

Financial Regulation: Weekly Update

16 November 2018

Regulation Unit

Highlights

EC issues communication on the Brexit agreement, and on contingency measures for a no-deal scenario. SRB issues work programme and expectations for Brexit. FSB issues 2018 G-SIB list, reports on resolution and benchmarks, the Cyber Lexicon, and consults on CCP resolution. CESFI starts the process to become the Spanish macroprudential authority.

GLOBAL

- [FSB issues 2018 G-SIB list](#)

It [updates](#) list with end-2017 data. It goes from 30 to 29 banks: it includes one new bank, while two banks are removed. Two banks are moved to a lower bucket.

- [FSB publishes progress report on the reform of interest rate benchmarks](#)

[Annual](#) report which sets out progress achieved so far on developing overnight nearly risk-free rates across different jurisdictions, and on further reforms to interbank offered rates. Some countries have yet to identify an RFR.

- [FSB publishes 2018 resolution report, and consults on financial resources to support CCP resolution](#)

i) [Informs](#) on progress on implementation of resolution frameworks and sets out the FSB's priorities going forward.
ii) The consultation invites comments on CCP financial resources and equity treatment. Deadline: 1 Feb 2019.

- [FSB publishes a Cyber Lexicon](#)

[Comprises](#) nearly 50 terms on cyber security and resilience in the financial sector that will be useful for: creating cross-sector common understanding, sharing information, and monitoring cyber risk scenarios.

- [IOSCO seeks feedback on assessing leverage in investment funds](#)

The proposed [framework](#) has two steps: i) identification of funds that may create stability risks for the financial system, and ii) a risk-based analysis of identified funds. This consultation focuses on step 1. Deadline: 1 Feb 2019.

- [FSB issues communication on the identification of G-SIIs](#)

Given the progress made by IAIS on developing a holistic framework for the assessment and mitigation of systemic risk, it has decided [not to engage](#) in the identification of G-SIIs in 2018.

Creating Opportunities

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- IAIS issues three consultations on holistic framework, recovery planning, and corporate governance

i) Seeks feedback on [key elements](#) of the holistic framework for the assessment and mitigation of systemic risk. Deadline: 25 Jan 2019. ii) Presents an application paper seeking to provide guidance on supervisory material relating to [recovery planning](#). Deadline: 7 Jan 2019. iii) It seeks comments on draft paper regarding good practices and [proactive supervision](#) of corporate governance. Deadline: 17 Dec.

EUROPE

- EC issues statement on the deal reached regarding Brexit

All aspects of the [withdrawal agreement](#) have been finalised. It recommends the Council to find that sufficient progress has been made. For financial services the outline of the political declaration states that the future relationship should be one of close cooperation grounded in regulatory autonomy.

- EC issues communication regarding contingency measures preparing for Brexit

Detailed [information](#) on contingency plans for a no-deal Brexit. In financial services, problems related to cleared derivatives might endanger financial stability, hence temporary and conditional equivalences could be envisaged.

- SRB publishes work programme for 2019 and expectations for Brexit

i) Main [focus](#) for 2019: external MREL, internal MREL, and further progress on resolution planning based on new or updated internal SRB policies. ii) [Brexit expectations](#) include recommendations to include bail-in clauses in new MREL issuances, but asking banks to consider issuing under EU27 law. For legacy contracts, there will not be a one-size-fits-all grandfathering regime, but a case-by-case transitional period.

- ESMA renews binary option prohibition for three more months

The [prohibition](#) affects the marketing, distribution or sale of binary options to retail clients. The renewal takes effect from 2 Jan 2019.

- ESMA consults on periodic auctions for equity instruments

Aimed at avoiding the evasion of MiFID II transparency requirements, the [call for evidence](#) invites stakeholders to provide feedback on the adequacy of the new batch auction trading system. Deadline: 11 Jan 2019.

- ESMA updates Q&As

They focus on topics related to market structures and transparency issues under [MiFID II and MiFIR](#).

- EIOPA publishes report on Pension Benefit Statement and assesses supervisory practices through peer review

i) Seeking to provide guidance to policymakers, regulators and insurers, the [document](#) identifies principles for the design and content of PBS. ii) The [review](#) evaluates NCAs' supervisory practices, focusing on key functions, best practices and recommendations.

Creating Opportunities

SPAIN

- [CESFI starts the process to create a National Macroprudential Authority](#)

The Financial Stability Council (CESFI in Spanish) will become the National Financial Stability Authority ([ANESFI](#)). It will be composed of the Ministry of Economy, Banco de España (Spain's central bank) and the CNMV (National Securities Market Commission). Its objective will be to prevent or mitigate systemic risk.

- [MINECO consults on the prevention of money laundering and terrorist financing](#)

It seeks [comments](#) on the proposed amendments to the current Spanish legislation, in order to incorporate the new elements provided by the Fifth EU Directive. Deadline: 27 Nov.

UNITED KINGDOM

- [HM Treasury issues paper with its approach to financial services legislation, and SI on money laundering](#)

i) It sets out its [approach](#) to preparing Statutory Instruments (SI) for financial services in the context of the EU (Withdrawal) Act. ii) It adjusts UK legislation regarding [money laundering](#) and transfer of funds to a post-Brexit environment, by removing references to EU institutions and equating EEA countries to "third countries".

- [PRA issues policy statement on securitisation](#)

It provides feedback to a previous consultation, containing its [final policy](#) on general requirements and capital framework, significant risk transfer, and ICAAP and SREP.

- [PRA publishes implementing extension of the SM&CR to insurers](#)

It [provides](#): i) feedback to responses to a previous consultation, ii) rules for the implementation of the extension of the Senior Managers and Certification Regime. It will apply from 10 Dec 2018.

- [PRA issues consultation paper regarding fees under Solvency II](#)

Aimed at ensuring that methodologies for determining fees are appropriate to risks posed by designated investment firms, life and general insurers. It sets out [proposals](#) for PRA's fees and levies. Deadline: 7 Jan 2019.

UNITED STATES

- [OCC issues manual for enforcement procedures](#)

The manual [presents](#) the existing policies and procedures for taking actions against institution-affiliated parties for breaches of regulations and laws. It also updates issues regarding civil money penalties.

Recent publications of interest (in English and Spanish):

- [Press Article](#). SMEs and market financing: Myth or reality? November 2018
- [Press Article](#). European banks and the challenge of MREL. October 2018
- [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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