

# Financial Regulation: Weekly Update

30 November 2018

Regulation Unit

## Highlights

BCBS and FSB issue reports on implementation of latest reforms and recommend adopting agreed requirements (e.g. NSFR, TLAC or large exposures). EC issues progress reports on Banking Union, NPLs and CMU. ECB clarifies materiality threshold for credit obligations past due. FRB, BoE and ECB publish financial stability reports. ESAs issue RTS preparing for Brexit.

## GLOBAL

- [BCBS issues report on implementation of BIS III reforms, and statement on the outcome of its meeting](#)

i) Further [progress](#) achieved on the implementation of Basel standards but challenges remain to adopt them on time, especially for NSFR and other standards due over the next few years such as TLAC and large exposures. ii) It agreed [revisions](#) to market risk framework; to consult on disclosures to reduce bank window-dressing behaviour related to the leverage ratio; revisions of Pillar 3 framework and a report on cyber resiliency.

- [FSB issues report to G20 leaders on the progress on financial regulatory reforms](#)

It requests asks [G20 members](#) to implement agreed reforms (Basel III, resolution regimes, OTC derivatives and non-bank financial intermediation), to reinforce global cooperation and to address unintended consequences.

- [ISDA issues preliminary results of benchmark consultation](#)

[Consultation](#) results show respondents prefer the 'compounded setting in arrears rate' for the adjusted risk-free rate, and the 'historical mean/median approach' for the spread adjustment. ISDA will develop fallbacks accordingly.

- [FSB issues review of its processes and transparency to enhance its effectiveness](#)

The [review](#) found that there is a need to enhance the process to develop future work programmes, enhance the efficiency of its internal workgroups and to improve communication with its external stakeholders.

## EUROPE

- [ECB issues regulation on materiality threshold for credit obligations past due](#)

[Aimed](#) at harmonising the definition of default, the new limits improve comparability of defaulted exposures among significant institutions. Application date: not later than 31 Dec 2020.

## Creating Opportunities

Regulation Weekly – 30 November 2018

- [ECB publishes first chapter of the internal models guide](#)

[These guides](#) aim to provide a common understanding of the rules on internal models. The chapter covers general topics that are not risk-type specific (such as the overarching principles, governance and validation of the models).

- [ESAs issue RTS on bilateral margin requirements in the context of Brexit](#)

Final RTS to amend [bilateral margin](#) requirements to assist Brexit preparations for OTC derivative contracts, by introducing limited exemptions. The amendments would only apply only under a no -deal scenario.

- [ECB issues its Financial Stability Review](#)

The [report](#) cites the resurgence in protectionism, stress in emerging markets, high valuations, compressed global risk premia, political and policy uncertainty as downside risks that could affect the euro area financial stability.

- [EC issues reports on Banking Union, NPLs and CMU](#)

i) It advises to complete the [Banking Union](#) by achieving risk reduction and risk sharing in parallel. ii) Third report on the reduction of [NPLs](#) shows a further decrease. iii) It calls on the Council and Parliament to accelerate the delivery of the main blocks of the [CMU](#).

- [ESMA publishes risk dashboard for 3Q2018](#)

The overall [risk assessment](#) remains unchanged at high levels. Concerns raise over a potential no-deal Brexit.

- [ESRB issues report on macroprudential provisions, measures and instruments for \(re\)insurance](#)

[Advocates](#) for a comprehensive regulatory framework by enhancing reporting requirements, establishing a recovery and resolution regime, and introducing appropriate tools to target systemic risks in the sector.

- [EIOPA issues report on Insurance Overview, decision on cross-border collaboration and consultation](#)

i) [Report](#) without policy messages, which provides an overview of the European insurance sector based on Solvency II information. ii) [It seeks to](#) strengthen NCAs' collaboration on cross-border activities described in the IORP II Directive, enhancing information transparency to pension savers. iii) It seeks [advice](#) on amendments concerning the integration of sustainability risks and factors. Deadline: 30 Jan 2019.

## SPAIN

- [MINECO transposes several EU Directives](#)

Partially [transposes](#) payment services Directive, and full transposition of Directives on market abuse and capital requirements (CRD IV). Adapts legislation to MAR, benchmarks, PRIIPs, SFTs and MMFs regulations.

## UNITED KINGDOM

- [BoE issues Financial Stability Report, Stress Test results, and analysis of the effects of Brexit](#)

i) It considers that, [beyond Brexit](#), risks are kept at conventional levels. Therefore, banks could be able to lend in a harsher scenario than the last crisis. The countercyclical capital buffer is maintained at 1%. ii) The analysis presents [scenarios](#) with the impact of different Brexit outcomes on the GDP for the next five years. The no-deal options carry the worst impacts.

- [FCA issues its impact assessment of Brexit, and consults on Brexit](#)

i) It argues that the implementation period is preferable over not agreement as it provides the link to the new relationship. But, it suggests to keep the duration of this period to a minimum. ii) It seeks [comments](#) on amendments to its handbook and the temporary permissions regime, among other issues. Deadline: 21 Dec 2018.

- [PRA issues consultation on the systemic risk buffer](#)

[Consultation](#) relevant to ring-fenced bodies and large building societies with more than £25bn in deposits and shares. The consultation proposes minor changes to the current statement of policy. Deadline: 6 Dec 2018.

## UNITED STATES

- [FRB publishes its Financial Stability Report](#)

[Displays](#) two main vulnerabilities: high valuation particularly with respect to assets linked to business debt and high levels of debt owed by businesses relative to GDP. However, banks' capitalizations and funding are stronger.

- [OCC issues 2019 CRA Evaluation Schedule](#)

It [releases](#) its schedule of CRA evaluations to be conducted in the first and second quarters of 2019.

### Recent publications of interest (in English and Spanish):

- [Press Article](#). SMEs and market financing: Myth or reality? November 2018
- [Regulation Watch](#). Global | 2018 G-SIBs list: the three key changes. November 2018
- [Press Article](#). European banks and the challenge of MREL. October 2018
- [Financial Regulation Outlook](#). October 2018

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

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