

Financial Regulation: Weekly Update

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Highlights

1. EBA issues advice to the European Commission on the implementation of the final Basel III framework
2. ECB issues statement regarding NPL provisioning
3. ECB publishes recommendations from €STR working group
4. EBA issues an opinion on the implementation of the Deposit Guarantee Schemes Directive
5. OCC and FDIC approve reforms to the Volcker Rule

GLOBAL

▪ BCBS publishes frequently asked questions (FAQs) on operational risk

After the publication of its final standards on operational risk, the BCBS has published the first set of [FAQs](#) and interpretative guidance. These FAQs will be updated periodically.

EUROPE

▪ EBA advises the Commission on the implementation of the Basel III framework

This first [report](#) covers credit and operational risk and output floor and includes an updated impact analysis together with a set of recommendations. EBA estimates an increase of 24% in minimum capital requirements.

▪ ECB revises supervisory expectations for NPL prudential provisioning

It [reconsiders](#) supervisory expectations specified in the Addendum to the ECB Guidance to banks on NPLs, accounting for new Pillar 1 prudential provisioning requirements applicable to NPLs originated after 26 Apr 2019.

▪ ECB publishes recommendations of the industry-led working group for €STER transition

The report addresses the impact of the [transition](#) from EONIA to €STER for cash and derivatives products. It urges to prepare for the change in EONIA's publication time and the discontinuation of EONIA in 2022.

▪ EBA issues opinion on the implementation of the DGSD

This is the first of three opinions, proposing a series of [amendments](#) to enhance depositors' protection, financial stability, and operational effectiveness.

▪ EBA issues report on banks' funding plans

It [assesses](#) the three-year funding plan forecasts of 160 banks, identifying increasing appetite for market-based financing at rising issuance costs and declining client loan-to-deposit spreads in 2018.

- **EBA updates the data for designating global systemically important institutions (G-SIIs)**

Issues the 12 indicators and end-2018 data according to the standards developed by the FSB and the BCBS. At an aggregate level, [highlights](#) the growth of level 3 assets and total exposures, and the decrease in underwriting.

- **SRB and European Commission sign MoU**

[Elaborates](#) on the working methods between them (including cooperation on resolution, regulatory and communication issues). It does not extend to cooperation on EC's decisions on state aid in resolution.

- **EBA issues clarification on APIs and updates the reporting framework and single rulebook Q&As**

i) [Clarifications](#) to a fifth set of issues raised by the WG on APIs under PSD2. ii) Publishes [phase 2](#) of its technical package on reporting framework, which includes validation rules, DPM data dictionary and XBRL taxonomy. iii) Update of the [single rulebook](#) Q&As to take into account the publication on the CRR2/CRDV/BRRD2 package.

- **ESAs issue response to EC on issues regarding PRIIPs**

The [response](#) is related to the exclusion of performance scenarios options from PRIIPs consumer testing exercise.

- **ESMA updates double volume cap data and issues an opinion on product intervention measures**

i) [Update](#) of the public register with the calculation and data of double volume cap under MIFID II. ii) Two positive opinions on [product intervention measures](#) by NCAs of Slovenia, which are considered justified and proportionate.

- **EIOPA issues monthly update of technical information under Solvency II**

i) Update of the [symmetric adjustment](#) of the equity capital charge (data for end-July). ii) Technical information for the Relevant Risk-Free Interest Rate Term [Structures](#) (data for end-July).

SPAIN

- **BdE adopts EBA's guidelines on outsourcing**

The guidelines [provide](#) definitions and criteria for determining the criticality of outsourcing activities, aimed at harmonizing the governance framework of such arrangements. Application date: 30 Sep.

UNITED KINGDOM

- **PRA issues Policy Statement on regulatory reporting**

It sets out the final rule regarding PRA [reporting requirements](#) for ring-fenced bank reporting, Capital+ reporting and the scope of FINREP to be reported by certain firms.

- **FCA issues statements on Claims Management Companies and on Strong Customer Authentication**

i) It requests CMC to [enhance](#) their advertising standards, pointing to a series of poor-practices (e.g. lack of relationship between customer and the financial service provider receiving the claim). ii) It gives the payment and e-commerce industries [additional time](#) to implement SCA (18-month implementation plan).

UNITED STATES

- **OCC and FDIC approve Volcker Rule reforms**

The changes seek [to simplify](#) and tailor [requirements](#) based on the size of a firm's trading assets and liabilities. Still needs approval from three other agencies. Effective date: 1 Jan 2020. Compliance date: 1 Jan 2021.

- **FRB consults on the development of a faster payment and settlement system**

It informs that it will [develop](#) a new round-the-clock real-time payment and settlement service (FedNow Service), to support faster payments in the U.S. Deadline: 90 days from publication in the Federal Registry.

- **FDIC issues proposed rule on assessment credits and on interest rate restrictions**

i) It would [apply](#) quarterly small bank and one-time assessments credits at a lower minimum reserve ratio. Deadline: 30 days from publication in the Federal Registry ii) Proposes [rulemaking](#) for restricting interest rate for less than well capitalized insured depository institutions. Deadline: 60 days from publication in the Federal Registry.

- **OCC issues bulletin regarding host state loan-to-deposit ratios and updated BAAS**

i) It [informs](#) on how these ratios are used by supervisors for determining compliance with interstate branch deposit production requirements. ii) The [new version](#) of the Banking Accounting and Advisory Series includes accounting standards on hedging and credit losses and answers to questions from industry and examiners.

- **SEC adopts amendments to codify exemption to credit rating agency rule**

It clarifies that the [exemption](#) applies only if all offers (sales) of a security or money market instrument by any issuer, sponsor, or underwriter linked to it occur outside the U.S.

- **CFPB extends comment period for debt collection proposal and issues report on credit card market**

i) Extension on the [proposal](#) for the “Fair Debt Collection Practices Act” to better consider the issues raised. New deadline: 18 Sep. ii) Report on the state of the [credit card market](#) for the 2017-2018 period. Market conditions remain stable, and late payment and default rates have risen modestly but remain below pre-recession levels.

- **FDIC issues final rule regarding recordkeeping for deposit insurance determination**

It seeks to simplify the [process](#) for making insurance determinations in the event a bank is placed into receivership, it clarifies some of its requirements, and makes some technical corrections. Effective date: 1 Oct.

- **FDIC and OCC issue list of banks examined for CRA compliance and evaluation schedule**

State nonmember banks, and national banks and savings associations recently evaluated for compliance with the CRA. Ratings assigned to institutions during May ([FDIC](#)) and July ([OCC](#)). Additionally, [OCC issues](#) 4Q2019 and 1Q2020 CRA evaluation schedule.

Recent publications of interest (in English and Spanish):

- [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* (in Spanish). June 2019.
- [Press Article](#). *Provisions for non-performing loans: how much is enough?*. August 2019.

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

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