Financial Regulation Outlook

4Q18

Regulation Unit

BBVA Research

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Closing date: **1 October 2018**

BBVA Research

1. European NPLs: A complex problem

Ana Rubio

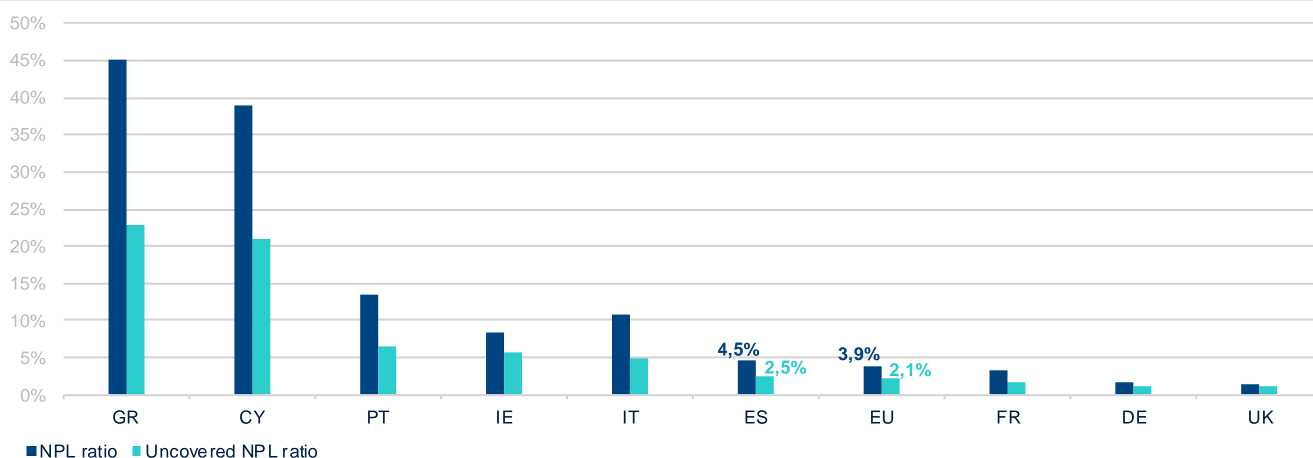
European banks' exposure to non-performing loans (NPLs) has been shrinking gradually over the last few years, and in particular in countries such as Spain. Its reduction is a priority for European authorities, which have proposed a wide range of measures to tackle the issue, including the recent ECB supervisory measures on the stock of NPLs. These initiatives should take into account the peculiarities of each country and bank, and they should not distract attention from the need to advance towards risk sharing in the Banking Union framework.

Non-performing loans, a legacy steadily improving

Non-performing loans (NPLs) constitute one of the main legacies from the last financial crisis, so both public and private agents have made significant efforts to reduce them during the last few years. In particular, some core European countries claim that reducing the stock of NPLs (known as 'risk reduction') is a precondition for advancing towards the completion of the Banking Union and the mutualization of risks ('risk sharing'). Nevertheless, the level of NPLs considered acceptable remains unclear, and mainly peripheral economies believe that Europe should advance along both paths in parallel.

There are around €700 billion of NPLs in the EU, which are unevenly distributed. Overall, asset quality has improved in the EU, and in particular in countries like Spain, where the outstanding volume of NPLs has been cut by more than half since the 2013 peak (a reduction of €114 bn or 58%).

Figure 1.1 Non-Performing Loans ratio before and after coverage (Mar-18, %)



Source: BBVA Research based on EBA, consolidated figures

A priority for European authorities

Several European initiatives have proposed tackling the issue in different ways. In particular, it is worth mentioning the July 2017 Council Action Plan, which identifies future work streams, their deadlines and the European authority in charge of them. As a result of the Action Plan, a variety of measures have recently been proposed or implemented. They can be classified into three groups:

1. Secondary market
   - The Commission has published draft measures to remove the constraints on the transfer of loans and for the operation of third party servicers.
   - The Commission developed a blueprint for national Asset Management Companies, thereby ruling out the introduction of a single EU bad bank.
   - EBA, ECB and COM are working on a draft proposal for an EU transaction platform.
2. Insolvency:
   - The Commission has proposed the introduction of an Accelerated Extrajudicial Collateral Enforcement (AECE) clause in contracts, to enable an out-of-court procedure to acquire ownership of firms' collateral.
   - A debate on how to harmonize insolvency regulations has taken place, with limited success due to the technical difficulties it poses.
3. Supervision:
   - The ECB published its guidance to banks on tackling non-performing and forborne exposures, applicable to significant institutions under the Single Supervisory Mechanism (SSM).
   - The Commission has proposed a pillar 1 backstop for new loans.
   - The ECB has introduced a pillar 2 backstop for new NPLs.

Finally, the ECB has recently announced measures on the **stock of NPLs**, and not just on the flow of new NPLs. The SSM will set expectations of NPL coverage per entity, so that coverage of flows and stocks converge in the medium term. Currently, according to the ECB, new NPLs should have a 100% coverage with provisions in 2 years if there is no collateral, and in 7 years if there is. Those expectations will be set using the NPL ratio and other financial characteristics of the bank, which are to be compared with those of its peers in a benchmarking exercise.

This proposal has significant strengths, such as the fact that a case-by-case study will be used. Any measure on NPLs should take into account the characteristics of the country (such as the real estate bubble in the case of Spanish entities) and the bank. Besides, the fact that it sets a medium term horizon and imposes a homogeneous coverage at the end, is an additional advantage. These risk reduction measures should make it easier to advance towards other risk sharing targets.

However, on the negative side it has to be noted that details of the process for setting expectations are still pending. Such is the case for how peers will be chosen, whether individual or consolidated NPL ratios are to be used, and whether unlikely to pay exposures (less than 90 days past due) will be treated in the same way, among other issues.

In a nutshell, there is a general consensus on the importance of reducing European banks' exposure to NPLs. The current approach of taking a wide variety of measures to tackle its different angles seems appropriate. However, there is no point in treating all countries or banks in the same way, as there is no 'one-size-fits-all' approach to the problem. In any case, this evolving process cannot serve as an excuse for delaying the risk sharing that has already been agreed on, such as the introduction of a European Deposit Insurance Scheme (EDIS).

2. IMF report on the euro zone resolution framework

Javier García

In July 2018, as part of the Financial Sector Assessment Program (FSAP), the IMF published a technical note on how to improve the crisis management and resolution frameworks in the euro zone. The report acknowledges the achievements to date, but suggests that the new regime needs improvements. For that purpose, it includes a long list of recommendations addressed to authorities and legislators (such as the improvement of funding in resolution framework, and the harmonization of the insolvency regime) urging them to complete the framework.

Main recommendations

The IMF report contains a list of 33 recommendations aimed at improving the recently created resolution regime in the euro zone. They are based on the findings of the missions undertaken by the Fund in 2017-2018, including meetings with key stakeholders (authorities, regulators, think tanks, industry associations), and also on the lessons drawn from the recent banking interventions carried out by EU authorities. Some of the most pressing issues (those categorized by the IMF as “high priority”) can be grouped into three main areas:

- **Complete the Banking Union**. The IMF considers it necessary to set up a “well-designed and adequately funded” common deposit insurance scheme (EDIS) to give confidence to retail depositors, with a backstop arrangement. Additionally, it suggests the creation of a credible backstop to the single resolution fund (SRF) which could be the ESM. In this regard, the report welcomes the Commission’s proposal for a backstop from last year. More innovative is the recommendation to change the status of the SRB to that of an independent EU institution, reducing the involvement of the Commission and the Council, hence expediting its decisions.

- **Funding in resolution**. Converting the SRB into an independent EU institution would make it easier for the SRF to obtain a credit rating, which would in turn facilitate the issuance of guarantees or bonds that banks could use as collateral for funding purposes. Without a rating, the IMF believes that SRF issuances would be less attractive to banks as they would carry higher risk weights, thus increasing their funding costs precisely when they most need it. Also, the IMF recommends that the SRM and EBA incorporate a resolution funding plan into each bank’s resolution plan (as recommended by the FSB). Finally, the IMF suggests that the SRF’s target of 1% of covered deposits should not be calculated based on 2024 figures, but on the deposits of the previous end of year figures on an ongoing basis.

- **Harmonize insolvency regimes**. According to the IMF, insolvency regimes should be further harmonized, especially regarding the hierarchies of creditors in national regimes, which differ greatly. Disparities in this area make it more difficult to comply with the ‘No Creditor Worse off’ principle (NCWO) as some creditors may be better treated in insolvency than in resolution, which increases legal risks. In order to solve this for banks, the IMF proposes to grant the SRB an administrative liquidation tool for all banks under its remit. This would certainly reduce legal challenges, because creditor hierarchies would be similar both in resolution and in insolvency.

Assessment

The crisis management framework and resolution regimes were established as a response to the financial crisis in order to minimize bail-outs, and to safeguard financial stability. Despite their recent establishment (in the euro zone these are only a few years old, dating from 2014, when the BRRD was approved), their practical implementation has revealed that they need to be revised and completed. In that regard, the IMF report considers a detailed list of recommendations which are necessary in order to raise the credibility of these frameworks in the euro zone. Completing the Banking Union (EDIS and backstop to the Single Resolution Fund) and setting up a robust funding in resolution framework are dearly needed in order to be prepared for the next crisis. Some of the IMF's suggestions would require a legislative process in order to be implemented, while others can be directly implemented by the regulators. Among the former, some can be dealt with during the negotiation of the CRDV package, but some others will have to wait until the next BRRD review.

3. UK proposal for financial services post Brexit

Matias Cabrera

The UK plan for financial services is not as ambitious as the British industry demanded. It proposes a bilateral framework based on an expanded equivalence regime, with three main elements: i) common principles for governance, ii) extensive supervisory cooperation and regulatory dialogue, and iii) predictable, transparent and robust processes. Even assuming these elements are accepted by the EU, its success will depend on the details and specific provisions that will ultimately govern the arrangement on the future relationship.

Different negotiations taking place

It is important to clarify that there are two different agreements taking shape in the Brexit negotiations: the Withdrawal Agreement, and a political declaration on the new EU-UK relationship. While most of the focus is currently on the Withdrawal Agreement (with the Irish border as the most pressing issue), the future relationship has been subject to discussions as well[1].

In July, the UK government published a White Paper for such new relationship, dubbed the Chequers plan. The document proposes an economic partnership with close ties on goods, but a looser approach for services (particularly financial services) which could potentially limit the access of UK firms to the EU market.

Even if both parties reach an agreement on the withdrawal issues, it is not clear that the Chequers plan will be accepted. The EU has claimed that parts of the plan are unworkable and it could be incompatible with the integrity of the single market. Furthermore, the plan has met some resistance from within the UK as well, with detractors on both sides (pro-leave and remain alike). But even if only some sections of the plan are accepted, it is safe to say that it sets an upper bound for market access in financial services (falling short of the current EU passport).

A UK proposal based on equivalence

In the financial services section, Chequers recognizes that the passport will no longer be an option. Instead, the proposal suggests the development of a bilateral framework based on an expanded equivalence regime. This is a less ambitious proposal, compared with previous attempts seeking a mutual recognition agreement.

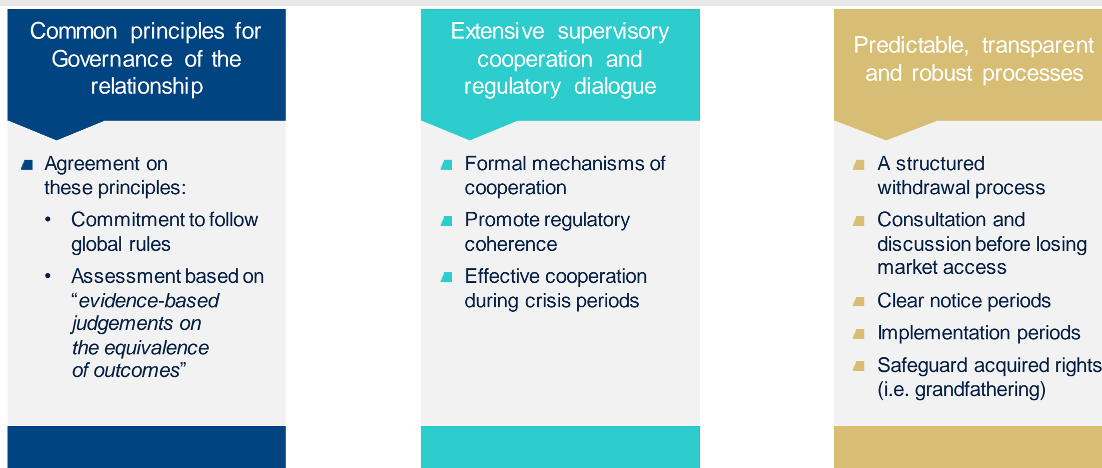
The proposal requests the expansion of the current equivalence framework to improve its current scope, given the deep interconnection between the EU and UK financial sectors. The UK seeks to expand the breadth of the framework as much as possible, in order to include more sectors and business lines. Furthermore, given that both parties start from a situation of perfect regulatory alignment, they request that equivalence is granted (where available) automatically following the transition period.

1: Any agreement needs to be ratified by the UK Parliament, and the EU Parliament and Council before the actual departure on 29 March 2019.

The Chequers plan for financial services is built upon three main components:

1. **A common set of principles for the governance of the relationship**: with the aim of committing to global standards, and "*evidence-based judgements of the equivalence*";
2. **An extensive supervisory cooperation and regulatory dialogue**: to formalize mechanisms of cooperation and dialogue such as the possibility of commenting on the other party's regulatory proposals at early stages;
3. **Predictable, transparent and robust processes**: in order to provide more certainty for business (e.g. to have a better structured equivalence withdrawal process).

Figura 3.1 Elementos de Chequers para los servicios financieros



Fuente: BBVA Research basado en HM Government

Does it respect EU's autonomy?

While the proposal includes mechanisms to influence the other party's decisions, it also stresses that these decisions will ultimately respect the principle of autonomy[2]. This claim is not so apparent for the EU, as a recent paper suggests: "*The UK proposal appears at odds with current EU independence and discretion in equivalence decision making... the framework for reciprocal recognition of equivalence could also be interpreted as limiting the Commission's capacity to withdraw these equivalence decisions with third countries*"[3].

Even assuming the proposal is ultimately consistent with the EU's objective of preserving its autonomy, its success will depend on the details of the agreement. It is worth mentioning that some of these provisions were contemplated in other Free Trade Agreements signed by the EU, particularly the recent agreement with Japan[4]. Nevertheless, these were granted to countries with whom the EU has less interdependencies. Reliance on their supervision would be less contentious on these cases (given the lower risks that they pose to the financial stability of the EU).

2: Legislative processes, criteria to determine equivalences, or the decisions to grant/revoke equivalences will be autonomous.
3: "The future partnership between the European Union and the United Kingdom - Negotiating a framework for relations after Brexit". European Parliamentary Research Service. September 2018
4: "*…each Party shall make its best endeavours to offer the other Party an opportunity to be informed at an early stage and to provide comments on its planned regulatory initiatives*" and "*Each Party may rescind at any time its decision to rely on the regulatory and supervisory framework of the other Party…The Parties shall consult with each other in an appropriate manner prior to reverting to the application and enforcement of their own rules*". EU-Japan Economic Partnership Agreement (EU/JP/Annex 8-A).

4. What to expect from the forthcoming Spanish financial sandbox?

Lucía Pacheco

Last July, the General Secretariat of the Treasury issued a draft bill with the aim of creating a controlled testing environment to promote financial innovation in the Spanish system. This tool, known as a regulatory sandbox, can bring significant benefits for all the parties involved: authorities, consumers, new entrants and traditional players.

The draft bill, recently issued for public consultation by the General Secretariat of the Treasury and Financial Policy, contains a solid and innovative proposal to create a regulatory sandbox[5] in the Spanish financial system. This proposal could place Spain at the forefront of the European Union in these matters. The concept of sandbox, which was first used in the field of information technology, refers to a controlled environment in which projects featuring technology-based innovation that might be beneficial to consumers or the market are tested with real clients, but in a closed and supervised manner.

The aim of the Treasury is to adapt this idea, first introduced into the world of finance by the British Financial Conduct Authority (FCA), to the Spanish market and legal framework. In principle, this sandbox will be open to the submission of innovative projects by any individual or corporate entity, accommodating both newcomers and traditional providers. In order to ensure that the environment is really safe and controlled – in other words, that there are no risks to the stability and integrity of the system, the protection of consumers or the confidentiality of consumer data – the draft version of the regulation opens the door to participation as a “monitor” by any authority whose scope might have a bearing on the projects in question. The regulation specifically alludes to the Bank of Spain (BdE), the National Securities Market Commission (CNMV) and the Directorate General of Insurance. Due to the goals pursued, however, it is likely that other authorities, such as the Spanish Data Protection Agency (AEPD) and the Executive Department of the Commission for the Prevention of Money Laundering (SEPBLAC) may become involved.

In addition to closely supervising the projects in the sandbox, the authorities need to define and agree *ex ante* with the innovative company the series of requirements applicable during the testing period, as well as the conditions of the test and the guarantees to be provided by the company to ensure the maximum protection of participants at all times. Once the test period has ended – the length of which is not established in the regulation but may never be indefinite – several different scenarios arise. In the first scenario, the authorities and the company may regard the project as having been a success and proceed to launch it on the market. Hence, the company must always comply with all the procedures and requirements imposed by the regulatory system in relation to the activity in question, although the draft bill does include the possibility of showing some flexibility in the requirements and timeframes when deemed appropriate by the authorities. The second scenario involves the result of the test being regarded as unsatisfactory for some reason, whereupon the company discards it or adapts it accordingly. The third scenario, more complex than the previous two, is where, despite the test being satisfactory and the project being regarded as beneficial to the market, it does not fit into the current regulatory framework. In this case, the project could be interrupted, thereby generating an undesired result and/or the need to consider a possible regulatory reform.

5: For more information on the concept of regulatory sandboxes, see: BBVA Research. “Regulatory Sandboxes”. Digital Economic Situation, March 2016.

Assessment of the proposal

The proposal has been applauded by the various players in the market, who recognize its potential benefits. First, because an instrument of this type, present in very few countries in Europe, could help position the country as a global hub for innovation and talent attraction. With regard to the providers of financial services, it helps reduce the uncertainty, cost and time involved in launching innovative products and services on the market, for which reason it is expected to help expand the range of innovative financial products and services, benefiting consumers as well. In addition to all the foregoing points, sandboxes are a highly useful tool at the service of regulators and supervisors. Sandboxes enable authorities to speed up their learning process and increase their understanding of the new technologies, business models and services flourishing in the financial system. Obviously, this measure cannot on its own be the key to enabling financial innovation in Spain, but it can undoubtedly contribute to the process of improving and adapting financial regulation to the challenges of the digital age. As such, we invite the Spanish authorities to approve (as the regulation is currently a draft) and put this instrument into practice soon, ideally in time to launch the first round of projects in 2019.

5. ESAs reform: Slow legislative process in the EU institutions

Victoria Santillana

The legislative process of the "ESAs review proposal" put forward by the European Commission continues in the Council and in the European Parliament. On the Parliament side, the Rapporteurs' draft report was published in July, and the deadline for amendments passed on 31 August. Nevertheless, an agreement in the Council seems difficult because some of its members are raising concerns about what they believe is an excessive transfer of competences from the national competent authorities to the ESAs. In addition, in September the Commission proposed reinforcing the supervision of EU financial institutions to better address money-laundering and terrorist financing threats, by means of an amendment to the Proposal to enhance the role of the European Banking Authority.

Intense debates both in the Council and in the European Parliament

More than a year has elapsed since the Commission's September 2017 adoption of a package of three regulatory proposals to amend the powers of the three European Supervisory Authorities (ESAs): the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA). The package also included six other pieces of regulation for the securities/financial markets area, a directive amending MiFID and Solvency II, and a regulation amending the ESRB Regulation.

The legislative process is proving tough, and has led to intense debates in both the Council and the European Parliament. Complex issues are being addressed (such as the transfer of powers to supranational supervisors, and private sector contributions to the agencies), which can lead to lengthy negotiations in the legislative bodies. In the addition to the complexity of the text, the European Parliament has changed one of its rapporteurs (Burkhard Balz), further slowing the process. Despite these drawbacks, the Parliament managed to publish its draft report last summer. The deadline for amendments was 31 August. The ECON vote on the ESAs Review initially scheduled for early November has now been postponed and the revised date is to be confirmed. The main concerns for the industry relate to: i) regulatory forbearance powers for the ESAs, ii) the introduction of a consultation process for Q&As, iii) funding, iv) EBA's powers on outsourcing, v) governance and vi) common supervisory culture. The positions of Member States on these issues seem to remain distant from one another.

Enhancing the role of the EBA on AML

Another sign of the complexity of the text is that, a few weeks ago, the Commission modified its own proposal to include topics related to anti-money laundering (AML) supervision for a stable banking and financial sector. The Commission now proposes to concentrate AML powers in relation to the financial sector within the EBA, and to strengthen its mandate to ensure that money laundering risks are effectively and consistently supervised by all relevant authorities.

These amendments aim to ensure that breaches of AML rules are consistently investigated, and that national supervisors for AML comply with EU rules and cooperate properly with prudential supervisors. The Commission is also presenting a strategy to improve information exchange and cooperation between prudential and AML authorities. For this it invites the ESAs, and in particular the EBA, to adopt guidance supporting national prudential supervisors in integrating AML aspects into their various tools and ensuring supervisory convergence.

Next Steps

The proposal to strengthen the EBA's role will now be discussed by the European Parliament and Council. These targeted amendments will feed into the ongoing discussions. The Commission is encouraging the European Parliament and the Council to reach agreement on these proposals swiftly. For this reason the Commission has urged the EU political institutions to treat these proposals as a priority, so that they may be finished in 2019, coinciding with the completion of the current legislative projects underway on Banking Union and Capital Market Union, in order to achieve a stronger and more integrated Economic and Monetary Union.

6. Three years of CMU: Progress and challenges ahead

Salvador Bekiaropoulos / Pilar Soler

September has meant the third anniversary for the Capital Markets Union (CMU) project, since the presentation of the Action Plan. As we get closer to the targeted deadline (2019), it is time to analyse what has been achieved and what remains to be done. It has been three years of intense regulatory activity, with the presentation of a great number of measures and proposals. However, the negative effects of the financial crisis on capital markets integration, together with the complexity of the project itself, the sometimes long European legislative process, and the lack of progress on other institutional developments (such as the completion of the Banking Union) may have hindered the delivery of tangible and significant results so far. Even though the 2019 deadline now seems challenging to meet, it is necessary to give a final boost to this project so that we set the base for a fully integrated Capital Markets Union in the near future.

What has been accomplished until now?

Since the initiation of the reforms in the European financial sector, the CMU has been one of the main priorities of the European Commission, aimed at building a stronger and more competitive financial services market which supports financial stability and economic growth. The rationale behind it is clear: by reducing barriers that block investments and savings inside the Single Market, creating a risk-sharing framework through the introduction of cross-border holdings of financial assets, as well as enhancing the diversification of funding sources, European households and SMEs can see their funding escalator improved, and more investment opportunities can be created.

But what specific measures have been put in place? In the past three years, a plethora of measures have been proposed, presented and in some cases are already agreed between co-legislators:

- **Substantial work has been done in terms of increasing funding opportunities for SMEs**. A new prospectus regulation has recently been approved, aimed at increasing proportionality for the access to capital markets. Moreover, a review of the venture capital framework (specifically EuVECA and EuSEF[6] regulations) has also been developed and further work on crowdfunding and peer-to-peer lending is also under way.

- The Commission has also put forward several initiatives to **increase investing opportunities for retail investors and to channel savings into the capital markets**. For example the development of the Pan-European Personal Pension Product, and measures aimed at facilitating cross border distribution of investment funds.

- Other measures seek to achieve a **deeper, more stable and more resilient financial system**. Such is the case of the recently approved rules for simple, transparent and standardised securitisations or other legislative proposals that are still underway - for instance, the proposal on non-performing loans (NPLs), and the proposal on covered bonds.

6: European Venture Capital Fund and European Social Entrepreneurship Fund.

However, even with this large number of actions on the table, it seems that real effects of the CMU might take somewhat longer to materialise. Last March, the Commission reaffirmed its intention of completing and having a fully operational CMU by 2019, urging acceleration of the delivery of the pending measures as meeting the expected deadline seems now quite challenging. The CMU is a broad, complex project which affects many aspects of the whole regulatory framework. Some of the proposed regulatory pieces are still being negotiated in the Parliament and the Council. Furthermore, the complex, and often long, European legislative process is not the only challenge that the CMU is facing. The lack of progress on other major European projects (such as the completion of the Banking Union with a common European deposit insurance scheme (EDIS)) may also hinder the delivery of tangible results of this ambitious project.

What remains to be done?

The CMU is a very positive project, which can deliver significant beneficial effects to the European economy. Nevertheless, it is essentially a long-term project and the 2019 deadline may be quite challenging to meet. The European Commission has made a great effort to put in place a wide set of measures to lay the foundations for fully integrated capital markets in the European Union. But some of the proposed actions may take longer than expected to pose the desired effects, for instance in terms of diversification of funding sources, financial integration and private risk sharing.

Still, Europe has to keep working to give a final boost to the project, especially after the UK's decision to leave the European Union, which implies the departure of the EU's largest financial market. Having said that, Brexit, far from slowing down the process, should be rather seen as a chance to explore new financial integration opportunities among the remaining Member States. Supervisory convergence will play a key role, given that the relocation process of some of the activities now being carried on in the UK will affect different Member States that have different regulatory frameworks for capital markets. Further convergence in supervisory practices will help avoid an uneven playing field, and will help address potential fragmentation issues while maintaining high regulatory and supervisory standards.

Moreover, capital markets and banks are highly interconnected and complement each other, highlighting the importance of seeking synergies between them. The CMU should work as a complement of a complete Banking Union, allowing banks to act as catalysts of this project. Thus, the CMU is a project that cannot grow alone and needs the completion of the Banking Union and further institutional developments. The European Commission has already started working on further risk reduction measures in the banking sector with the so-called Banking Package. It is now necessary that we complete the Banking Union with the missing piece of the single deposit insurance scheme (EDIS).

Finally, to guarantee the success of the CMU project, we also need to keep working towards further integration in the Union. This is the case of policies that remain at a national level, such as tax policies and insolvency regimes, which are seen as major barriers for cross-border investments.

Main regulatory actions around the world over the last months

	Recent issues	Upcoming issues
GLOBAL	**On Jul 2, FSB** issues a consultation on Cyber lexicon. Introduces common lexicon for FSB bodies, authorities and private sector participants. **On Jul 4, IOSCO** consults on proposed good practices for commodities storage and delivery. Seeks feedback on how the practices could affect derivatives prices. **On Jul 5, BCBS** issues technical amendment to NSFR. Focuses on the treatment of extraordinary monetary policy operations, and allows a reduced required stable funding factor for central bank claims with maturity of more than six months. **On Jul 5, BCBS** publishes revised assessment methodology for G-SIBs. It incorporates two proposals from the consultation: introduction of a trading volume indicator and extension of the consolidation scope to include insurance activities. **On Jul 12, 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. **On Jul 12, 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. **On Jul 16, 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. **On Jul 16, 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. **On Jul 18, FSB** consults on the effects of the regulatory reform on infrastructure finance **On Jul, CMPI and IOSCO** update report on the implementation of principles for financial market infrastructures (PFMI). **On Aug 1, IOSCO** issues recommendations to help trading venues manage extreme volatility. **On Aug 7, FSB** consults on incentives to clear OTC derivatives, and issues report on CCP interdependencies **On Aug 16, BIS** issues consultative report on Governance arrangements for critical OTC derivatives data elements. **On Aug 16, FSB** launches thematic peer review on LEI implementation. It seeks feedback from stakeholders on the implementation of the Legal Entity Identifier to evaluate progress. **On Aug 24, BCBS** publishes data collection for Basel III monitoring. It monitors Basel III impact semi-annually with end-Dec and end-Jun data. **On Aug 30, BCBS** publishes amendments on Pillar 3 disclosure requirements. **On Sep 18, IOSCO** publishes guidance on conflicts of interest and conduct risk in equity capital raising. Identifies those stages in equity raising where the role of intermediaries might give rise to conflicts of interest. **On Sep, BIS** issues report on fast-paced electronic markets. **On Sep 19, ISDA** publishes Benchmarks Supplement. . **On Sep 19, IOSCO** issues measures to protect investors of OTC leveraged products. **On Sep 20, BCBS** publishes FAQ on the liquidity risk treatment of settled-to-market (STM) derivatives. **On Sep 25, FSB & IMF** publishes the 2018 progress report on G20 Data Gaps Initiative (DGI-2). **On Sep, TCFD** releases its first status report. It will continue its work throughout 2019 and will deliver another status report to the FSB in Jun 2019	

EUROPE	**On Jul 3, EBA** issues two thematic reports on the impact of Fintech and the risks and opportunities arising from it. **On Jul 3, ESMA** issues clarifications on the clearing obligation for pension scheme arrangements (PSAs). **On Jul, EBA** publishes updated ITS package for 2019 benchmarking exercise. **On Jul 3, ESMA** publishes 2017 annual report. Sets out objectives, activities and key achievements. Its key priorities are: supervisory convergence (MiFID II and MiFIR), assessing risks, single rulebook (CMU and Benchmarks) and direct supervision (CRA and TRs). **On Jul, EIOPA** issues opinion on duties following Brexit, and submits RTS on professional indemnity insurance. **On Jul 6, ESMA** issues double volume cap data under MiFID II. **On Jul 9, ESRB** publishes 2017 annual report. **On Jul 10, 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. **On Jul 11, ECB** announces measures on the stock of NPLs and consults on materiality threshold for loans past due. **On Jul 11, ESMA** issues consultation on clearing obligations under EMIR. **On Jul 11, EIOPA** publishes new Q&A on Insurance Distribution Directive (IDD). **On Jul 11, 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. **On Jul 12, ECB** publishes opinion regarding the Commission backstop on non-performing exposures (NPEs). **On Jul 12, ESMA** updates Q&A on EMIR data reporting. **On Jul 12, 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. **On Jul 13, ESMA** launches two consultations and publishes final report on RTS under the new Prospectus regulation. **On Jul 13, ESMA** consults on amendments to the MiFID tick size regime. **On Jul 14, the EC** published a draft Delegated Act amending Delegated Regulation (EU) 2015/61 on the Liquidity Coverage Ratio (LCR), which supplements the Capital Requirements Regulation (CRR) **On Jul 16, ESMA** publishes final standards for the implementation of the STS securitisation regulation. **On Jul 17, ESMA** updates Q&As on Benchmarks regulation. **On Jul 17, EIOPA** publishes report on insurers' failures and thematic review on consumer protection. **On Jul 18, ESMA** issues supplementary guidance and a consultation regarding Credit Rating Agencies (CRAs). **On Jul 18, EBA** publishes final Guidelines on fraud reporting under PSD2. **On Jul 19, EBA** published a final guidance to strengthen the Pillar 2 framework. **On Jul 19, 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 disruptions. **On Jul 19, EBA** publishes update to its risk dashboard. It summarises the main risks and vulnerabilities for EU banks. **On Jul 20, ESAs** publish further guidance on the Key Information Document (KID) for PRIIPs. **On Jul 20, EBA** updates on monitoring of CET1 capital instruments and Additional Tier 1 instruments. **On Jul 24, EBA** published its assessment of European Secured Notes (24/07/2018) **On Jul 24, EBA** issues opinion on European Secured Notes. Recommends minimum over-collateralization of 30%, no preferential capital treatment and only SMEs loans.. **On Jul 24, EIOPA** publishes risk dashboard for 1Q2018.

On Jul 30, EIOPA publishes a series of papers and reports on different issues.
On Jul 30, ESMA presents findings from peer review on national supervisor's approach to UCITS.
On Jul 30, ESMA updates Q&A on temporary product intervention measures.
On Jul 31, EBA updates Joint Committee guidelines on complaints handling.
On Jul 31, EBA publishes progress report on the functioning of resolution colleges in 2017
On Jul 31, EBA publishes draft RTS on home-host cooperation under Payment Services Directive (PSD 2).
On Jul 31, EBA publishes two final draft RTS on securitisations. i) Issues final draft RTS on risk retention for securitisation transactions, and ii) on homogeneity of underlying exposures.
On Jul, ESMA publishes peer review methodology.
On Jul, 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.
On Jul, EIOPA publishes monthly technical information for Solvency II with data at end-Jun 2018. Updates i) relevant risk-free interest rate term structure, and ii) symmetric adjustment of the equity capital charge.
On Jul 31, EBA publishes final draft technical standards on home-host cooperation under PSD2
On Jul 31, EBA published a final draft technical standards defining the homogeneity of the underlying exposures in securitisation
On Aug 1, ESMA publishes data for Systematic Internaliser (SI) calculations under MiFID II and MiFIR.
On Aug 6, SRB publishes non-confidential version of Banco Popular "valuation 3" report.
On Aug 6, ESMA publishes an updated version of the TTC under MiFID II/MiFIR.
On Aug 7, ESMA issues Double Volume Cap (DVC) data.
On Aug 7, ESMA issues compliance table for guidelines on product governance under MiFID II.
On Aug 8, ESMA publishes new data on bond liquidity.
On Aug 8, EIOPA joins the Sustainable Insurance Forum.
On Aug 8, ESMA issues clarifications on clearing and trading obligation for pension scheme arrangements (PSA).
On Aug 9, EBA updates XBRL taxonomy. Publishes a corrective update to the XBRL taxonomy that authorities must use for reporting data under the ITS for reference dates of 31 Dec onwards.
On Aug 9, EBA updates data used for the identification of G-SIIs
On Aug 13, ESMA registers a new Credit Rating Agency (CRA). Registers Moody's Investors Service (Nordics) AB as a new CRA , with effect from 13 Aug 2018.
On Aug 14, EIOPA publishes monthly technical information. i) Relevant risk free rate term structures for the month of Aug, ii) Updates the symmetric adjustment of the equity capital charge with end-Aug data.
On Aug 21, the ECON published a draft report on the EU Commission's proposal for a Regulation on covered bonds
On Aug, ECB publishes list of supervised entities.
On Aug, EBA launches three consultations on supervisory reporting for the reporting framework 2.9
On Aug, ECB decides to develop ESTER (euro short-term rate). ESTER will be calculated based entirely on actual individual transactions in euros that are reported by banks in accordance with the ECB's money market statistical reporting.
On Aug 22, ECB issues opinion on the review of prudential treatment of investment firms.
On Aug 22, ESMA issues draft RTS / ITS on disclosure standards under securitisation regulation.
On Aug 22, ECB issues two opinions on public supervisory and exposures on covered bonds directives.

	On Aug 24, ESMA renew prohibition on binary options for a further three months **On Aug 31, ECB** issues opinion on proposal regarding cross-border payments. **On Sep, EBA** publishes QIS templates for the Basel III impact assessment. **On Sep 5, ESAs** publish report on automation in financial advice. **On Sep 5, ESMA** issues opinion on proposed amendments to SFTR technical standards. **On Sep 6, ESMA** publishes Trends, Risks, and Vulnerability report (TRV) and risk dashboard. **On Sep 7, ECB** launches public consultation on its guide to internal models. **On Sep 12, EBA** issues revised NPL data templates and list of validation rules on supervisory reporting. **On Sep 13, ECB** receives recommendation on euro risk-free rate. **On Sep 14, ECB** consults on Part 2 of the Guide to assessments of licence applications. Part 2 focuses on assessment criteria for capital requirements and business plans. **On Sep 18, ECB** issues report on profitability drivers and business models of supervised large banks. **On Sep 19, ESAs** issues report on Risks and vulnerabilities in the EU financial system. **On Sep 19, EBA** publishes reports on funding plans and asset encumbrance. Directed to supervisors, so that they can assess the sustainability of banks' main sources of funding. **On Sep 21, ECB** publishes guide to on-site inspections and internal models investigations. **On Sep 24, EBA** launches its 2018 EU-wide transparency exercise. The exercise seeks to collect financial information from a wide sample of 130 EU banks. **On Sep 25, EBA** notifies the EC on the outcome of its enquiry into the application of EU law on AML in Malta. **On Sep 27, ESMA** announces the publication of new data completeness indicators for Trading Venues (TV). **On Sep 27, ESMA** issues RTS on clearing obligations for intragroup transactions. New draft RTS extending the deferred date of application of the clearing obligation for certain intragroup transactions. **On Sep 28, ESMA** consults on guidelines for stress test scenarios under MMF regulation. **On Sep 28, ESMA** extends restrictions on CFDS. It renews for three months (starting 1 Nov) the restrictions on marketing, distribution and sale to retail investors of contracts for differences (CFDS). **On Sep, ESMA** publishes updates on Q&As. Updates Q&A: i) on MiFIR Data reporting , ii) on EMIR , iii) on benchmark regulation, and iv) on CSDR .	
MEXICO	**On Jul 18 Banco de México** modified its rules on debit and credit card payments in foreign currency, requiring the use of authorised price vendors to determine applicable exchange rates for currencies other than the US Dollar; and reducing the surcharges that banks may apply when converting US Dollar operations. **On Jul 27 Banco de** México issued new rules for its Interbank Electronic Payments System, with a focus on improving banks' internal risk management, and on the identification of non-bank agents dealing in virtual assets. **On Sep 10 CNBV**, Banco de México and SHCP issued secondary regulation deriving from the Fintech Law. CNBV's rulebook contains prudential rules, accounting standards and financial information disclosure rules, while important issues like APIs and the Regulatory Sandbox facility remain to be defined. Banxico's rules govern e-money institutions' operations and SHCP's extend the existing AML/CFT regime to this new sector.	The remaining Fintech secondary regulation is expected to be issued before the inaguration of the new administration (Dec 1st).

LATAM	**Brazil:** On Aug 16, the Central Bank of Brazil determined the need that payment institutions establish a cyber security policy. On Jun 22 the Central Bank of Brazil opened a public consultation process regarding the procedures for the disclosure of information by financial institutions. The preliminar proposal presented by the monetary authority is in line with Basel recommendations on the issue. **Argentina:** 3Q the Central Bank of Argentina increased the minimum liquidity requirements of deposits on several occasions (3 pp on 2/Jul, 3 pp on 16/Aug, 5 pp on 19/Sep and 3 pp on 1/Oct) aimed at keeping monetary aggregates under control during the process of disarmament of Lebac. **Colombia:** On Aug 6, URF released a definitive regulation on the convergence to Basel III (new weights on risks assets and implementation of capital buffers) and the criteria for determining the quality of associates, exposure limits, concentration of risks and conflicts of interest of financial conglomerates. **Peru:** The Central Bank raised the caps for the stock and (weekly and monthly) flows in banks' FX derivatives. Weekly: from USD 400 million to USD 440 million; Monthly: from USD 1200 million to USD 1,320 million. Cut reserve requirements in foreign currency (both average and marginal rates) from 36% to 35%. (as of Jul 1st.) Raised the limit of private pension funds' holdings in foreign assets from 49% to 50% (as of Sep, 1st).
USA	**On Aug 22, federal banking agencies** issued an interim final rule amending the agencies' liquidity rules to treat certain eligible municipal securities as high-quality liquid assets, as required by the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018. **On Aug 22, the OCC** released an Advance Notice of Proposed Rulemaking (ANPR) seeking comment on the best ways to modernize the regulatory framework implementing the Community Reinvestment Act (CRA). **On Aug 23, federal banking agencies** issued interim final rules to expand the number of insured depository institutions and U.S. branches and agencies of foreign banks eligible for an 18-month on-site examination cycle (applies to qualifying insured depository institutions with less than $3 billion in total assets). **On Aug 28, the Federal Reserve Board** issued an interim final rule expanding the applicability of the Board's small bank holding company policy statement, as required by the Economic Growth, Regulatory Relief, and Consumer Protection Act. **On Sep 7, federal financial regulatory agencies** extended until Oct 17, 2018, the comment period for a proposed rule to simplify and tailor compliance requirements for the Volcker rule. **On Sep 11, federal agencies** issued a joint statement explaining the role of supervisory guidance for regulated institutions. The statement confirms that supervisory guidance does not have the force and effect of law, and the agencies do not take enforcement actions based on supervisory guidance. **On Sep 13, the Federal Deposit Insurance Corporation** issued a call for comments on a proposed rule to implement Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) to exempt certain reciprocal deposits from being considered as brokered deposits for certain insured institutions. **On Sep 18, federal banking agencies** invited public comment on a proposal to modify the agencies' capital rules for high volatility commercial real estate exposures, as required by the Economic Growth, Regulatory Relief, and Consumer Protection Act. **On Sep 21, agencies** approved final amendments to swap margin requirements to conform with recent rule changes that impose new restrictions on certain qualified financial contracts of systemically important banking organizations. **On Sep 21, Federal Reserve Board** requested public comment on a proposal to amend Regulation H (Membership of State Banking Institutions in the Federal Reserve System) and Regulation K (International Banking Operations) to repeal provisions that incorporate the Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act). The proposal reflects the transferal of the Board's rulemaking authority for the S.A.F.E. Act to the Bureau of Consumer Financial Protection (Bureau). Entities that were subject to the Board's rules are now subject to the Bureau's rules.

TURKEY	**On Aug 13, CBRT** reduced the Turkish Lira reserve requirement ratios have by 250 basis points for all maturity brackets. **On Aug 13, CBRT** increased reserve requirement ratios for non-core FX liabilities to 8%. **On Aug 15, BRSA** approves that the amendment of credit agreement conditions or fully/partially refinancing of existing exposure may not be considered as restructured. **On Aug 15, BRSA** approves that the monitoring period of the loans classified under Stage 2 is dropped to 3 months instead of 1 year and it is not required anymore that 10% of the total nominal and interest rate payments accrued during one year monitoring period is paid. **On Aug 15, BRSA** approves that mark-to-market losses, temporarily, will not be accounted for in the CAR calculations up until the currency level gets rationalized. **On Aug 15, BRSA** approves that the currency level used in the valuation of risk weighted assets (credit risk) will temporarily be fixed until the currency level gets rationalized.

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