

Financial Regulation: Weekly Update

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Highlights

1. EBA updates estimates of the Basel III implementation impact, and the effect on the EU economy
2. EBA publishes annual report on risk and vulnerabilities of the EU banking system
3. ESAs issue draft RTS on non-cleared OTC derivatives and statement on fallbacks for OTC derivatives
4. Council of the EU adopts review of supervisory framework, sets objectives to deepen CMU and priorities to reform AML
5. BoE, PRA and FCA issue co-ordinated consultation papers on operational resilience

EUROPE

▪ EBA issues second part of its advise on the implementation of Basel III

[Includes](#) the impact of market risk framework and CVA. Minimum capital requirements expected to increase 23.6% for the full sample (capital shortfall is about €124.8 billion). Estimated macroeconomic impact is positive.

▪ EBA publishes its annual report on risks and vulnerabilities in the EU banking sector

[Shows](#): i) solvency ratios remains stable, ii) banks assets rise considerably, iii) NPL ratio continues improving, iv) capital ratios remain unchanged, v) profitability remains at low levels, vi) operational risks still high.

▪ ESAs issue draft RTS on non-cleared OTC derivatives and statement on fallbacks for OTC derivatives

RTS to amend delegated regulation on [risk mitigation](#) techniques for non-cleared OTC derivatives. Statement on the introduction of fallbacks in OTC derivative contracts. Both seek to enhance consistency with global framework.

▪ Council of the EU adopts a review of the supervisory framework for financial institutions

The [text](#) reviews tasks, powers, governance and funding of the ESAs and the ESRB, so as to adapt the authorities to the changed context in which they operate and reinforces EBA's role on AML activities.

▪ Council of the EU sets objectives on the deepening of the CMU

Main [objectives](#): i) access to finance; ii) removal of capital flows barriers; iii) removal of obstacles for retail savers to invest; iv) sustainable economies; v) technological progress and digitalization; and vi) global competitiveness.

▪ Council of the EU sets strategic priorities for further reforms on AML

[Urges](#) for: i) swift transposition and effective implementation of all AML legislation into national law, ii) ways of ensuring a more robust and effective cooperation and exchange of information between relevant authorities.

▪ ECB issues list of banks will be directly supervised by ECB in 2020

Number of [banks](#) decreased from 119 to 117 due to: new group structures, licence withdrawal, business relocations because of Brexit, regulatory changes and other developments. List considers all developments up to 1 Nov 2019.

- **ESMA publishes final report on draft RTS under the Prospectus regulation**

The [draft RTS](#) to this final report amend the relevant provisions in the Delegated Regulation where clerical and minor errors have been identified. ESMA will submit this final report to the European Commission.

- **ESMA issues guidance on registering securitisation repositories**

[Provides](#) information on its registration process to companies that intend to apply to become a repository under the Securitisation Regulation (includes submission format, and deadlines of application).

- **ESMA issues consultation on guidelines on internal controls for CRAs**

Invites [comments](#) on issues related to internal controls for CRAs and alternatives it should consider. Deadline: 16 Mar 2020.

- **ESMA publishes compliance table with guidelines on stress test under the MMF regulation**

It [presents](#) the list of competent authorities that comply or intend to comply with the guidelines on stress test scenarios under the Money Market Fund Regulation.

- **ESMA publishes 2019 CRA market share calculation in the EU**

It aims to facilitate issuers and related third parties to find [CRAs](#) with market share under 10%, as CRA Regulation, requires them to consider appointing a CRA with no more than 10% total market share.

- **ESMA updates several Q&As**

Updates Q&As on: i) [Prospectus](#) regulation on disclosure annexes; ii) [AIFMD](#) on liquidity stress test reporting; iii) [MIFID II and MIFIR](#) on investor protection, iv) [benchmarks](#) regulation with common supervisory approaches and practices; and v) [CSDR](#) on practical implementation issues.

- **EIOPA consults on approaches to regulate Pan-European Personal Pension Product (PEPP)**

[Sets out](#): i) information documents; ii) cost cap; iii) risk-mitigation techniques, iv) supervisory reporting and cooperation between NCAs and EIOPA; iv) product intervention powers. Deadline: 2 Mar 2020.

SPAIN

- **BdE approves the accounting *Circular* for financial credit facilities (EFC in Spanish)**

It constitutes the [accounting](#) regime for EFC, concluding the interim regime. Seeks convergence of the accounting standards with the European framework conformed by IFRS adopted in EU. Entry into force: 1 Jan 2020.

UNITED KINGDOM

- **BoE, PRA and FCA issue co-ordinated consultation papers on operational resilience**

Presents new [requirements](#) to strengthen operational resilience making clear that firms and FMIs are expected to prioritise plans and investment choices based on their impacts on the public interest. Deadline: 2 Apr 2020.

UNITED STATES

- **Agencies issue statement on the use of alternative data in credit underwriting**

Notes the benefits of using [alternative data](#) (information not typically found in credit reports) for consumers (e.g. expands access to credit and enables them to obtain additional products and more favorable terms).

- **Agencies issue guidance on requirements for financial services to hemp-related businesses**

States that banks are [no longer required](#) to file Suspicious Activity Reports solely because a customer is engaged in the growth or cultivation of hemp. Banks are expected to file a SAR if indicia of suspicious activity warrants.

- **FDIC consults on its regulatory cost-benefit analysis approach**

Seeks [comments](#) on the approaches it uses, or that is considering to use, to analyze the effects of its regulatory actions. Deadline: 28 Jan 2020.

- **CFPB issues consultation relating to remittance rule**

[Proposes](#) to allow certain institutions to provide estimates of certain fees and exchange rates when it could be economically infeasible to provide exact disclosures. Deadline: 45 days after publication in the Federal Register.

- **FDIC issues list of banks examined for CRA compliance and evaluation schedules**

Presents: i) the list of state banks evaluated for [CRA compliance](#) in Dec 2019; and ii) list of institutions selected for [CRA evaluation](#) for the first and second quarter of 2020.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *Provisions for non-performing loans: how much is enough?* August 2019.
- [Press Article](#). *Climate Change: Tempus Fugit*. September 2019.
- [Press Article](#). *The Banking union: something's at play*. November 2019.

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

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