

Financial Regulation: Weekly Update

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Highlights

ESMA to recognise UK CSD post Brexit. ECB issues feedback on ESTER's consultation. EBA issues valuation handbook for resolution, and consults CRM for advanced IRB models. EU Parliament and Council agree many initiatives. BoE, FCA and CFTC issue statement on post-Brexit derivatives clearing and trading. US Agencies consult on amendments to the Volcker rule.

GLOBAL

- **FSB consults on the effects of financial regulatory reforms on SME financing**

It seeks [feedback](#) from stakeholders on SME funding trends, its main drivers across jurisdictions, and the impact of regulatory reforms such as Basel III on SME financing volumes, prices and maturities. Deadline: 18 Mar.

EUROPE

- **ESMA issues statement on the recognition of third country CSD due to Brexit**

It [announces](#) that in a no-deal Brexit, it will recognise Central Securities Depository established in the UK as third country CSDs. This will allow *Euroclear UK* and *Ireland Limited* to keep the provision of services in the EU.

- **ECB publishes feedback on determining an ESTER-based term structure methodology**

It [publishes](#) responses to second consultation to determine a term structure based on ESTER to use as a fallback for the Euribor. Most participants prefer a forward-looking OIS-quotes based method for cash products.

- **EBA issues handbook on valuation for the purpose of resolutions**

The [handbook](#) is addressed to national and EU resolution authorities and aims to foster the convergence and consistency of valuation practices in resolution and the interaction with independent valuers.

- **EBA consults on credit risk mitigation (CRM) under Advanced IRB models**

The [guidelines](#) aim to eliminate remaining differences in CRM that derive from supervisory practices or bank-specific choices. Deadline: 25 May.

- **EU Parliament and Council agree on rules for investment firms**

Provisional agreement on a new regulatory and supervisory [framework](#) for investment firms aimed at adapting the requirements to the firm's risk profile and business models while preserving financial stability.

Creating Opportunities

- **EU Parliament and Council agree on a harmonised covered bonds framework on the context of CMU**

The [framework](#) will specify a common definition to receive an EU-covered bond label and benefit from preferential capital treatment. The deal will now be submitted for endorsement by EU ambassadors.

- **EU Parliament and Council agree on access to financial markets for SMEs in the context of CMU**

The [agreement](#) on the legislative proposal to amend market abuse and prospectus regulations will lighten the administrative burden in SME Growth Markets while preserving market integrity.

- **EU Parliament and Council reach a political agreement on low carbon benchmarks**

Establishes two [new](#) categories to boost investment in sustainable finance: i) a climate-transition benchmark (low-carbon alternative to the one commonly used), and ii) a Paris-aligned benchmark (includes only components contributing to the 2°C reduction)

- **EBA publishes revised guidelines on outsourcing arrangements**

Provides a more [harmonised framework](#) for financial institutions in relation to their outsourcing arrangements. It also seeks to ensure a level playing field between different types of financial institutions.

- **ECB updates the list of supervised entities**

[The list](#) includes: significant institutions and less significant institutions. The total number of significant supervised entities is 117 as of 2 January 2019.

- **ESMA releases the responses to its consultations on integrating ESG risks and factors**

In MiFID II and in the UCITS Directive/AIFMD. Broadly, the [consultations](#) aimed at enhancing investor protection by enabling them to make better investment decisions through better information that includes their ESG preferences.

- **ESMA publishes responses of reporting guidelines consultation**

[Responses](#) received to its consultation on draft guidelines on the reporting to competent authorities under article 37 of the MMF Regulation.

- **EIOPA issues Q&As on regulation**

[Regarding](#): Supplementing Directive 2009-138, and Insurance Distribution Directive.

SPAIN

- **CNMV issues strategic lines of action and activity plan for 2019**

[Focuses on](#): supervision, market competitiveness and technology developments on the financial sector. Also, includes 44 specific objectives regarding the improvement of transparency and communication with the investors.

- **CNMV issues guidance regarding nominations and remuneration committees**

It [contains principles](#), practices and criteria for the proper functioning of commissions based on: i) independence and scepticism, ii) internal and constructive dialogue among its members and, iii) sufficient capacity of members.

Creating Opportunities

UNITED KINGDOM

- **BoE, FCA and US CFTC issue joint statement regarding derivatives trading and clearing post-Brexit**

States that the [authorities](#) are taking measures to ensure that Brexit does not create uncertainties on the continuity of these activities between the UK and the US (regardless of the outcome of the negotiations with the EU).

- **BoE issues policy statement and other materials preparing for Brexit**

It updates the regulatory and supervisory [approach to Brexit](#): i) confirms provision of the transitional relief (for a no deal scenario), ii) confirms [approach](#) to changes on rules and Binding Technical Standards, and iii) sets out roles and responsibilities that it will assume following Brexit (in the event of a no implementation period).

- **FCA issues policy statement regarding Brexit**

Near final rules applicable if there is a no-deal Brexit. It [confirms](#) previous statements while providing further details on the treatment of Gibraltar-based firms and the temporary transition powers.

- **FCA updates guidance on Brexit preparations**

It seeks to support firms to prepare for a [smooth transition](#) after Brexit (even if there is no deal), urging them to make all the necessary changes to protect consumers. It includes information for firms operating in five key sectors.

- **FCA publishes findings of MiFID II and PRIIPs' disclosure requirements review and issues consultation**

It presents the main findings of supervisory work to assess the effectiveness of disclosure by [asset managers](#) and [intermediaries](#). It also provides [feedback](#) on a previous PRIIPs call for input. Finally, it issues a new [consultation](#) on the disclosure of costs and charges to pension scheme members under PRIIPs. Deadline: 28 May.

UNITED STATES

- **Agencies consult on their proposal to amend the Volcker rule**

They seek to [exclude](#) from the rule those banks with total consolidated assets of \$10 billion or less, and trading assets and liabilities of 5% or less of total consolidated assets. Deadline: 11 Mar.

- **Agencies issue final rule on the implementation of the Current Expected Credit Losses standard**

It [conforms definitions](#) in capital and non-capital rules to the current CECL standard and provides an optional regulatory capital transition for banks that experience a decrease in capital as a result of its adoption.

- **OCC and FDIC issue their respective CRA evaluation schedule**

They present the list of institutions scheduled for CRA assessment in the second and third quarters of 2019 ([national](#) banks, and [FDIC](#) supervised institutions).

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

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