

Financial Regulation: Weekly Update

19 October 2018

Regulation Unit

Highlights

BCBS issues stress testing principles, consults on treatment of cleared derivatives in the leverage ratio, and issues statement on window-dressing behaviour for the leverage ratio. The NGFS issues its first progress report. OJEU publishes implementing regulation regarding critical benchmarks. PRA and FCA issue consultations on climate related financial risks.

GLOBAL

- [BCBS publishes its updated stress-testing principles](#)

The [updated principles](#) focus on 11 elements: objectives, governance, policies, processes, methodology, resources & documentation that facilitate the use, implementation & oversight of stress-testing frameworks.

- [BCBS consult on the leverage ratio treatment](#)

It seeks feedback on whether a targeted and limited [revision](#) of the treatment of client-cleared derivatives in the context of the leverage ratio may be warranted. Deadline: 16 Jan 2019.

- [BCBS issues statement on leverage ratio window-dressing behaviour](#)

Warnings from potential regulatory [arbitrage](#), given the high volatility in certain segments of money markets and derivatives markets around key reference dates. It suggests a series of actions to supervisors.

- [ISDA publishes an updated Model Netting Act](#)

The update [reflects changes](#) regarding the introduction of bank resolution regimes, the use of mandatory margin requirements, and the expansion of Islamic finance.

EUROPE

- [NGFS releases first progress report](#)

The Central Banks and Supervisors Network for Greening the Financial System' (NGFS) report [concludes](#) that climate-related risks are a source of financial risk and that new analytical and supervisory approaches are needed. A comprehensive document is expected by Apr 2019.

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- OJEU publishes updated implementing regulation establishing critical benchmarks pursuant to the BMR

The [updated list](#) of critical benchmarks now includes STIBOR (Stockholm Interbank Offered Rate). The latter, together with EONIA, Euribor and Libor are the four critical benchmarks recognised by EU law so far.

- ESMA publishes annual report on prospectus activity

It shows that the number of [prospectuses](#) approved across the EEA increased 1.9% compared to 2016. The report also provides information on the types of prospectuses approved, or the number of prospectuses passported.

- SRB issues statement on the next steps regarding the Banco Popular resolution

From 6 Nov, [it will allow](#) registered shareholders and creditors deemed eligible to submit written comments on the SRB decision not to grant compensation as they would not have received better treatment in insolvency.

- EIOPA issues decision on cooperation with NCAs on the supervision of cross-border insurance distribution

It [replaces](#) the Luxembourg protocol as a result of: i) the new regulatory framework for insurance distribution activities under the IDD and ii) the recent supervisory experience with cross-border insurance distribution activities.

- EC signs Memorandum of Understanding to establish a clean energy investment fund

The [fund](#) (Breakthrough Energy Europe or BEE) seeks to reduce greenhouse gas emissions and promote energy efficiency in electricity, transport, agriculture, manufacturing, and buildings (capitalization of €100 million).

UNITED KINGDOM

- PRA and FCA issue two consultations on climate change and green finance

i) The PRA is seeking to enhance banks' and insurers' [approaches](#) to managing the financial risks from climate change. Deadline: 15 Jan 2019. ii) FCA' starts the [discussion](#) on the impacts, the transition and actions in the near term. Deadline: 31 Jan 2019.

- PRA issues consultation on liquidity reporting

It proposes to delay terminating [liquidity reports](#) for 'daily flows' and 'enhanced mismatch' until 1 Jan 2020, as well as reducing reporting frequency. Deadline: 12 Nov.

- PRA issues Policy Statement on the extension of SM&CR to insurers

It amends final rules for [extending](#) the Senior Managers and Certification Regime (SM&CR) to insurers. It presents technical corrections to the PRA Rulebook. Effective from: 10 Dec.

- PRA issues a number of Policy Statements (PS) regarding Solvency II

i) PS on the Supervisory approval for the [volatility adjustment](#); ii) PS on modelling of the volatility adjustment (for [internal models](#)); iii) PS on updates to internal model [output reporting](#); and iv) PS on [external audit](#) of the public disclosure requirement.

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- [FCA issues statement on SMEs access to the Financial Ombudsman Service](#)

The criteria for access to the service have been amended in order that [SMEs](#) only have to meet the turnover test and one of either the headcount or balance sheet total tests, instead of all three tests as previously proposed.

- [FCA and The Pensions Regulator publish joint pensions strategy](#)

This includes [two new priority areas](#): i) a strategic review of the entire consumer pensions journey, and ii) using their powers to drive value for money for members of pension schemes.

UNITED STATES

- [OCC updates booklets of its Comptroller's Handbook](#)

It [incorporates](#) references to last relevant issuances and revises content for general clarity in the “Agricultural Lending”, “Oil and Gas Exploration and Production Lending” and “Trade Finance and Services” booklets.

- [Agencies issue frequently asked questions regarding evaluations for real estate transactions](#)

This concerns [transactions](#) covered in the interagency appraisal rules, clarifying existing regulatory requirements. They are merely interpretations of the rules, rather than official regulations.

- [FRB publishes study on payments fraud](#)

Based on data from surveys of depository institutions and payment card networks, the [study](#) provides estimates on payments fraud totals, rates and trends, aimed at improving the US payments infrastructure.

Recent publications of interest (in English and Spanish):

- [Press Article](#). European banks and the challenge of MREL. October 2018
- [Press Article](#). *La integración de la sostenibilidad en el sistema financiero*. July 2018 (only available in Spanish)
- [Regulation Watch](#). How prepared are European banks to comply with MREL? August 2018
- [Financial Regulation Outlook](#). October 2018
- [Banking Outlook](#). August 2018

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

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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

Willians Ruiz
willians.ruiz@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
robertoalejandro.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

Colombia
Juana Téllez
juana.tellez@bbva.com

Peru
Francisco Grippa
fgrippa@bbva.com

Venezuela
Julio Pineda
juliocesar.pineda@bbva.com

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