

Financial Regulation: Weekly Update

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Highlights

1. IOSCO issues Thematic Review report regarding the mis-selling of complex financial products
2. EBA issues a consultation to create an STS framework for synthetic securitizations
3. Council of the EU agrees its position on a unified classification system for environmental sustainability
4. ESRB issues warning and recommendations regarding real estate vulnerabilities
5. FCA updates directions under the Temporary Transitional Power (TTP) for Brexit

GLOBAL

■ IOSCO issues report on the efforts to deter mis-selling of complex financial products

[Indicates](#) that jurisdictions must have effective supervisory and enforcement mechanisms to support suitability regimes for complex products and to ensure that intermediaries take corrective action where necessary.

EUROPE

■ EBA consults on STS framework for synthetic securitization

[Includes](#) requirements on simplicity, standardization and transparency similar to those applied to traditional securitization and assesses the positive and negative implications. Deadline: 25 Nov.

■ Council of the EU agrees position on a unified EU environmentally sustainable taxonomy

It will provide a [common language](#) on what economic activities are environmentally sustainable. The Council and the Parliament are expected to start negotiating in the short-term. Its full application is expected by 2022.

■ ESRB issues warning and recommendations on real estate sector vulnerability

It [issues](#) five country-specific warnings and six recommendations on medium-term residential real estate sector vulnerabilities.

■ ESMA updates annual transparency calculations

New results reflect [late corrections](#) of the underlying data used. The annual transparency calculations for equity and equity-like instruments will apply from 30 Sep 2019 until 31 Mar 2020.

■ ESMA updates its financial instrument reference database

Includes [new XML schemas](#) v1.1.0 that are now the only version accepted by the system and updates to the CFI validation rules.

- **ESMA issues statement on position limits under MiFID II / MIFIR**

Agrees with [two opinions](#) on position limits regarding commodity derivatives as they are consistent with the objectives established in MiFID II/ MIFIR and with the methodology developed for setting those limits.

UNITED KINGDOM

- **FCA updates directions under the Temporary Transitional Power (TTP) for Brexit**

It seeks to give [flexibility](#) in the application of post-Brexit requirements (if there is no implementation period). Among other features, it extends the proposed duration of directions from 30 Jun 2020 to 31 Dec 2020.

- **PRA issues supervisory statement on liquidity risk management for insurers**

It sets out its [expectations](#) for insurers' liquidity risk management framework. It includes, among other issues, the development of policies, systems, controls and processes, and the identification of material risk drivers.

UNITED STATES

- **SEC issues proposal and adopts two new rules**

i) Consults on proposal to enhance [retail investor](#) protection by requiring that current and publicly available issuer information is accessible to investors. Deadline: 60 days from publication in Federal Register. ii) It adopts [new rule](#) to extend the "Test-the-Waters" accommodation to all issuers. Effective date: 60 days from publication in Federal Register. iii) It adopts new rule to modernize the [regulation of ETF](#) by establishing a clear and consistent framework. Effective date: 60 days from publication in Federal Register.

- **OCC issues report on banking trading revenues for 2Q2019**

It finds: i) [trading revenues](#) are 19.8% lower than in the previous quarter, ii) 87.8% of the derivatives notional held by 4 large banks, iii) derivatives concentrated in interest rate products, and iv) increase in centrally cleared derivatives.

- **FDIC publishes its 2018 office of the Ombudsman report**

It outlines the office's structure, [outreach activities](#), and goals, seeking to promote transparency. During 2018 it handled 142 industry cases, and conducted nearly 500 outreach visits to external stakeholders.

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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