

Financial Regulation: Weekly Update

18 January 2019

Regulation Unit

Highlights

BIS issues final standard for capital requirements for market risk. SRB issues the second part of its MREL Policy for 2018. EBA issues guide on exposures associated with high risk. ESAs present agreement on exchange of information between ECB and AML/CFT authorities. ESMA issues report on accepted market practices under MAR.

GLOBAL

- [BIS publishes final standards for the minimum capital requirements for market risk](#)

[Includes](#), among other things, a new simplified standard approach, clarification of the scope of market risk requirements and new standard approach for foreign exchange risk. Deadline for implementation: Jan 2022.

- [IOSCO issues reports on good practices for audit committees](#)

It sets out [good practices](#) to consider in assessing audit processes, quality, independence, communication, and other relevant audit issues. Promotes and supports practices which are more effective.

EUROPE

- [SRB publishes second part of 2018 MREL Policy](#)

This [policy](#) will be used to set MREL requirement for banks with resolution colleges. The main differences relative to the previous one are: higher subordination requirements, and the introduction of individual MREL targets.

- [EBA issues final guidance on exposures associated with high risk](#)

The objective is to [enhance](#) the comparability of current practices in identifying high risk exposures, as well as facilitating the transition to the next regulatory revisions.

- [ESAs publish agreement on exchange of information between the ECB and AML/CFT competent authorities](#)

The [agreement](#), which was sent to the ECB and CAs for signing, contains: information and process used for the exchange, confidentiality and data protection provisions, signing processes and, dispute settlement procedures.

- [ESMA issues report on accepted market practices under MAR](#)

Annual report providing an [overview](#) of the application of these practices (which seek to create a defence against accusations of market manipulation). It also issues recommendations to national competent authorities.

- [EU Parliament issues resolution on banking union](#)

It sets out its [priorities](#) and actions for the coming year, focusing on the gradual reduction of exceptional monetary measures, resurgence of real estate bubbles, private sector debt and moving ahead with the banking union.

- [ESMA issues report on the cost and performance of retail investment products](#)

It finds that [charges](#) for UCITS funds reduce gross returns by a quarter (in average), but the impact varies widely. Management fees (and ongoing costs) are the most significant (compared to entry/exit fees).

- [EIOPA releases report on costs and past performance of insurance and pension products](#)

It [finds](#) that costs vary depending of the type of product, premium, risk category and jurisdiction. There are significant challenges with comparing performance, due to differences between products.

UNITED KINGDOM

- [PRA issues Policy Statement regarding notification and application forms for regulatory purposes](#)

It follows a previous consultation on the issue, and [introduces](#) final forms, and final rules for several parts of the PRA Rulebook (Insurance Special Purpose Vehicles, Passporting and Notification). Applicable from: 19 Jan 2019.

UNITED STATES

- [Agencies issue final rule on expanded examination cycle eligibility](#)

The [interagency](#) rule adopts the previous interim rule which regulates the on-site examination cycle: qualifying 1 and 2 banks with less than \$3 billion in assets are eligible for an 18-month cycle (instead of 12-month).

Recent publications of interest (in English and Spanish):

- [Working Paper](#). Digital transformation and finance sector competition. Jan 2019
- [Working Paper](#). Sovereign risk in the Eurozone and its treatment in banking regulation. Dec 2018
- [Press Article](#). What will be the trends in financial regulation in 2019? Dec 2018
- [Press Article](#). Central banks and sustainable finance: From exoticism to stoicism. Dec 2018

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

Creating Opportunities

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