

Financial Regulation: Weekly Update

Salvador Bekiaropoulos, Matías Cabrera, Arturo Fraile, Javier García, Ana Rubio, Williams Ruiz, Victoria Santillana, Pilar Soler

5 July 2019

Highlights

1. FSB publishes review of the TLAC standard
2. EBA publishes the results of its Basel III implementation assessment
3. SRB publishes 2018 annual report, public interest assessment approach and update on the Banco Popular process
4. FSMA authorises EMMI as the Euribor administrator, and ECB publishes CEO letter in respect of banks' preparation to interest rate benchmark reform
5. EBA and ESRB publish their risk dashboard

GLOBAL

■ FSB publishes review of TLAC standard

[Review](#) concludes that all G-SIBs meet or exceed the TLAC minimum ratios for 2019. FSB does not see the need to modify TLAC. However, it urges i) to implement it fully and ii) determine its allocation within banking groups.

EUROPE

■ EBA publishes some results of its Basel III implementation assessment

Includes a [quantitative study](#) and a set of recommendations. Finds an increase in minimum capital requirements of 24.4%, mainly driven by globally active banks. The full report will be published by the end of July.

■ SRB publishes annual report, public interest assessment and update on the Banco Popular process

It will shift from broad policies to implementation and making banks resolvable according to its [annual report](#). Publishes its [approach](#) to determine the public interest assessment, and [updates](#) on the Popular case.

■ FSMA authorises EMMI as the administrator of Euribor

The Supervisor of Euribor, the FSMA, has [authorized](#) EMMI as the administrator of Euribor, meaning it complies with the BMR requirements, thus ensuring the durability of the benchmark beyond 1 January 2020.

■ EBA publishes its risk dashboard

EU banks' CET1 ratio [remained unchanged](#) during the 1Q2019. Bank's loan portfolio has improved, but at a lower pace (NPLs, stage 2 and stage 3 loans have decreased). Profitability has not improved, and remains a challenge.

▪ **ESRB publishes its risk dashboard**

It finds that EU banks' [profitability](#) slightly deteriorated in 1Q2019. Cost-to-income ratio increased to the highest level since 2014.

▪ **ESMA publishes report on multiple withholding tax (WHT) reclaim schemes**

[Identifies](#) best practices that could be used by NCAs to detect and investigate multiple WHT reclaim schemes and launches a formal inquiry. The result will be reported to the European Parliament.

▪ **ESMA ceases renewal of product intervention measure (PIM) and issues opinions on PIM**

i) Cancels the [prohibition](#) the marketing, distribution or sale of binary options to retail clients. ii) [Opinions](#) on PIMs taken by the NCAs of Sweden, France and the UK: proposed measures are justified and proportionate.

▪ **ECB publishes “Dear CEO letter” in respect of banks’ preparation to interest rate benchmark reform**

ECB Banking Supervision [writes](#) to CEOs of European significant institutions requiring a board-approved summary of the risk assessment and action plan related to benchmark reform.

▪ **ECB publishes summary of responses to consultation on EONIA to €STR transition**

Euro risk free rates working group from the ECB publishes a [summary of responses](#) to the third public consultation on the EONIA to €STR legal action plan.

▪ **ESMA updates Q&As**

[Regarding](#) the implementation of the Central Securities Depository Regulation.

▪ **EIOPA publishes financial stability report June 2019**

[Highlights](#): i) the key risks identified for the insurance and occupational pension fund sector; ii) the impact of green bond investment policies on the share price performance of European insurers.

▪ **EIOPA consults on guidelines on outsourcing to cloud services provide**

The [objective](#) is to: i) provide clarification and transparency to market participants avoiding potential regulatory arbitrages; ii) foster supervisory convergence regarding cloud outsourcing. Deadline: 30 Sep.

▪ **EIOPA publishes monthly technical information**

i) Relevant [risk-free rate](#) term structure for the month of June, and [symmetric](#) adjustment of the equity capital charge under Solvency II.

SPAIN

▪ **CNMV issues guidance and intervention measures on binary options and CFDs**

i) [Guidance](#) related to the advisory activities by the investment services firms. ii) [Prohibition](#) of the marketing, distribution and sale of binary options and Contracts for Differences (CFD) to retail customers in Spain.

▪ **CNMV and Guardia Civil sign cooperation agreements to fight against financial fraud**

It establishes a [framework](#) for collaboration that strengthens cooperation in exchange of information between the parties and prosecution of financial fraud and of persons or entities not authorised to provide investment services

UNITED KINGDOM

- **FCA issues consultation on the prohibition to sell crypto-derivatives to retail consumers**

Proposal that seeks to prevent harm to [retail consumers](#) from the sale of derivatives and exchange traded notes referencing certain types of crypto-assets. Deadline: 3 Oct.

- **FCA issues statement on restrictions regarding CFDs and CFD-like options to retail consumers**

It confirms ESMA's rules, and [permanently restricts](#) the sale, marketing and distribution of Contracts for Difference (CFD) and CFD-like options to retail consumers. Applicable: 1 Aug for CFDs and 1 Sep for CFD-like options.

- **HM Treasury issues report on the FSCS**

Annual report providing a [comprehensive](#) account of the work during the last year, describing the Financial Services Compensation Scheme performance and achievements.

- **UK Authorities issue joint statement on climate change**

It [highlights](#) that climate change presents far-reaching financial risks relevant to their mandates. Financial risks will be minimised by achieving an orderly transition and via a collective response.

UNITED STATES

- **CFTC extends comment period for proposal to amend derivatives clearing organization regulations**

Extends [deadline](#) for consultation on rules that address risk management and reporting obligations, and simplifies registration and reporting processes (among other things). New deadline: 13 Sep.

- **FRB releases annual determination of the aggregate consolidated liabilities of financial companies**

As required by section 622 of the Dodd-Frank Act, which [prohibits financial](#) companies from combining with other company if it results in liabilities above 10% of the aggregate consolidated liabilities of all financial companies.

- **SEC consults on proposal regarding margin requirements for futures**

Proposal to align the [minimum margin](#) required on securities futures with other similar financial products (15% of the current market value). Deadline: 30 days following publication in the Federal Register.

- **OCC issues bulletin regarding covered savings associations**

It describes the [process](#) for federal savings associations to elect to operate as covered saving associations (granting them national bank powers without changing their charter).

- **OCC and FDIC releases results from monthly CRA evaluations**

They contain the ratings of banks and savings institutions evaluated under the CRA during June and April respectively ([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.

- [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](#).

DISCLAIMER

This document has been prepared by BBVA Research Department. It is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Any estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

With regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions on the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. Reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process is prohibited, except in cases where it is legally permitted or expressly authorised by BBVA.

This report has been produced by

Head of Financial Regulation
Ana Rubio
arubiog@bbva.com

Arturo Fraile
arturo.fraile@bbva.com

Victoria Santillana
mvictoria.santillana@bbva.com

Matías Daniel Cabrera
matiasdaniel.cabrera@bbva.com

Pilar Soler
pilar.soler.vaquer@bbva.com

Javier García Tolonen
javierpablo.garcia@bbva.com

Willians Ruiz
willians.ruiz@bbva.com

Salvador Bekiaropoulos Donate
salvador.bekiaropoulos@bbva.com