

# Financial Regulation: Weekly Update

2 November 2018

Regulation Unit

## Highlights

BCBS issues progress report on Basel III implementation. EBA will publish stress test results, and issues guidance on management of NPEs. ECB issues its supervisory priorities. ESAs issue proposal for ECAIs. UK Treasury issues SI preparing for Brexit. US Agencies consult on regulatory requirements for large banks.

## GLOBAL

- BSBC issues progress report on the implementation of Basel III standards

On its fifteenth report, the Basel Committee calls for [further progress](#) in the implementation of Basel III standards notably on the Net Stable Funding Ratio (NSFR), for which only 10 member jurisdictions have final rules in force.

## EUROPE

- EBA will publish stress tests results

The [results](#) for the 2018 EU-wide stress test are expected to be published today (2 Nov) by 18:00 CET (17:00 GMT). 48 EU bank are covered.

- EBA publishes final guidance on management of non-performing and forborne exposures

Aimed at providing adequate prudential tools and frameworks, the [guidelines](#) require credit institutions to establish NPE reduction strategies and provide specifications to the forbearance granting process.

- ECB presents its supervisory priorities and its risk assessment for 2019

i) It [sets out](#) focus areas for supervision related to banking sector risks. Priority areas: credit risk, risk management and activities comprising multiple risk dimensions. ii) Based on the SSM risk map, [the document](#) identifies and assesses risks faced by supervised entities.

- ESAs consults on proposal to amend technical standards on the mapping of ECAIs

It [proposes](#) changes in the Credit Quality Steps allocation for two External Credit Assessment Institutions (ECAIs), and the introduction of new credit rating scales for ten ECAIs. Deadline: 31 Dec.

- [EBA consults on draft DPM for supervisory reporting](#)

It seeks [comments](#) on the new version for the Data Point Model 2.9, which presents new data requirements proposed in other ongoing consultations (e.g. COREP LCR, FINREP NPL, etc). Deadline: 7 Dec.

- [ESMA issues priorities for European enforcers](#)

The [publication](#) sets out the priorities to be considered when examining 2018 financial statements of listed companies: the consistent application of IFRS and other financial and non-financial reporting requirements.

- [EC issues implementing regulation on the provision of information for resolution purposes](#)

It [adopts](#) EBA's [updated ITS](#) on resolution reporting standards with a set of templates providing information to resolution authorities. Pending publication in the OJEU, entities will have to comply with them by 31 Dec 2018.

- [OJEU publishes delegated regulation on the liquidity requirement LCR](#)

Among other issues it aligns the [calculation](#) of expected liquidity outflows and inflows on repos and reverse repos and modifies the treatment of some reserves held in third-country central banks. Applicable from: 30 Apr 2020.

- [EIOPA consults on illiquid liabilities, issues new set of Q&A, and publishes results from EU-US dialogue project](#)

i) It seeks evidence on how the illiquid features of some [liabilities](#) contribute to the mitigation of short term volatility. Deadline: 7 Dec ii) [Q&As](#) on: regional governments local authorities exposures; templates for submissions to authorities; supplementing directive 2009-138. iii) [Papers on](#): insurance cyber security, cyber insurance market, big data, and supervision of intra-group transactions.

## UNITED KINGDOM

- [HM Treasury issues new draft Statutory Instruments preparing for Brexit](#)

Statutory Instruments to amend retained UK law preparing for Brexit regarding: i) [financial market](#) infrastructure insolvency, and ii) [payment](#) accounts.

- [PRA issues documents with its approach to supervision](#)

They set out the way in which the agency will carry out its [supervisory](#) role in practice, helping firms and markets to better understand its approach.

- [FCA issues report on cryptoasset, and consults on insurance market study](#)

i) It provides an overview of the risks and potential benefits of [cryptoassets](#) and invite to take actions to preserve the regulatory order and the financial stability. ii) It seeks [input on](#): Market study terms of reference. Deadline: 3 Dec and, Discussion paper on fair pricing. Deadline 31 Jan 2019.

## UNITED STATES

- Agencies consult on proposal to adjust regulations for large banks

Proposal to reduce [compliance](#) requirements for low risk large banks. Establishes four categories of banks, with different requirements. It does not apply to IHC or its subsidiaries. Deadline: 22 Jan 2019.

- Agencies consult on rules to calculate derivative contract exposures

Seeks to update the way to measure [counterparty risk](#) from derivative contracts for capital rules. Proposes to use SA-CCR (alternative to the current exposure methodology). Deadline: 60 days after publication in Federal Register.

- FDIC consults on proposal to remove some disclosure requirements

It requests [public comment](#) on the proposed rescission and removal of Part 350 of its CRA related to Disclosure of Financial and Other Information by FDIC-supervised institutions. Deadline: 26 Nov.

- CFTC issues report on Initial Margin Phase 5

It concerns [uncleared](#) margin rules that will go into effect next 1 Sep 2020 (currently, we are in Phase 3). According to the report Phase 5 implementation (which is likely to capture many small participants) may be challenging.

- OCC issues CRA evaluation for 37 national banks and federal savings associations

Issues monthly [performance](#) evaluations for Oct 2018: 30 are satisfactory, and seven are rated outstanding.

### 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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## Creating Opportunities

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