Financial Regulation: Weekly Update. 17 November 2017

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EUROPE

- Council approves final text for IFRS 9, creditor hierarchy and large exposures

Following trialogues, the Council has endorsed the final text for the three issues that were under fast track in the CRD V process. Next steps: final endorsement by the EP on Nov 20.

- EC consults on backstops for insufficient provisions for NPLs

It consults on the introduction, design and calibration of a statutory prudential backstop for insufficient loan loss coverage for new loans that turn non-performing. Deadline: 30 Nov.

- ECB publishes two Opinions regarding the current regulatory reform

i) On amendments to CRR and CRD considering Pillar 2 refinements, IFRS 9, CET 1 deductions, leverage ratio or NSFR, among other issues, and ii) on revisions to the crisis management framework considering TLAC implementation, MREL, early intervention measures, or pre-resolution moratorium tools among other issues.

- ESMA publishes final report on MMF Regulation (MMFR)

Includes final versions of the technical advice, draft ITS, and guidelines on stress test scenarios carried out by MMF managers under the MMFR.

- EC consults on institutional investors and asset managers' duties regarding sustainability

It aims to inform the impact assessment process and will be considered in the EC's 1Q2018 action plan on sustainable finance. Deadline: 22 Jan 2018.

- EBA publishes report on the implementation of its guidelines on O-SIIs

A majority of the authorities comply with the guidelines. It observes some deviating practices in some Member States, and recommends that they be corrected as soon as possible.

- EBA publishes final guideline on connected clients

It seeks to help firms identify connections among clients to determine whether they can be regarded as a single risk. It is based on economic dependencies and control relationships.

- EC consults on delegated act regarding ESMA's fees

It asks for feedback on a delegated regulation on the fees charged by ESMA to trade repositories (i.e. calculation, payment, and reimbursement among others). Deadline: 14 Dec.

- EBA publishes two reports on the consistency of internal model outcomes

It covers credit risk (Low Default Portfolios) and market risk. The analysis confirms that risk weight variability is mainly caused by fundamentals.

- ESMA consults on calculation of derivative positions

Consults on the future guidelines on the calculation of derivative positions by trade repositories under EMIR. Deadline: 15 Jan 2018.

- ESMA clarifies endorsement regime for third-country credit rating

Clarifies and details changes of the existing guidelines on application of the endorsement regimen under the CRA Regulation.

- EBA updates list of CET1 instruments

It presents the list of capital instruments that competent authorities have classified as common equity tier 1. It includes some new instruments since the May update.

- EBA publishes a corrective update to DPM and XBRL taxonomy 2.7

It corrects technical errors in the taxonomy that Competent Authorities use for the reporting of data under the ITS of supervisory reporting.

- EC issues implementing regulation regarding templates under CRD IV/CRR

It seeks to update the previous implementing regulation specifying the modalities whereby institutions are required to report information. It will be directly applicable from 1 Mar 2018.

- ESMA issues two statements on Initial Coin Offerings (ICOs)

It alerts investors to the high risk of losing all their invested capital due to the high degree of speculation and risk. It also asks firms involved in ICOs to comply with the legislation.

- ESMA registers a new Credit Rating Agency

It registers Kroll Bond Rating Agency Europe as a CRA under the CRAs regulation. The firm must comply with the corresponding requirements of the regulation.

- ESMA updates Q&A under MiFID II and MiFIR

It updates Q&As on i) trading obligation for shares, ii) commodity derivatives, iii) market structure issues, iv) data reporting, and v) transparency.

SPAIN

- BdE consults on guidelines regarding PAC and PAL

It is applicable only to non-systemic institutions supervised by BdE. Proposes changes to the internal capital (liquidity) adequacy assessment processes (PAC and PAL). Deadline: 1 Dec.

- CNMV authorises the application of the publication's regime under MiFIR

It authorises the applicable regime for the deferred publication of the detail of transactions in non-equity instruments, under Article 11 of MiFIR.

UNITED KINGDOM

- PRA consults on approval for the volatility adjustment under Solvency II

It seeks feedback on proposals to clarify expectations regarding firms that seek approval from the supervisor to apply volatility adjustments. Deadline: 9 Feb 2018.

Recent publications of interest (in English and Spanish):

- Regulation Watch. Banking Union: Half way there. November 2017
- Press Article. COP23: time to walk the talk. November 2017
- Financial Regulation Outlook. October 2017
- Regulation Watch. European Commission withdraws Banking Structural Reform proposal. October 2017
- Press Article. Moving towards a more selective and effective international banking regulation. October 2017

Previous editions of our Weekly Regulatory Update in Spanish and English

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