

# Financial Regulation: Weekly Update

29 June 2018

Regulation Unit

## Highlights

EBA consults on guidelines on outsourcing, and issues opinion on banks' preparation for Brexit. ECB announces methodology to calculate ESTER. ESMA issues opinion on CCPs liquidity risk assessment. BoE published its financial stability report. Finally, FRB published the stress test results (CCAR).

## EUROPE

- EBA issues consultation on draft guidelines on outsourcing

Reviews existing guidelines on [outsourcing arrangements](#) that applied only to credit institutions. It seeks to establish a harmonised framework for all financial institutions (firms subject to CRD and PSD2). Deadline: 24 Sep.

- EBA issues opinion on financial institutions' preparations for Brexit

Progress on [preparations](#) is inadequate. Firms should not rely on public sector solutions or on the transition period. Firms should identify risk channels to take proper actions (e.g. reliance on UK CCPs, or funding markets).

- ECB announces methodology for calculating Euro Short-Term Rate (ESTER)

[ESTER](#) is exclusively based on borrowing transactions in euros conducted with financial counterparties that banks report under MMSR Regulation. The new unsecured overnight interest rate will be published by Oct 2019.

- ESMA issues opinion regarding CCPs liquidity risk assessment

Aimed at promoting convergent risk management practices and control, the [opinion](#) sets out how CCPs in the EU should assess liquidity risk in their internal risk models.

- EBA updates two guides on supervisory data

Following changes introduced by IFRS 9 on reporting framework, it issues a [guide](#) on how to compile risk indicators and detailed risk analysis tools, and another on compiling IMF Financial Soundness Indicators with EBA ITS data.

## UNITED KINGDOM

- BoE publishes its financial stability report

Banks are in a [strong](#) position, with domestic risks contained but material global risks. It highlights risks posed by Brexit, cybersecurity and reliance on Libor. Keeps the countercyclical capital buffer at 1% (applicable from 28 Nov).

- BoE publishes statement on its approach to financial services legislation after Brexit

Under the European Union (Withdrawal) Act, it states the [intention](#) to provide transitional relief to ensure that firms have sufficient time to comply with any changes in the regulatory framework.

- PRA issues a series of policy statements and supervisory statement

i) Policy statement with changes to the [large exposure](#) framework (such as references to resolution exemptions); ii) policy statement setting out final rules on regulated [fees and levies](#) rates, iii) updated policy statement to include the EU [Benchmarking](#) Regulations Instrument 2018, and iv) supervisory statement update regarding guidelines for completing [regulatory reports](#)

## UNITED STATES

- FRB publishes results from Comprehensive Capital Analysis and Review (CCAR)

It assessed the [capital plans](#) for 34 banks, with only one objection because of qualitative concerns, and 3 banks receiving a conditional non-objection. The capital plans for all remaining banks were not objected.

- Federal Agencies issue list of distressed or underserved geographies for the purpose of CRA

This is list of [locations](#) where revitalization and stabilization activities are eligible to receive consideration under the Community Reinvestment Act.

- CFTC sign new MoU with the SEC, and proposes amendments for self-regulatory organizations (SRO)

i) The [MoU](#) seeks to guarantee the cooperation, information sharing and coordination between the agencies. ii) Under the KISS initiative, it seeks to [simplify](#) the obligations imposed on SRO by revising minimum standards.

- OCC revises and updates its supervisory Handbook

Revised [booklets](#) for “Bank Supervision Process”, “Community Bank Supervision”, “Compliance Management Systems” and “Large Bank Supervision”. Update booklet for “Federal Branches and Agencies Supervision”

## Recent publications of interest (in English and Spanish):

- [Press Article](#). Completing the Banking Union is a priority. June 2018
- [Press Article](#). Regulatory reform in the USA: From words to deeds. June 2018
- [Regulation Watch](#). From words to action: Recent regulatory reforms in the U.S. June 2018
- [Regulation Watch](#). Europa | Funding before and in resolution. May 2018
- [Financial Regulation Outlook](#). June 2018
- [Banking Outlook](#). May 2018

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

## DISCLAIMER

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

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.

## Regulation

**Lead Economist**  
Ana Rubio  
arubiog@bbva.com

**Arturo Fraile**  
arturo.fraile@bbva.com

**Victoria Santillana**  
mvictoria.santillana@bbva.com

**Matías Daniel Cabrera**  
matiasdaniel.cabrera@bbva.com

**Pilar Soler**  
pilar.soler.vaquer@bbva.com

**Javier García Tolonen**  
javierpablo.garcia@bbva.com

**Álvaro Romero Mateu**  
alvaro.romero.mateu@bbva.com

**Salvador Bekiaropoulos Donate**  
salvador.bekiaropoulos@bbva.com

## BBVA Research

**Chief Economist BBVA Group**  
Jorge Sicilia Serrano

**Macroeconomic Analysis**  
Rafael Doménech  
r.domenech@bbva.com

**Digital Economy**  
Alejandro Neut  
robertoalejandrom.neut@bbva.com

**Global Macroeconomic Scenarios**  
Miguel Jiménez  
mjimenezg@bbva.com

**Global Financial Markets**  
Sonsoles Castillo  
s.castillo@bbva.com

**Long-Term Global Modelling and Analysis**  
Julián Cubero  
juan.cubero@bbva.com

**Innovation and Processes**  
Oscar de las Peñas  
oscar.delaspenas@bbva.com

**Financial Systems and Regulation**  
Santiago Fernández de Lis  
sfernandezdelis@bbva.com

**Digital Regulation and Trends**  
Álvaro Martín  
alvaro.martin@bbva.com

**Regulation**  
Ana Rubio  
arubiog@bbva.com

**Financial Systems**  
Olga Cerqueira  
olga.gouveia@bbva.com

**Spain and Portugal**  
Miguel Cardoso  
miguel.cardoso@bbva.com

**United States**  
Nathaniel Karp  
nathaniel.karp@bbva.com

**Mexico**  
Carlos Serrano  
carlos.serranoh@bbva.com

**Middle East, Asia and Big Data**  
Álvaro Ortiz  
alvaro.ortiz@bbva.com

**Turkey**  
Álvaro Ortiz  
alvaro.ortiz@bbva.com

**Asia**  
Le Xia  
le.xia@bbva.com

**South America**  
Juan Manuel Ruiz  
juan.ruiz@bbva.com

**Argentina**  
Gloria Sorensen  
gsorensen@bbva.com

**Chile**  
Jorge Selaive  
jselaive@bbva.com

**Colombia**  
Juana Téllez  
juana.tellez@bbva.com

**Peru**  
Hugo Perea  
hperea@bbva.com

**Venezuela**  
Julio Pineda  
juliocesar.pineda@bbva.com