

Financial Regulation: Weekly Update

5 October 2018

Regulation Unit

Highlights

BCBS publishes Basel III monitoring report. EBA issues report on the impact of the Basel reform. ECB issues macroprudential bulletin. ESMA withdraws some MiFID guidelines and presents its 2019 work programme. US Agencies consult on HVCRE and issue statement on the Bank Secrecy Act.

GLOBAL

- [BCBS publishes the Basel III monitoring report](#)

It includes the effects of the latest standards agreed in [Dec 2017](#) (BIS IV). It shows an increase of 3.6% in T1 minimum required capital for internationally active banks. It also provides data on TLAC and liquidity requirements.

- [ISDA publishes white paper on smart derivative contracts](#)

The [document](#) sets out the steps for developing smart derivatives contracts, identifies which contractual terms are suitable for automation, and suggests the relevance of the Common Domain Model.

EUROPE

- [EBA publishes preliminary impact of Basel reforms \(BIS IV\) and updates liquidity measures](#)

The [report](#) shows an average increase of 16.7% in T1 minimum required capital for EU banks. The average Liquidity Coverage Ratio (LCR) stands at 145%.

- [ECB releases its Sixth Macroprudential Bulletin](#)

It [includes](#): Vice-President's statement; and articles on: the leverage ratio; whether the [G-SIB](#) framework encourages window-dressing behaviour; macroprudential liquidity tools; and a review of implemented measures.

- [ESMA withdraws MiFID guidelines on systems and controls in automated trading environments](#)

The decision is based on the fact that subject matter has been successfully and fully incorporated into MiFID II and its [implementing](#) measures.

Creating Opportunities

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- ESAs issue letter to EC regarding PRIIPs (packaged retail investment and insurance products)

They express concern about potential duplication of [information requirements](#) for investment funds. They intend to propose amendments to the PRIIPs Delegated Regulation and submit them to the EC by the first quarter of 2019.

- ESMA issues 2019 Work Programme, letter to EC on MiFID/MiFIR, and updates several Q&As

i) It focuses on [supervisory](#) convergence, risk assessment in financial markets, and the support of the Sustainable Finance Initiative, among other things. ii) Letter expressing concerns regarding some MiFID II/MiFIR [requirements](#) and the regime for third country firms, particularly in the context of Brexit. iii) Updates Q&As: on [market abuse](#); on MiFID II/MiFIR [market structure](#) and transparency issues, on [investor protection](#) issues; and on the [AIFMD](#).

- EIOPA publishes monthly technical information

Updates the [symmetric](#) adjustment of the equity capital charge with end-September data.

UNITED KINGDOM

- PRA issues consultation on notifications of regulatory transactions

It sets out [proposals](#) for changes to application forms and notifications for regulatory transactions. The changes would affect several parts of the PRA Rulebook. Deadline: 1 Nov.

UNITED STATES

- Agencies consult on HVCRE, and on revisions to Call Reports

i) Proposed rule to revise [capital rules](#) bringing the definition of High Volatility Commercial Real Estate (HVCRE) exposures into line with the new statutory definitions. Deadline: 27 Nov. ii) Proposed [revision](#) of the Consolidated Reports of Condition and Income following changes in accounting for credit losses. Deadline: 27 Nov.

- Agencies issue statement regarding Bank Secrecy Act (BSA)

It seeks to address cases (highlighting benefits and risk considerations) where banks and credit unions enter into arrangements to [collaborate](#) and share resources to manage their obligations under the BSA more efficiently.

- FRB consults on real-time interbank settlement payments

It [seeks](#) input on which potential actions should be taken in order to support faster payments in the US while increasing the resilience and security of services offered to the public. Deadline: 14 Dec.

Creating Opportunities

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- [OCC issues bulletin on Prompt Corrective Action \(PCA\)](#)

It sets out the [guidelines](#) and procedures by which the agency applies PCA (allowing it to take discretionary actions against undercapitalized, significantly undercapitalized, and critically undercapitalized banks).

- [CFTC issues white paper on cross border swaps, and signs FinTech cooperation agreement with ASIC.](#)

i) After having identified adverse consequences related to cross-border issues in swaps reform, the [paper](#) puts forth new rule proposals and recommends improvements. ii) The [agreement](#) with the Australian Securities and Investments Commissions focuses on information sharing and facilitating market entry for FinTech companies.

- [FDIC publishes report on Small Business Lending Survey](#)

It presents the [findings](#) from the survey on how banks run their businesses with respect to small firms. It finds that banks of different sizes follow different approaches when lending to these firms.

- [OCC issues CRA evaluation for 30 national banks and federal savings associations](#)

Issues monthly [performance](#) evaluations for Sep 2018: 23 are satisfactory, one needs to improve, one needs substantial improvement, and five are rated outstanding.

Recent publications of interest (in English and Spanish):

- [Press Article](#). La integración de la sostenibilidad en el sistema financiero. July 2018 (only in Spanish)
- [Press Article](#). Completing the Banking Union is a priority. June 2018
- [Regulation Watch](#). How prepared are European banks to comply with MREL? August 2018
- [Regulation Watch](#). From words to action: Recent regulatory reforms in the U.S. June 2018
- [Financial Regulation Outlook](#). June 2018
- [Banking Outlook](#). August 2018

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

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