

Financial Regulation: Weekly Update

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Highlights

1. EBA launches the 2020 stress test exercise
2. ECB consults on guidelines to calculate counterparty credit risk and updates list of supervised entities
3. EBA issues report on the consistency of internal models outcomes
4. EBA issues a consultation and a report on AML/CFT
5. ESMA consults on transparency regime for systematic internalisers and for equity instruments

EUROPE

■ EBA launches 2020 stress test exercise

This [exercise](#) will consider a recession coupled with low or negative interest rates for a prolonged period. The adverse scenario will be the most severe to date. The EBA expects to publish the results by Jul 31, 2020.

■ ECB consults on guides to calculate counterparty credit risk (CCR)

Outlines its methodology to assess the [internal models](#) banks use to calculate exposure to CCR. The guides aim to harmonize supervisory practices related to internal models. Deadline: Mar 18, 2020.

■ EBA releases annual assessment of the consistency of internal models outcomes

The [exercise](#) aims to address unwarranted inconsistencies in internal models. It covers credit risk for high and low default portfolios and market risk. It finds that the majority of RWA variability can be explained by fundamentals.

■ EBA issues a consultation and a report regarding AML/CFT

i) [Updates](#) guidelines following changes to the EU AML legal framework and new risks, including those identified by the EBA's implementation review. Deadline: May 5, 2020. ii) [Report](#) to improve AML supervision in the EU.

■ ESMA consults on transparency regime for SI and equity instruments

i) Proposals to amend the MiFIR pre-trade [transparency](#) regime for Systematic Internaliser (SI) active in non-equity instruments. Deadline: Mar 18, 2020. ii) Proposals reviewing the MiFIR [transparency](#) regime for equity, ETFs and other related instruments. Deadline: Mar 17, 2020.

■ ECB updates list of supervised entities

[The list](#) includes significant institutions directly supervised by ECB and less significant institutions indirectly supervised by ECB. The total number of significant supervised entities is 117 as of Jan 1, 2020.

■ **EBA issues updated list of validation rules and taxonomy to improve data quality**

The [reporting](#) framework package includes updated validation rules, severity status changes and new deactivation/reactivation of valuation rules, facilitating institutions' submissions of supervisory reporting data with better quality.

■ **EBA issues report on diversity practices in credit institutions and investment firms**

Asks institutions and Member States for additional measures to promote a more balanced representation of both [genders](#) and on competent authorities to ensure compliance with the requirement to adopt diversity policies.

■ **ESMA amends guidelines to harmonize enforcement of financial information by NCAs**

[Amendments](#) relate to NCAs' methods for selecting the issuers whose financial information should be subject to examination, and procedures NCAs apply in such examinations. Effective date: Jan 1, 2022.

■ **ESMA issues report on amending technical standards of settlement discipline**

The [draft RTS](#) postpones the entry into force of the Commission Delegated Regulation on settlement discipline to Feb 1, 2021.

■ **ESMA issues report advising the EC on product intervention requirements under MiFIR**

It [advises](#): i) arbitrage risk between MiFID firms and fund management companies be addressed, ii) single market convergence be improved, iii) further clarification on product intervention measures to cross-border firms.

■ **ESMA launches a common supervisory action on MIFID II suitability rules**

It [ensures](#) consistent implementation and application of EU rules and gauges the progress made by intermediaries in the application of suitability requirements and the costs of investment products when advising a client.

■ **ESMA issues data for systematic internaliser calculations and bond liquidity**

i) Data for the [systematic internaliser](#) calculations for equity, equity-like instruments and bonds for the Jul-Dec 2019 period. ii) Latest quarterly [liquidity assessment](#) for bonds subject to pre and post-trade requirements under MiFID II and MiFIR.

■ **ESMA issues statement on implementation on pre-trade transparency in commodity derivatives**

It [aims](#) supervisory convergence among NCAs on requirements and to provide a schedule for the enforcement of the commodity derivatives pre-trade transparency regime, ensuring a level playing field across EU trading venues.

SPAIN

■ **BdE amends *Circular* on Central Risk Information Office (CRIO) under the new real estate credit Act**

It provides access to [CRIO](#) of BdE for real estate credit lenders and increases the information available to institutions to assess the risks of their customers, thus improving decision-making.

- **CNMV approves technical guide on the procedures for the selection of intermediaries**

It [contains](#) the policies and procedures to be followed by management companies when selecting intermediaries and counterparties in order to obtain the best possible result for CISs and other managed portfolios.

- **MinEco transposes Insurance Distribution and Occupational Pension Fund Supervision Directives**

It [introduces](#) measures for the supervision, transparency and competitiveness of Pension Funds, and pursues the proper functioning of the insurance market with the protection of customers and control of their activity.

UNITED STATES

- **FRB and OCC issue 2020 stress test scenarios**

The agencies release the hypothetical scenarios for the 2020 stress test exercises (DFAST and CCAR), including a baseline and a severely adverse scenario ([FRB](#) and [OCC](#)).

- **FDIC and OCC issue the results for CRA compliance evaluations**

They contain the ratings of banks and savings institutions evaluated under the CRA during January 2020 and November 2019, respectively ([OCC](#) and [FDIC](#)).

Recent publications of interest (in English and Spanish):

- [Press Article](#). *Completion of Basel III: The final twist to banking regulation?* December 2019.
- [Press Article](#). *¿Cuáles serán las claves para la regulación financiera global en 2020?* January 2020.
- [Press Article](#). *Las prioridades de la nueva Comisión Europea*. January 2020.
- [Press Article](#). *U.S. banking regulation: a change in the trend*. January 2020.

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

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