

Financial Regulation: Weekly Update

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Highlights

1. NGFS publishes an overview of climate-related impact assessments on financial stability
2. EBA updates on monitoring of CET1 capital instruments
3. European Commission adopts communication and reports regarding AML/CFT risks. Similarly, EBA issues opinion on these matters.
4. BdE issues consultation on macroprudential tools
5. EBA publishes IFRS 9 roadmap and benchmarking exercise

GLOBAL

■ NGFS releases an overview of climate-related impact assessments on financial stability

[Overviews](#) existing approaches for quantitatively assessing climate-related risks and identifies key areas for further research in its technical supplement “Macroeconomics and Financial Stability: Implications of Climate Change”.

■ BCBS and IOSCO extend the implementation phase of margin requirements for non-cleared derivatives

The [final phase](#) will take place on 1 Sept 2021, at which point covered entities with an aggregate average notional amount of non-centrally cleared derivatives greater than €8 billion will be subject to the requirements.

■ FSB adjusts implementation timelines for policy recommendations on financial stability risks

[Implementation](#) for the framework of numerical haircut floors will be extended to Jan 2022 (instead of end-2018) for bank-to-non-bank transactions and to Jan 2024 (instead of end-2019) for non-bank-to-non-bank transactions.

EUROPE

■ EBA updates on monitoring of CET1 capital instruments

Updates the list of [CET1](#) instruments issued by entities, together with a report with further information of the monitoring exercise and the consequences of including or excluding instruments from the list.

■ EC adopts communication and four reports to better address AML/CFT risks

The [reports](#) stress the need for their full implementation while underlining that a number of structural shortcomings in the implementation of the AML/CFT rules still need to be addressed. Package will serve for future policy.

- **EBA issues opinion on the relevance of AML/CFT concerns**

[Invites](#) prudential supervisors to send a common message: that prudential supervisors factor AML/CFT issues into the prudential supervisory process and cooperate closely with AML/CFT supervisors for this purpose.

- **EBA publishes IFRS 9 roadmap and benchmarking exercise**

It provides an [overview](#) of planned monitoring activities on IFRS 9 implementation, analysing the different modelling practices followed by institutions and the impact of expected credit losses on own funds and regulatory ratios.

- **ESMA publishes annual peer review report on CCPs supervision**

Focuses on effectiveness of [supervisory practices](#) to comply with EMIR requirements on collateral and funding arrangements. Also includes best practices to further enhance supervisory convergence.

- **ESMA updates register of derivatives to be traded on-venue under MiFIR**

It adds three [French venues](#) that were recently authorised, where some classes of derivatives subject to trading obligations are available for trading.

- **ESMA issues opinion on product intervention measures**

It publishes [four positive opinions](#) on product intervention measures taken by the NCAs of Bulgaria, Denmark and Croatia related to binary options and contracts for difference.

- **EIOPA consults on methodological principles of insurance stress testing**

[Seeks](#) feedback from stakeholders to be considered in the final discussion paper. Also, it contains a series of questions to collect feedback, particularly on technical topics linked with insurance stress testing. Deadline: 18 Oct.

- **EIOPA consults on remuneration principles in the insurance and reinsurance sector**

[Seeks](#) comments on the draft opinion to enhance supervisory convergence by focussing on a set of remuneration principles identified in the Delegated Regulation. Deadline: 30 Sep.

- **EIOPA issues a report analysing national General Good rules**

[Provides:](#) a factual description of the types of rules applicable to insurance distribution activities, assessment of the main areas of divergence, and impact of the General Good provisions on the proper functioning of the IDD.

- **OJEU publishes regulation regarding PEPP**

New [regulation](#) on Pan European Personal Pension Product has been published. It is framed within the wider CMU project. Entry into force: 20 days.

SPAIN

- **BdE issues consultation on macroprudential tools**

Seeks [opinions](#) on the adoption of the measures it was empowered with last Dec, comprising the CCyB requirement, limits to sectoral concentration and conditions for credit granting, among others. Deadline: 13 Sep.

- **BdE consults on modifications to circular regarding financial reporting rules for credit institutions**

It [seeks](#) to adapt circular 4/2017 to the recently developed accounting criteria in IFRS, to simplify some information requirements and to introduce clarifications and corrections to the previous text. Deadline: 10 Sep.

UNITED KINGDOM

- **PRA issues several consultations**

i) On the treatment of [model limitations](#) in banks' internal models for counterparty credit risk. Deadline: 25 Oct. ii) On group availability of subordinated liabilities and [preference shares](#) under Solvency II. Deadline: 21 Oct. iii) On minor changes to the Bank's and PRA's [EU exit instruments](#) following the extension of Article 50. Deadline: 18 Sep.

- **PRA issues supervisory statement on credit risk mitigation and financial collateral eligibility**

It follows a [previous consultation](#) and covers, among other issues: the eligibility of financial institutions as protection providers, recognised exchanges and netting of liabilities subject to bail-in, etc.

- **FCA issues statement on the use of the temporary transitional power**

Reflecting the [extension of Article 50](#), it confirms its intention to extend the proposed duration of the directions issued under the temporary transitional power. All remaining aspects remain unchanged.

UNITED STATES

- **Agencies and FinCEN issue statement on transparency of risk-focused BSA/AML supervision**

It assists [examiners to evaluate](#) the adequacy of the Bank Secrecy Act (BSA)/anti-money laundering (AML) compliance program, outlining common practices for assessing banks' risk profiles.

- **Agencies release public sections of resolution plans**

Corresponds to eight [large domestic](#) banks. The agencies' revision includes both the confidential and the public portions of the plans.

- **Agencies consult on HVCRE for the purposes of capital rules**

Seeks comments on the [treatment](#) of land development loans and some exclusion in the definition of high volatility commercial real estate (HVCRE) exposure in the agencies' regulatory capital rule. Deadline: 22 Aug.

- **CFTC extends comment period for the proposed rulemaking regarding SDR**

Consultation to update [requirements](#) for Swap Data Repositories. New deadline: 28 Oct.

- **OCC issues bulletin regarding lending standards for Asset Dissipation Underwriting**

Credit [institutions](#) offering or considering ADU should develop risk governance processes commensurate with the credit risk of ADU and refer to the regulatory real estate and mortgage lending standards and guidelines.

- **OCC issues statement on sound fraud risk management principles**

Sets out [principles](#) regarding governance practices, policies, processes and internal controls that should be implemented for banks to have a sound fraud risk management framework.

- **OCC updates some booklets of the Comptroller's Handbook**

[Fully revises](#) the "Corporate and Risk Governance" booklet, and updates (with more limited changes) the "Internal and External Audits" booklet of the Comptroller's Handbook.

▪ **CFPB consults on qualified mortgage**

Related to the [expiration](#) of the qualified mortgage provision applicable to mortgage loans eligible for purchase or guarantee by Government Sponsored Enterprises. Deadline: 45 days after publication in the Federal Registry.

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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