

Financial Regulation: Weekly Update

8 February 2019

Regulation Unit

Highlights

FSB issues report on non-bank financial intermediation. ESMA agrees MoUs for no-deal Brexit, and issues statement on the use of UK data in ESMA's databases. ECB issues statement on liquidity risk analysis, and results for 2018 stress test. Council and EP agree on measures for investment fund market and rules for derivatives. FRB issues CCAR and DFAST scenarios.

GLOBAL

- FSB releases its [Global Monitoring Report on Non-Bank Financial Intermediation \(N-BFI\)](#)

On [aggregate](#), N-BFI increased 7% yearly. Furthermore, N-BFI segments that could pose bank-like risks grew 8.5%. It includes a case study on FinTech credit because many jurisdictions have pointed it as a key development.

- ISDA issues [request for proposal for fallback spread vendor role](#)

At the request of regulators, ISDA [issues](#) a proposal for an independent service provider to calculate and publish adjustments to fallbacks for certain interest rate benchmarks in ISDA's 2006 Definitions. Deadline: 8 Feb 2019.

- IOSCO issues [report on commodity storage and delivery infrastructure](#)

It identifies issues that could influence the pricing of commodity derivatives. It sets out [good or sound practices](#) to mitigate these issues.

EUROPE

- ESMA agrees on no-deal Brexit MoUs with the BoE and with the FCA

i) MoU with BoE to [recognize](#) UK-based CCPs and CSD in a no-deal Brexit scenario in order to prevent a negative impact on financial stability. ii) Joint MoU with EU securities regulators and FCA on the exchange of [information](#) (on credit rating agencies and trade repositories), and on supervisory cooperation in the case of a no-deal Brexit.

- ECB issues [statement on the analysis of liquidity risk](#)

It launches a [sensitivity](#) test of liquidity risks to evaluate the ability of the banks to handle idiosyncratic liquidity shocks. The results will feed into the SREP. The exercise will last 4 months.

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- ECB publishes results of the stress test for 2018

Includes 87 banks (more than EBA's test). Highlights: capital base and resilience to shocks have improved. Average CET1 has increased to 10.1% from 8.8% in 2016. It will continue monitoring progress on legacy issues.

- Council and EP agree on measures to improve EU's investment fund market and on EU rules for derivatives

i) Measures to make easier, quicker and cheaper for EU managers the cross-border distribution of investment funds. ii) Targeted reform to EMIR aimed at providing simpler and more proportionate rules for OTC derivatives.

- ESMA issues statements on the use of UK data in ESMA databases, and on supervision of non-EU branches

i) In case of a no-deal Brexit, the FCA will stop sending data to ESMA, but will have no access to databases and IT applications. ii) Supervisory briefing to assist national competent authorities in the supervision of non-EU branches of EU firms that provide investment services.

- ESMA issues 2019 regulatory program, supervisory convergence priorities, and risk assessment program

Overview of: i) ESMA's single rulebook work, ii) work streams to promote sound, efficient and consistent supervision across the EU and, iii) analytical research, data, and statistical activities that it will carry out in 2019.

- ESMA publishes revised guidelines on supervisory reporting for credit rating agencies

Amends reporting calendars according to supervisory engagement, including more reporting instructions for each reporting item and standardised reporting templates for certain items.

- ESMA consults on liquidity stress test guidance for investment fund

Draft guidance with 14 principles to harmonize the way in which national competent authorities supervise liquidity stress tests applicable to AIFs and UCITS. Deadline: 1 Apr.

- ESMA publishes data for systematic internaliser (SI) calculations, and for bond liquidity under MiFID II/MiFIR

i) It issues the number of trades and volume for the period July-December 2018 for the purpose of the SI calculations (for equity, equity-like, and bonds). Data for the calculations for derivatives is delayed. ii) There are currently 439 liquid bonds subject to MiFID II transparency requirements.

- ESMA issues several documents on securitizations, EMIR, and MiFIR

Opinion and Q&As on disclosure technical standards under the new securitisation regulation and Q&As on data reporting under both MiFIR and EMIR.

- EIOPA updates work program for 2019

Focus on: building common standards, leveraging data for risk assessment and supervisory purposes, monitoring common standards, and supporting NCAs. It has also added '*InsurTech*' and sustainable finance to its priorities.

- EIOPA publishes monthly technical information

Relevant risk free rate term structure for the month of January.

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SPAIN

- CNMV issues statement on the reliability of information from clients regarding asset management

It [has identified](#) cases in which investment services entities overestimate the customers profile in the suitability tests, which can severely affect the customer. It has initiated a review and sanctioning process.

- CNMV issues statement on the postponement of the implementation of new versions of reporting guidelines

As a result of ESMA's public statement related to no-deal Brexit scenario, the implementation of reporting guidelines is [postponed](#) from 18th Feb to the third quarter of 2019. New implementation date is to be determined.

UNITED KINGDOM

- FCA issues statement on the use of transitional provisions preparing for Brexit

It states the intention to use the [transitional powers](#) granted by the Treasury to guarantee that firms do not need to prepare for regulatory changes now. It also clarifies the areas in which it is not going to use such powers.

- PRA consults on longevity risk transfers under Solvency II

[Proposes](#) changes on its expectation regarding pre-notification of longevity risk transfers and hedge arrangements. It also updates key risks that it considers arise from longevity risk transfers. Deadline: 6 May.

- FCA issues second set of rules and guidance on asset management

Following evidence [presented](#) by a market study, these new rules seek to improve the quality of the information available to consumers with respect to the funds in which they are investing.

UNITED STATES

- FRB issues 2019 CCAR and DFAST scenarios and issues changes to increase transparency of CCAR

i) The hypothetical [scenarios](#) for the Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act stress test (DFAST) assume the largest unemployment rate change up until now. ii) Changes to enhance [transparency](#) of CCAR by increasing, among other things, the information on the stress testing models used.

- OCC releases DFAST scenarios for 2019

Supervisory [scenarios](#) for the company run Dodd-Frank Act stress test (DFAST), including the baseline, adverse and severely adverse scenarios.

- OCC issues CRA evaluations and consultation on thresholds for management interlocks

i) Issues monthly [performance](#) evaluations for Jan 2019: 37 are satisfactory, and 11 are rated outstanding. ii) Consultation on the regulatory proposal that raises the major assets prohibition [thresholds](#) for management interlocks in line with DIMIA. Deadline: 1 Apr.

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- [FDIC issues list of banks examined for CRA compliance](#)

List of state non-member [banks](#) evaluated for compliance with CRA in November 2018.

- [CFTC extends the deadline for comments on changes to rules on SEF and TER](#)

The comments period for the [proposed](#) changes to the regulations on Swap Execution Facilities and the Trade Execution Requirements has been extended. New deadline: 15 Mar.

Recent publications of interest (in English and Spanish):

- [Financial Regulation Outlook](#). January 2019
- [Working Paper](#). Digital transformation and finance sector competition. January 2019
- [Working Paper](#). Sovereign risk in the Eurozone and its treatment in banking regulation. December 2018
- [Press Article](#). Resilience of mortgage lending. January 2019
- [Press Article](#). What will be the trends in financial regulation in 2019? December 2018

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

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