MiFID II](#) suitability requirements (feedback: 21 Jun).

- EBA updates list of O-SIIs in the EU

The list is composed of institutions that have been [identified as O-SIIs](#) according to the EBA guidelines. It also shows the additional capital buffers that the relevant authorities have set for the O-SIIs.

Creating Opportunities

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- EC proposes new rules to improve Small and Medium Enterprises' (SME) access to capital markets

Within the CMU project, this [proposal](#) seeks to make it easier to access the “SME Growth Market”, a specific trading venue for small issuers, and to foster the liquidity of publicly-listed SME shares. [Feedback](#) until: 21 Jun.

- EBA releases updated data on DGS throughout the EU

[It shows](#): i) 32 of 43 DGSs have increased their funds since Dec 2016, ii) 6 DGSs have decreased funds, and iii) the rest show no important changes. Target level of 0.8% of covered deposits achieved by 17 of 43 DGSs.

- ESMA updates Q&As on benchmarks regulation

Provides a [new answer](#) regarding how prospectuses should include reference to the register of administrators and benchmarks.

SPAIN

- Ministry of Economy consults on proposal regarding the digital transformation of the financial system

It [presents](#) a series of structural elements and functional features that regulatory sandboxes should have. It seeks to enhance consumers' protection while facilitating technological innovation in financial services. Deadline: 7 Jun.

- Council of Ministers approved the bill on payment services

Transposes [PSD2](#) and establishes the obligation to offer consumers the option to use other instruments presented in the law (such as mobile payments), as an alternative to cash, when they exceed € 30.

- BdE publishes annual report

The [report](#) shows the main risks and vulnerabilities of the Spanish economy in the short and long term. It also reviews the main challenges that the Spanish banking industry faces.

UNITED KINGDOM

- PRA consults on its approach to EU's Securitization Regulation

It sets out its [approach](#) to the European regulation on securitization, on revised aspects of the CRR securitization capital framework, and its expectations regarding Significant Risk Transfer securitizations. Deadline: 22 Aug.

UNITED STATES

- [US Congress passes the Economic Growth, Regulatory Relief, and Consumer Protection Act](#)

It provides [regulatory](#) relief mainly to community and regional banks. Among other measures, it increases the threshold for Enhanced Prudential Standards and stress tests, it exempts smaller banks from the Volcker Rule, and allows the use of certain municipal obligations as high-quality liquid assets for the purpose of LCR.

- [OCC issues bulletin with guidance for short-term small-dollar instalment lending](#)

These core [lending](#) principles encourage banks to offer responsible loans to help meet the credit needs of consumers in a manner that guarantees fair access and fair treatment.

- [CFTC issues advice for virtual currency products, and signs agreement with NASAA](#)

i) It [provides](#) guidance to exchanges and clearing houses on certain enhancements when listing virtual currency derivatives and, ii) [agreement](#) with the North American Securities Administrators Association on mutual cooperation to share confidential information, between the federal commodity regulator and state securities agencies.

Recent publications of interest (in English and Spanish):

- [Press Article](#). Liquidity or moratorium? March 2018
- [Press Article](#). Sustainable finance: less and less green. March 2018
- [Banking Outlook](#). May 2018
- [Financial Regulation Outlook](#). April 2018
- [Digital Economy Outlook](#). March 2018

Previous editions of our Weekly Regulatory Update in [Spanish](#) and [English](#).

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