

Financial Regulation: Weekly Update

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Highlights

1. FSB, BCBS and IOSCO issue statements on the coordination of measures and responses due to the COVID-19 crisis
2. ECB issues statement providing further flexibility to banks in reaction to coronavirus
3. EBA issues statement on additional aspects of the prudential framework due to COVID-19 (including the extension of deadlines for ongoing consultations)
4. ESMA extends consultations response dates
5. Spanish Government approves its loans guarantee facility

GLOBAL

■ FSB issues statement on coordination of financial sector to buttress the economy due to COVID-19

It [encourages](#) authorities to use the flexibility within existing international standards to provide continued access to funding for market participants and for businesses and households facing temporary difficulties from COVID-19.

■ BCBS issues statement on coordination of policy and supervisory responses due to COVID-19

It [states](#) that using capital resources to support the real economy and absorb losses should take priority over discretionary distributions. BCBS will consider additional measures to support the financial resilience of banks.

■ IOSCO issues statement on coordination of responses due to COVID-19

It shows its [commitment](#) to ensuring that equity, credit and funding markets continue to function and to cooperating closely on their responses to the disruption in capital markets resulting from the macroeconomic impact.

■ IOSCO issues report on regulatory principles for stablecoins

It finds that a [global stablecoin](#) may fall within the securities market regulatory frameworks, and that its Principles and Standards for stablecoins depend on the specific design of each initiative and its legal and regulatory features.

EUROPE

■ ECB provides further flexibility to banks in reaction to COVID-19

It [calls](#) to avoid excessive procyclical effects when applying IFRS 9, giving flexibility in the treatment of loans backed by public support measures. It also activates capital and operational relief measures announced on Mar 12.

■ **EBA issues statement on additional aspects of the prudential framework due to COVID-19**

These are [interpretative aspects](#) on the classification of loans in default, identification of forborne exposures, and their accounting treatment. Among other measures, it also extends the deadlines of consultations by 2 months.

■ **ESMA consults on post-trade risk reduction services and trade repositories under EMIR Refit**

It consults on how [clearing obligation](#) affects the PTRR services and the scope of a possible exemption to it, and consults on draft RTS and ITS under the [EMIR Refit](#) on reporting to TRs, validation date and data access. Deadlines: June 19 and 15, respectively.

■ **ESMA issues guidance on accounting implications of COVID-19**

The guide seeks to ensure a [consistent application](#) of IFRS 9. ESMA considers that accounting rules provide enough flexibility to reflect the specific circumstances of the COVID-19 outbreak and public policy measures taken.

■ **ESMA extends consultations periods and issues guidance on financial reporting due to COVID-19**

ESMA extends the response date for all [consultations](#) with a closing date on, or after, March 16 by 4 weeks, and recommends to NCAs to apply forbearance powers issuers who need to delay publication of [financial reports](#).

■ **ECB issues its SREP methodology for Less Significant Institutions for 2020**

The [methodology](#) has been enhanced in the areas of IRRBB and IT risk assessment, in line with EBA Guidelines and SSM priorities. By the end of 2020, all LSIs will have been assessed on the basis of this methodology.

■ **ESMA sets out approach on MiFIR tick-size regime for Systematic Internalisers**

It [expects](#) competent authorities not to prioritize their supervisory actions in relation to the new tick-size regime until June 26, 2020, and to generally apply their risk-based supervisory powers in a proportionate manner.

■ **ESMA issues statement on the application of SFTR backloading**

It [clarifies](#) which Securities Finance Transactions are not expected to be prioritized by authorities in their supervisory actions.

■ **ESMA publishes ESEF conformance suite to facilitate implementation of the ESEF Regulation**

It is aimed primarily at a technical audience. It [builds](#) on the rules and guidance to determine if software is able to detect and flag infringements to the ESEF requirements contained in a filing.

■ **ESMA issues opinion on FMA emergency measure under the SSR**

The [considerations](#) are justified by the existence of specific adverse circumstances that constitute a serious threat to market confidence in Austria and notes the existence of potential risks to financial stability.

SPAIN

- **Spanish Government approves its loans guarantee facility**

It is the first tranche of the [facility](#), amounting €20 billion, 50% of which will be used for self-employed and SMEs. The guarantee covers 80% of loans for self-employed and SMEs, and 70-60% for other firms.

- **CNMV issues Q&A on short selling prohibition**

The document contains the answers to the questions on the [temporary ban](#) from March 16, 2020, on increasing net short positions in shares admitted to trading on trading venues for which the CNMV is the competent authority.

UNITED KINGDOM

- **FCA, PRA and FRC issue joint statement to address COVID-19**

They announce [actions](#) to: ensure information flowing to investors; help companies in preparing and auditing financial statements; and help market participants and lenders to respond appropriately to new terms of audit report modifications and loan covenant breaches.

- **BoE launches its contingent term repo facility due to COVID-19**

It is a flexible [liquidity](#) insurance tool that allows participants to borrow central bank reserves in exchange for other less liquid assets for three months, seeking to alleviate frictions in the money markets in recent weeks.

UNITED STATES

- **Agencies issue statement encouraging institutions to work with borrowers due to COVID-19**

The statement [encourages](#) firms to work with affected borrowers, providing information on loan modifications. The agencies will not direct institutions to automatically categorize loan modifications as troubled debt restructurings.

- **FRB announces new measures due to the current crisis**

It announces: i) a six-month delay in the [implementation](#) of changes to procedures for the provision of intraday credit to U.S. branches and FBOs; ii) the creation of several [funding facilities](#) to support credit to different stakeholders (consumers, employers or municipalities among others); iii) interim final rule to phase in automatic restrictions associated with a firm's [TLAC](#) buffer requirements, if the levels decline; iv) decision to offer regulatory [reporting relief](#) to small institutions (\$5 billion or less in total assets) if the applicable report is submitted within 30 days of the official deadline.

- **SEC provides additional flexibility to investment companies affected by COVID-19**

It aims to [assist financial](#) market participants and provide funds with additional tools to manage their portfolios for the benefit of all shareholders as investors may seek to rebalance their investments.

■ **CFTC issues interpretive guidance on actual delivery for digital assets**

The guidance refers to retail [commodity transactions](#) involving certain digital assets. It clarifies the CFTC's views on the "actual delivery" exception for digital assets that serve as a medium of exchange (virtual currencies).

■ **OCC issues final Short-Term Investment Fund rule**

The [revised rule](#) allows the OCC to authorize banks to temporarily extend maturity limits of these funds.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *U.S. banking regulation: a change in the trend*. January 2020.
- [Press Article](#). *Europe strengthens its financial supervision authorities*. February 2020.
- [Press Article](#). *Central Bank Digital Currencies: the cross border dimension*. March 2020.
- [Press Article](#). *Sustainable finance: "I'm late, I'm late, I'm late!"* March 2020.

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

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