

Financial Regulation: Weekly Update

27 July 2018

Regulation Unit

Highlights

CPMI and IOSCO update report on principles for financial market infrastructures. EBA issues opinion on European Secured Notes and updates CET1 and AT1 instruments. ESAs issue guidance on KID requirements for PRIIPs. HM Treasury issues statutory instrument for a temporary permission regime after Brexit. BoE issues statement on SONIA compliance.

GLOBAL

- CPMI and IOSCO update report on the implementation of principles for financial market infrastructures (PFMI)

It [shows](#) that progress continues to be made by the 28 participating jurisdictions since the previous update and provides jurisdictions' self-assessments that will enable them to implement the PFMI.

EUROPE

- EBA issues opinion on European Secured Notes

[Recommends](#) minimum over-collateralization of 30%, no preferential capital treatment and only SMEs loans. Project finance loans should be treated as a separate asset class.

- EBA updates on monitoring of CET1 capital instruments and Additional Tier 1 instruments

Updated list of [CET1](#) and [AT1](#) instruments and monitoring reports on issued instruments. For AT1, increased standardisation in terms and conditions of the issuances is found.

- ESAs publish further guidance on the Key Information Document (KID) for PRIIPs

[Publication](#) of common supervisory approaches based on ongoing work to monitor the implementation of KID. Guidance consists of additional questions and answers and updates to the risk and reward calculations.

- ESMA publishes peer review methodology

It [sets out](#) the methods and tools for conducting peer reviews of National Competent Authorities and Principles for Stakeholder engagement in peer reviews. It applies to both discretionary and mandatory peer reviews.

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- EIOPA publishes risk dashboard for 1Q2018

Risk exposure of [insurance](#) sector remains stable. Market and credit risk remain at medium level. Solvency ratios are at satisfactory levels although there is a certain reliance on transitional measures.

SPAIN

- CNMV updates Q&As for MiFID II and PRIIPs

i) On MiFID II regarding: product governance [requirements](#), incentives and conflict of interests, among other issues.
ii) On PRIIPs regarding [obligations](#) of the distributor.

UNITED KINGDOM

- HM Treasury issues draft Statutory Instrument for a temporary permission regime following Brexit

Provides [temporary](#) permission and recognition for EEA institutions operating in the UK under the financial passport until the end of the transitional period (even in the event of no deal). It is still subject to parliamentary approval.

- BoE confirms SONIA complies with IOSCO principles

The Bank, which is the administrator of the Sterling Overnight Index Average (SONIA), [confirms](#) that it complies with international principles and therefore with best practices in governance, methodology and accountability

- PRA consults on the definition of default for credit risk

It sets the [approach](#) to implement EBA's regulatory products regarding the definition of default under the CRR. Deadline: 29 Oct.

- PRA consults on regulatory reporting, and issues a series of Policy and Supervisory Statements on Solvency II

i) Proposal with minor [amendments](#) to the Glossary, Regulatory Reporting, Reporting Pillar 2 and Close Links parts of the rulebook. Deadline: 23 Oct. ii) PS on changes to [reporting format](#), SS on regulatory reporting of [internal model](#), SS on ORSA and [ultimate](#) time horizon-non-life insurers, SS on [data collection](#) of market risk sensitivities, and SS on [monitoring](#) model drift and standard formula SCR reporting for firms with internal models.

- BoE, PRA, FCA and PSR review their MoU regarding payment systems

It sets the high-level [framework](#) for cooperation on issues regarding the payment system. The review includes feedback from regulated firms and a summary of the main findings.

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- FCA publishes annual report and a report on the survey to FCA-regulated firms

i) Annual report [analyses](#) the main pieces of work initiated in the 2017/2018 period (including the preparations for Brexit, PSD2 and MiFID II). ii) Joint [survey](#) with the Practitioner Panel, which gives the view that the financial industry has of the regulator's performance.

UNITED STATES

- FRB launches consumer compliance supervision bulletin

It will [provide](#) high-level summaries of supervisory issues on consumer protection. It seeks to enhance the transparency of the consumer compliance supervisory program, highlighting identified violations.

- OCC issues revised booklet of its Handbook

Revises the "Capital and Dividends" [booklet](#), presenting the regulatory capital framework and discussing capital rules, and minimum standards. It also provides guide to examiners assessing capital adequacy and compliance.

- CFTC issues updated rule on Security Futures Products and proposal regarding Swap Dealers

i) Updates rules impacting [exchanges](#) that list SFPs, increasing default level of equity SFP position limits, and modifying criteria to set a higher level of position limits. ii) [Simplifies](#) complex notification provisions reducing certain prescriptive requirements in order to reduce burdens on registrants and market participants. In both cases comments accepted for 60 days after published in Federal Registry

- SEC issues proposal regarding disclosures in some Registered Debt Offerings

It seeks to [simplify](#) financial disclosure requirements that are applicable to registered debt offerings for guarantors and issuers of guaranteed securities. Comments accepted for 60 days after published in Federal Registry.

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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