

Financial Regulation: Weekly Update

23 November 2018

Regulation Unit

Highlights

SRB issues MREL policy for banks without resolution colleges. EBA issues RTS on the specification of downturns for the IRB approach. ESMA issues statement regarding Brexit and CCPs. FSB issues reports on correspondent banking, infrastructure finance, and OTC derivatives. BdE updates list of systemically important institutions. CFTC approves its Margin Rule.

GLOBAL

- FSB publishes reports on correspondent banking, infrastructure finance and OTC derivatives

i) The decline in [correspondent banking](#) relationships remains a source of concern; ii) the effects of G20 regulatory reforms on [infrastructure finance](#) are seen as secondary relative to other factors and; iii) good progress is being made on the implementation of [OTC derivatives](#) reforms.

- FSB, BCBS, CPMI and IOSCO publish report on incentives to centrally clear OTC derivatives

[Reforms](#) are achieving their goals of promoting central clearing, especially for most systemic market participants. This is consistent with reducing complexity and improving transparency and standardisation in the OTC derivatives.

- FSB issues recommendations on compensation data reporting to address potential misconduct risk

[Recommendations](#) to the relevant national supervisory authorities, to help them understand whether governance and risk management processes at financial institutions address a set of conduct problems.

- BIS releases more details on G-SIBs

The 12 high-level indicators for each bank in the sample used to calculate the denominators are published for the [first time](#), together with the complete list of all the entities in the sample, the denominators and the cut-off score.

- IOSCO issues report on compliance with principles for commodity derivatives markets

[Publishes](#) third monitoring survey, which show that members are broadly compliant with its principles. The agency is satisfied with progress achieved, so this will be the last report unless the G20 decide otherwise.

EUROPE

- SRB publishes 2018 MREL Policy for banks without resolution college

[Updated policy](#) is very similar to last year's. Main new feature is the adjustment to the recapitalisation amount for banks using a transfer strategy. The 2018 policy for banks with resolution college will be published shortly.

- EBA issues technical standards on the specification of an economic downturn

Specifies the nature, severity and duration of [economic downturns](#) to be taken into account when estimating the LGD and conversion factors. These RTS complete EBA's regulatory review of the internal ratings-based approach.

- ESMA issues statement regarding UK CCPs

It welcomes the EC's [contingency plans](#) for a no-deal Brexit, and supports the continued access of EU clearing members to UK CCPs in order to limit the risk of disruptions. It is engaging with CCPs to start preparatory work.

- EC and ESM issue joint note on future cooperation

[Outlines](#) joint proposals for further development of the ESM into the EU framework to develop crisis management measures that should be completed before the December Euro Summit.

- EIOPA publishes monthly technical information

Relevant [risk free rate](#) term structures for the month of October.

- EIOPA publishes Q&As on regulation

It concerns: i) submission of [information](#), ii) the Insurance [Distribution](#) Directive, iii) guidelines on treatment of [related undertakings](#), and iv) classification of [own funds](#).

SPAIN

- BdE updates list of systemically important institutions and sets their capital buffers

[Five banks](#) are identified as systemically important: One as G-SIB and as O-SII, and the other four as O-SIIs. There are no changes relative to 2017. The buffers will be fully applicable with effect from 2019.

- CNMV issues Financial Stability Note

It analyses the risks affecting the [Spanish market](#). It develops a financial stress indicator, which remains at low levels despite shocks on the US stock market and the Italian public finance issues.

UNITED KINGDOM

- HM Treasury issues new Statutory Instruments (SI) preparing for Brexit

Several SIs, regarding: i) the regime for distance [marketing](#) of retail financial services, ii) the [regime](#) for investment exchanges, EEA market operators, clearing houses and CSDs, iii) the [Prospectus](#), Transparency and Consolidated Admissions and Reporting Directives, iv) [mortgage](#) lending, and v) market [abuse](#).

- BoE issues communication on the publication of the Financial Stability Report

Due to a request to publish [information](#) on how the Brexit agreement (and the possibility of a no-deal Brexit) will affect financial stability, it moves forward the publication date of the report to 28 Nov.

- PRA issues consultation regarding the systemic risk buffer

It proposes [minor changes](#) to its Statement of Policy with its approach to the systemic risk buffer. Deadline: 6 Dec.

UNITED STATES

- CFTC approves final rule to amend uncleared swap margin requirements

It aligns the [Margin Rule](#) with other rules adopted by the federal agencies that impose restrictions on some qualified financial contracts. It addresses suggestions received. Effective date: 30 days after publication in the Federal Register.

- Agencies issue notice of proposal on exemption of some RRE transactions from appraisal requirements

It responds to concerns about the time and cost of completing Residential Real Estate (RRE) transactions. It raises the [threshold for appraisal](#) requirement to \$400,000. Deadline: 60 days from publication in the Federal Register.

- Agencies consult on proposal regarding capital requirements for community banks

Proposal to [simplify](#) leverage ratio for qualifying community banks (i.e. less than \$10 billion in assets among other requirements) as required by the Crapo Bill. Deadline: 60 days after publication in the Federal Register.

- Agencies issue communication on the threshold for Exemption from Appraisal Requirements

Appraisal exemption [threshold](#) is adjusted to reflect CPI-W increase in accordance with the Dodd-Frank Act. The new limit for higher-priced mortgage loans during 2019 is \$26,700. Effective date: Jan 1 2019.

- Agencies consult on amendments to Regulation CC and announce thresholds for Regulations Z and M

i) The [proposal](#) is aimed at implementing a statutory requirement to adjust available funds for inflation. Deadline: 60 days from publication in the Federal Register. ii) Dollar [exemption thresholds](#) applicable for consumer credit and lease transactions in 2019 at or below \$57,200.

Creating Opportunities

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](#). Global | 2018 G-SIBs list: the three key changes. November 2018
- [Financial Regulation Outlook](#). October 2018

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

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