

# Financial Regulation: Weekly Update

13 July 2018

Regulation Unit

## Highlights

ECB announces a series of measures for NPLs. ESRB and SRB issue their annual reports. ESMA consults on clearing obligations, and issues statement on Brexit. Spanish Ministry of Economy issues draft law for the sandbox regulation. UK government issues Brexit white paper. US Agencies issue joint statement on the application of EGRRCPA.

## GLOBAL

- FSB issues statement on reforms to interest rate benchmarks

[Focuses](#) on the reform of interest rate benchmarks and the development of risk free rates and term rates. It gives market participants its views for in light of ISDA consultation on fallbacks for certain derivative contracts.

- ISDA consults on certain derivatives contracts

It seeks to [amend](#) its standard documentation to implement fallbacks for derivatives with reference to GBP Libor or CHF Libor among others. Deadline: 12 Oct.

## EUROPE

- ECB announces measures on the stock of NPLs and consults on materiality threshold for loans past due

i) Within the supervisory dialogue, it will set bank-specific expectations on [provisioning of NPLs](#) stock, based on benchmark of comparable entities on NPL ratio and financial characteristics. ii) To increase comparability of banks' defaulted exposures, it consults on a [single materiality threshold](#) for all significant institutions. Deadline: 17 Aug.

- ESRB publishes 2017 annual report

Highlights four [systemic risks](#) in the financial system: i) repricing of risk premia, ii) weaknesses in balance sheets of banks and insurers, iii) debt sustainability in sovereign, corporate and household sectors and, iv) vulnerabilities in the shadow banking system. These risks formed the basis for the adverse scenario of the ECB's stress test.

- SRB publishes 2017 Annual Report

It [takes stock](#) of the progress on resolution in 2017, gives its opinion on the negotiations of the banking reform package, and announces its main lines of work for 2018 and beyond.

- ESMA issues consultation on clearing obligations under EMIR

Related to the treatment of [intragroup transactions](#) with third country firms. It proposes to extend the current, and soon to expire, exemption from clearing for these types of operations. Deadline: 30 Aug.

- ESMA issues statement regarding submission of applications due to Brexit

It seeks to alert market participants to a possible “[no deal](#)” scenario with the UK, urging them to prepare for a hard Brexit. It highlights the importance of a timely request for authorisation to relocate to the EU.

- EBA publishes peer review on RTS on passport notifications

The report shows that competent authorities have developed consistent and [robust procedures](#) to comply with the RTS requirements. EBA identifies best practices to address some of the weaknesses identified in the report.

- EC publishes amendments to Delegated Regulations

i) Amends safekeeping duties of depositories for [Alternative Investment Funds](#) (AIF) and [UCITS funds](#), and ii) on [Liquidity Coverage](#) Ratio (LCR). These will be subject to scrutiny by the European Parliament and the Council.

- ESMA issues double volume cap data under MiFID II

[Updates calculations](#) for the period 1 June 2017 to 31 May 2018, when the number of new breaches is 70 equities for the 8% cap, applicable to all trading venues (TVs), and 37 equities for the 4% cap, applicable to individual TVs. Cap introduced to limit dark trading in equities allowed under the reference price waiver and the negotiated transaction waiver.

- ESMA updates Q&A on EMIR data reporting

Amendments to existing [Q&As](#): i) on identification of counterparties to a derivative, ii) on Legal Entity Identifier amendments, and iii) a new case for reporting derivatives.

- EIOPA publishes new Q&A on Insurance Distribution Directive (IDD)

This set of [Q&As](#) provides guidance on the application of IDD and its implementing regulations. Questions were raised by stakeholders.

## SPAIN

- Ministry of Economy publishes draft law on measures for the Digital Transformation of the Financial System

Includes "[Sandbox](#)" regulation with conditioned tests: i) surveillance by financial supervisors; ii) delimitation of scope, duration and characteristics; iii) maximum guarantee if real clients participate. Deadline: 7 Sep.

- CNMV issues draft Circular to adapt to the EU Regulation on Money Market Funds (MMF)

Seeks feedback on the [draft Circular](#) to adapt the different categories of Collective Investment Institutions to Regulation (EU) 2017/1130 on MMF. Deadline: 27 Jul.

- CNMV publishes Q&As for Fintech companies on activities and services

[Questions](#) related to the scope of action of an authorised entity to provide investment services and requirements for establishing a trading platform for cryptocurrencies (Exchange).

## UNITED KINGDOM

- UK Government publishes White Paper on the future relationship with the EU

It sets out the UK's [proposal](#) for the relationship with the EU following Brexit. It proposes a free trade area in goods, recognising that for services there will be more barriers compared with the current situation.

- PRA, FCA and BoE issue joint discussion paper on operational resilience and seek feedback

It proposes an [approach](#) and suggestions on how to improve the operational resilience of financial sector firms and financial market infrastructures. Deadline for comments: 5 Oct.

- PRA issues consultation, policy statement and supervisory statement under Solvency II

i) Proposal with approach to determine the availability of [own funds](#) for insurance firms. Deadline: 12 Nov. ii) Provides [feedback](#) on previous consultation regarding group supervision. ii) It sets out supervisor's expectation regarding Solvency II groups [provisions](#) (such as choice of calculation method or group capital add-on).

## UNITED STATES

- Agencies issue joint statement on the Economic Growth, Regulatory Relief, and Consumer Protection Act

It details rules and [reporting requirements](#) affected by the EGRRCPA (company-run stress tests, resolution plans, Volcker Rule, among others). It describes interim positions until final changes are made to their regulations.

- [FRB issues statement on the application of certain regulations to smaller firms](#)

Following the Economic Growth, Regulatory Relief, and Consumer Protection Act, it [describes](#) how smaller banks will no longer be subject to some regulatory requirements (such as enhanced prudential requirements).

- [FRB and FDIC publish public parts of 2018 resolution plans](#)

These are the public sections of the [resolution plans](#) prepared by four foreign banks and based on their US operations (Barclays, Credit Suisse, Deutsche Bank, and UBS). The agencies still have to assess them.

- [Office of Financial Research consults on proposed rule for data collection](#)

It seeks [feedback](#) on proposal for a data collection rule which covers centrally cleared transactions in the repo market. The rule aims at increasing FSOC's ability to monitor and control risks. Deadline: 10 Sep.

## 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](#). Europe | 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](#).

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