

Financial Regulation: Weekly Update

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31 May 2019

Highlights

1. EMMI publishes summary of the feedback to the consultation on recommendations for EONIA
2. ECB provides the one-off spread between €STR and EONIA
3. ESMA issues consultations regarding different aspects of third-country CCPs recognition under EMIR 2.2
4. ESMA issues a public statement regarding the trading obligation for shares following Brexit
5. US Agencies issue notice of proposed rulemaking for tailoring requirements of FBOs, and final rule for municipal obligations under LCR

GLOBAL

• FSB issues several reports

Regarding: i) [correspondent banking relationship](#), ii) [remittance services providers](#), iii) [response and recovery to cyber incidents](#), iv) [peer review](#) of implementation of the Legal Entity Identifier, and v) [Crypto-assets](#).

• IOSCO consults on key considerations for regulating Crypto-asset Trading Platforms

It seeks feedback on its [consultation](#) report which sets out principles and methodology for regulatory authorities to consider CTP-related risks and supervisory implications. Deadline: 29 Jul.

EUROPE

• EMMI publishes summary of the feedback to the consultation paper on recommendations for EONIA

[It will adopt](#) the methodology recommended by the euro risk free rates working group (€STR + Spread) from 2 Oct 2019 until 3 Jan 2022 date on which the index will be discontinued.

• ECB provides the one-off spread between €STR and EONIA

[It publishes](#) the fixed spread which will be used in the EONIA methodology from 2 Oct. 2019. The spread is calculated at 8.5 basis points. It also assigns an ISIN to €STR: EU000A2X2A25.

• ESMA issues a series of consultations regarding third country CCPs under EMIR 2.2

It seeks [feedback](#) on: tiering (indicators to determine the systemic relevance of the CCP), comparable compliance (whether new requirements can be met by compliance with national requirements) and fees. Deadline: 29 Jul.

Creating Opportunities

- **ESMA issues public statement on the trading obligations for shares (STO) following Brexit**

After further [consideration](#), it concludes that an approach based only on the ISIN of the share would minimise risk of disruption. Then, STO would not be applied to 14 GB ISINs which were included in a previous guidance.

- **SSM issues 2019 SREP methodology booklet for Less Significant Institutions**

From [this year](#) the parallel run of the liquidity assessment will no longer take place. Additionally, NCAs are expected to implement a Pillar 2 Guidance aligned with the revised EBA guidelines.

- **ECB publishes financial stability review**

Uncertainty about [global economic growth](#) affects volatility in financial markets and repricing risks, and could ultimately have an impact on financial stability if downside risk were to materialise. Bank profitability remains low.

- **EBA publishes its 2018 Annual Report**

It [provides](#) a detailed account of all the work achieved in 2018 and anticipates the key areas in 2019 to focus on: i) tackle NPLs, ii) sequencing CRR2 mandate, and iii) preparing for the Basel III implementation.

- **ESMA issues call for evidence regarding position limits for commodity derivatives**

[Seeks](#) input under MIFID II to develop an informed view of the issues to be considered. Deadline: 5 Jul. ESMA's draft report to be launched for consultation by end 2019 and final version to be published by end March 2020.

- **ESMA issues a series of consultations on several issues**

i) On [indices](#) and recognised exchanges under the CRR. Deadline: 5 Jul. ii) On draft [guidelines](#) regarding the reporting of securities financing transactions. Deadline: 29 Jul. iii) On periodic [reporting rules](#) for trade repositories. Deadline: 27 Aug.

- **EBA publishes amended ITS on supervisory and resolution reporting**

[Updated](#) the corresponding Data Point Model (DPM) and XBRL taxonomy, including amendments to COREP (applicable Mar 2020), liquidity (applicable Apr 2020) as well as resolution planning (applicable Dec 2019).

- **ESMA updates opinion on ancillary activity calculation**

It provides the estimation of the [market size](#) of commodity derivatives and emission allowances for 2018. This is necessary for market participants to assess if they exceed the ancillary activity threshold under MIFID II.

- **ESMA updates several Q&As**

i) On [securitisation](#) regulation, ii) [EMIR](#) and, iii) MIFID II and MIFIR [investor protection](#) and intermediaries.

- **ESMA issues five opinions on product intervention measures taken by NCAs**

Related to [measures](#) taken by the Bank of Lithuania, Spanish CNMV and Finnish FSA on binary options and contracts for differences. It states that the proposed measures are justified, proportionate and necessary.

- **OJEU publishes amending regulation regarding OTC derivatives contracts**

[Amending regulation](#) regarding clearing obligations, reporting requirements and risk-mitigation techniques for OTC derivative contracts not cleared by a CCP and the registration and supervision of trade repositories.

SPAIN

- **BdE publishes its annual report**

[Includes](#) a review of the financial and economic performance, short and long-term risks and vulnerabilities. It assesses the impact of global uncertainty and instability on the economy, among other issues.

- **CNMV issues financial stability note and a consultation on a technical guide**

i) The stress level of the [Spanish financial market](#) remains below 0.20 points - stable -. It highlights the slowdown on international macroeconomic growth related to trade restrictions. ii) [Consults](#) on the procedures for the selection of intermediaries for Collective Investment Scheme Management Companies. Deadline: 17 Jun.

UNITED STATES

- **Agencies issue final rule on the treatment of municipal obligations for LCR**

It adopts without changes the Aug 2018 interim rule, amending the LCR rules to treat certain [municipal obligations](#) as high-quality liquid assets (HQLA). Effective: 30 days after publication in the Federal Registry.

- **Agencies issue notice of proposed rulemaking for tailoring requirements of FBOs**

It seeks to adjust capital and liquidity [standards](#) for Foreign Banking Organizations depending on a series of risk based characteristics. Deadline: 21 Jun.

- **OCC issues final rule for federal savings associations to elect national bank powers**

It would allow [saving associations](#) to have the same rights, privileges (and obligations) as a national bank, while preserving their current charter (for the purpose of governance, mergers, dissolution, among others).

- **Agencies issue host state loan-to-deposit ratios**

Seeking to forbid [banks](#) from establishing branches outside their home state for the purpose of deposit production, host state loan-to-deposit ratios are used in order to test compliance with the statutory requirements.

- **OCC and FDIC issue their CRA evaluation schedules**

They contain the list of banks and savings institutions scheduled to be evaluated under the CRA during the third and fourth quarter of 2019 ([OCC](#) and [FDIC](#)).

Recent publications of interest (in English and Spanish):

- [Press Article](#). *To complete the Banking Union, it is also necessary to harmonize bank insolvency regimes.* May 2019

Previous edition of our Weekly Financial Regulation Update in [English](#).

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