

Financial Regulation: Weekly Update

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12 July 2019

Highlights

1. FSB consults on cyber incident response and recovery
2. EBA publishes report on roadmap to repair IRB models
3. ECB finalises guide to harmonise bank's internal models
4. BoE publishes its Financial Stability Report
5. US Agencies issue final rules to simplify capital rules

GLOBAL

▪ FSB consults on cyber incident response and recovery

It [seeking](#) comments from the industry, in order to develop a toolkit of effective practices and responses from financial institutions to, and recovery from, a cyber incident. Deadline: 28 Aug.

EUROPE

▪ EBA publishes report on roadmap to repair IRB models

It has decided to [extend the deadline](#) for implementing changes to the rating systems by one year (end-2021), and the changes to LGDs and conversion factors will have to be implemented by 2023.

▪ ECB finalises guide to harmonise bank's internal models

This [guide](#) intends to ensure a common and consistent approach to the most relevant aspects of regulations on internal models for banks supervised by the ECB. It covers credit, market and counterparty credit risk.

▪ ESAs issue report on the cross-border supervision of retail financial services

It [provides](#) an overview and recommendations to the EU Commission, Council & Parliament of the main rules that apply in respect of consumer protection, conduct of business, and cooperation between NCAs.

▪ EBA publishes report on the implementation of guidelines on POG arrangements

The [report](#) identifies a number of good and bad practices and outlines next steps that the EBA will take to ensure supervisory convergence regarding Product Oversight and Governance arrangements.

▪ EBA publishes report on impact of FinTech on different business models

It [points out](#) key observations on payment institutions' and electronic money institutions' business strategies, focusing on current trends, interaction with BigTech firms and the level of implementation of innovative technology.

- **ESMA updates annual equity transparency calculations (tick size regime for third-country shares)**

[Updated results](#) are due to apply from 8 Jul 2019. It has an impact on the average daily number of transactions on the most relevant market in the EU determining the tick size to be applied for trading on EU markets.

- **ECB announces publication time for euro short-term rate (€STR)**

The start date of [euro short-term rate \(€STR\)](#), to be published on the ECB's website, will be 2 Oct 2019. Technical specifications for the rate publication will be made available in September 2019.

- **ESMA issues latest double volume cap (DVC) data under MIFID II**

[Updates](#) DVC data and calculations for the period 1 Jun 2018 to 31 May 2019. 56 new breaches: 47 equities for the 8% cap, applicable to all trading venues & 9 equities for the 4% cap that applies to individual trading venues.

- **ESMA issues statement regarding the application of product intervention measures**

It warns providers of [contracts for differences](#) to retail clients, as there are situations observed in the market and practices, which raise concerns of non-compliance with the legal requirements applicable.

- **ESMA updates Q&As**

i) On the [implementation](#) of investor protection issues under MiFID II and MiFIR. ii) On the [implementation](#) of the Central Securities Depository Regulation.

- **EIOPA issues opinions to assist NCAs on the implementation of IORP II Directive**

[Focuses](#) on governance and supervision: i) governance and risk assessment (RA) documents, ii) common framework for RA and transparency, iii) operational risks, iv) environment, social and governance risks.

SPAIN

- **BdE consults on circular related to advertising of banks' services and products**

[It seeks](#) to adapt to the evolution of the advertising sector -as a consequence of the technology impact-, determining the general criteria that advertising messages have to comply with. Deadline: 23 Aug.

UNITED KINGDOM

- **BoE publishes its Financial Stability Report**

Assessment of the financial system's [resilience](#), main risks to financial stability (e.g. Brexit, global trade tensions, ETFs, leveraged lending and Libor transition, among others), and actions to remove or reduce those risks.

- **HM Treasury issues report on AML/CTF**

Annual report that seeks to improve [transparency](#) and accountability of supervision and to encourage good practices.

- **FCA publishes 2018/2019 annual report**

It presents the main [pieces of work](#) undertaken in the last year. It highlights: actions to improve protection for users of high-cost credit, preparations for Brexit, actions to stop scams or promotion of innovation.

UNITED STATES

- **Agencies issue final rules to simplify capital rules**

Reduces burden for [non-advanced approach](#) banks. Among others, it simplifies capital rules for mortgage servicing and deferred tax assets, investment in capital instruments of some financial institutions and minority interest.

- **Agencies issue final rule regarding the Volcker Rule for community banks**

It excludes [community banks](#) (with \$10 billion or less in total consolidated assets, and total trading assets and liabilities of 5% or less of total consolidated assets) from the Volcker Rule.

- **FED issues white paper on synthetic identity payments fraud**

[Documents](#) the severity of this type of fraud (the fastest-growing type of financial crime). Synthetic identities are created by combining real information (e.g. social security number) with fictional information (e.g. made-up names).

- **CFTC and SEC invite comment on proposal to align the minimum margin required**

It sets the [minimum margin](#) requirements for security futures from 20 to 15 percent of the current market value of each security future and revises the margin offset table. Deadline: 30 days from publication in the Federal Register.

- **CFTC issues report on SD exception and clarifications on initial margin threshold and no-action relief**

i) [Report](#) containing data and analysis on Swap Dealers (SD) de minimis exception with a specific focus regarding on-venue and cleared swaps. ii) [Clarification](#) stating uncleared swap margin rules do not require governing documentation until \$50 million threshold is reached, and iii) A 2-year [no-action relief](#) allowing Futures Commission Merchants to treat separate accounts for the same beneficial owner separately for margin purposes.

- **FDIC releases initial sections of its applications procedures manual**

This [manual provides](#) direction for professional staff assigned to review and process applications, notices, and other requests submitted to the 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.
- [Press Article](#). *New package of banking reforms to prevent crises*. June 2019.
- [Press Article](#). *Nueva Ley de Contratos de Crédito Inmobiliario: de la teoría a la práctica* (only in Spanish). June 2019.

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

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