

Financial Regulation: Weekly Update

20 July 2018

Regulation Unit

Highlights

FSB issues report on crypto-assets monitoring. EC urges all parties to prepare for Brexit. ECB issues opinion on proposal regarding NPEs. EBA issues guidelines to strengthen the Pillar 2 framework, on fraud reporting under PSD2 and publishes its risk dashboard. ESMA issues final ITS and RTS regarding STS securitisation regulation.

GLOBAL

- [FSB publishes report to set out framework to monitor crypto-asset markets](#)

It argues that [crypto-assets](#) do not pose a material risk to global financial stability, but they need to be monitored. The report will be delivered to the Finance Ministers and Central Bank Governors in the G20 summit.

- [FSB publishes questionnaire for prospective Unique Product Identifier \(UPI\) Service Providers](#)

This designation is part of the reforms to improve transparency and trade reporting of the [OTC derivatives](#) market. Seeks responses from entities that wish to be designated as Service Providers for the UPI. Deadline: 4 Sep.

- [FSB consults on the effects of the regulatory reform on infrastructure finance](#)

It seeks [feedback](#) on the results of the evaluation to date, which do not find material negative effects from the G20 post-crisis financial reforms on the provision and cost of infrastructure finance. Deadline: 22 Aug.

EUROPE

- [EC publishes communication on preparing for Brexit](#)

It calls on Member States and also private parties to intensify the [preparations](#) for UK's withdrawal from the EU, as the transition period is not certain, and even with an agreement there will be disruptions.

- [EBA publishes final guidance for strengthening the Pillar 2 framework](#)

It seeks to [enhance](#) banks' risk management and supervisory convergence in the SREP. It focuses on stress testing (and its use in setting Pillar 2 guidance) and interest rate risk in the banking book.

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- [ECB publishes opinion regarding the Commission backstop on non-performing exposures \(NPEs\)](#)

It [supports](#) the proposed regulation on minimum loss coverage for NPEs, and makes minimal recommendations for amendments to the text, and advocates for adapting current reporting and supervisory powers to it.

- [EBA publishes update to its risk dashboard](#)

It [summarises](#) the main risks and vulnerabilities for EU banks. It finds that capital ratios are still high and NPLs continue on a downward trend, but profitability remains a key challenge.

- [EBA publishes guidelines on fraud reporting under PSD2](#)

These [guidelines](#) have been developed together with the ECB and are addressed to competent authorities and payment service providers to enhance security of retail payments in the EU.

- [ESMA publishes final standards for the implementation of the STS securitisation regulation](#)

Submits to EC the final [RTS and ITS](#) drafts regarding STS notification, templates, and authorisation by third parties assessing STS compliance.

- [ESMA issues supplementary guidance and a consultation regarding Credit Rating Agencies \(CRAs\)](#)

i) Supplementary [guidance](#) to clarify the application of the endorsement regime for non-EU CRAs. Entry into force: 1 Jan 2019. ii) Consultation on the modified guidelines on the [information](#) periodically reported by CRAs for supervisory purposes. Deadline: 26 Sep.

- [ESMA launches two consultations and publishes final report on RTS under the new Prospectus regulation](#)

i) [Consults](#) on minimum information content for prospectus exemption in takeover and mergers, and guidelines on risk factors. Deadline: 5 Oct. ii) [RTS](#) on implementation of the regulation (covers among others issues, disclosure and advertisements to retail investors).

- [ESMA consults on amendments to the MiFID tick size regime](#)

[Introduces](#) amendments to ensure that the tick sizes applicable to third country instruments in the trading venues are appropriate and properly calibrated. Deadline: 7 Sep.

- [ESMA updates Q&As on Benchmarks regulation](#)

[Focuses](#) on: should calculation agents be considered users of benchmarks, and should a benchmark be considered as a 'regulated-data benchmark' if a third party is involved in the process of obtaining the data.

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- EIOPA publishes report on insurers' failures and thematic review on consumer protection

i) Analyzes the [causes](#) of insurers' failures and near misses, finding that poor governance, bad investment decisions, and interconnections with banks were the main sources of distress in the financial crisis. ii) Focuses on issues related to [travel insurance](#), to identify actions to improve consumer protection.

UNITED KINGDOM

- FCA issues report on competition in the investment platforms market

In general, [competition](#) works well for most consumers. But it finds some segments where there are concerns, for instance consumers using model portfolios or orphan clients. It proposes a series of actions to improve competition.

- PRA issues a series of policy statements (PS) and supervisory statements (SS) regarding Solvency II

i) [PS](#) and [SS](#) on the expectations regarding firms applying Matching Adjustment (MA). ii) [PS](#) and [SS](#) on the expectations with respect to the application of MA within the calculation of Solvency Capital Requirements. iii) [PS](#) and [SS](#) on the expectations regarding the process for changes in internal models. iv) [SS](#) on the expectations for internal models firms regarding the assessment, model change and role of non-executive directors.

UNITED STATES

- CFTC issues statement warning on digital tokens and approves order regarding DCOs

i) Customer Advisory to alert [customers](#) to move with caution and do research before buying digital coins or tokens. It highlights potential red-flags to be aware of. ii) Registered [Derivative](#) Clearing Organizations (DCOs) are now allowed to invest customer euro cash in high-quality European sovereign debt (French and German).

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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