

Financial Regulation: Weekly Update

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Highlights

1. FSB releases a stocktake of financial authorities experience with climate-related risks in financial stability
2. EBA consults on draft RTS on PD and LGD for market risk and on guidelines for large exposures
3. EBA issues overview of public guarantee schemes issued in response to Covid-19 and guidelines on SREP in light of the COVID crisis
4. ECB issues results of its assessment of banks' preparedness for the benchmark interest rate reforms
5. EBA issues report on benchmarking of remuneration practices in EU banks and high earners data

GLOBAL

- **FSB releases stocktake of financial authorities experience on climate-related risks in financial stability**

[Financial authorities](#) tend to take into consideration those risks for their financial stability monitoring. They also pay attention to the implications of climate-related risks for financial institutions.

EUROPE

- **EBA publishes guidelines on SREP in light on the COVID-19 pandemic**

The [guidelines](#) are addressed to competent authorities and identify how to apply the flexibility and pragmatism embedded in the CRD V to the SREP exercise in the context of the pandemic.

- **EBA issues a consultation on PD and LGD for market risk and two consultations on large exposures**

i) Clarifies [requirements](#) for PD and LGD calculation under the default risk model. ii) Details conditions for the use of the [substitution approach](#) for "tri-party transactions" in the large exposures framework. Deadlines: Oct 22, 2020. iii) Specifies the determination of [indirect exposures](#) from derivative contracts underlying a debt or equity instrument for large exposures purposes. Deadline: Oct 23, 2020.

- **ECB issues results of its assessment of banks' preparedness for the benchmark interest rate reforms**

It [finds](#) banks: i) are behind schedule in implementing risk mitigation measures; ii) are well aware of the complexity of the reforms and the challenges involved but their preparation leaves room for improvement; and iii) had focused more on the transition from the EONIA to €STR than on the risks associated with the reform of EURIBOR.

- **EBA issues overview of public guarantee schemes issued in response to Covid-19**

It [provides](#) an overview of the factual information about the guarantor, the region or district covered by the scheme and clarifies whether the scheme is targeted to new lending or to existing exposures, and type of obligors.

- **EBA issues report on benchmarking of remuneration practices in EU banks and high earners data**

The [data](#) shows that: i) identified staff decreased significantly; ii) in 2018 high earners increased slightly; iii) average of variable to fixed remuneration decreased; and iv) remuneration practices across EU are not harmonized.

- **EBA issues a questionnaire to reduce reporting costs**

It aims to better understand [reporting costs](#) and identify ways to reduce them for non-complex institutions. It is addressed to the EU banking industry and also invites to submit fact-finding case studies. Deadline: Oct 31.

- **ESMA issues statement on the coordination of supervisory action of rent concessions**

It recommends [coordination](#) of supervisory action with regard to issuers' accounting for COVID-related rent concessions. This coordination applies exceptionally for financial periods ending on or before Jul 31, 2020.

- **ESMA issues guidance on pre-trade transparency waivers**

The opinion provides guidance on [pre-trade transparency waivers](#) for equity and non-equity instruments, providing stakeholders with information on ESMA's assessment of features frequently found in the context of issuing waivers.

- **ESAs issue results of the review of the PRIIPs key information document**

[This](#) follows the ESAs' consultation paper published on October 16, 2019 on draft regulatory technical standards (RTS) to amend the technical rules on the presentation, content, review and revision of key information document.

SPAIN

- **CNMV consults on a draft *Circular* on the advertising of investment products**

It asks for feedback on firms' control and procedures of [advertising investment](#) services and products, the potential adherence to self-regulation systems and the content and format of the promotional message. Deadline: Sep 11.

UNITED KINGDOM

- **BoE, PRA and FCA consult on their joint complaints scheme**

They propose changes to the joint [complaints scheme](#) for handling complaints against the regulators, simplifying its wording and making it more accessible to consumers and small businesses. Deadline: Sep 14.

■ **HM Treasury consults on the regulatory framework for Approval of Financial Promotions**

It proposes to establish a [regulatory 'gateway'](#), which a firm must pass through before approving financial promotions of unauthorized firms, in order to ensure the approval operates effectively. Deadline: Oct 26.

■ **BoE issues policy statement on Significant Risk Transfer and securitization**

This Policy [provides](#) updates to Supervisory Statement 9/13 on Securitization and the significant risk transfer. It is relevant to Capital Requirements Regulation firms. It will take effect on Jul 22.

■ **BoE consults on non-systemic UK banks and simplified obligations for recovery planning**

It sets out its proposed PRA's approach to supervising new and growing, [non-systemic UK banks](#), creating a new supervisory statement and amending the Pillar 2 capital policy. Deadline: Oct 14. It also consults on benefits from [simplified obligations](#) for recovery planning, in light of the discretion the PRA has under the BRRD as to whether to apply Simplified Obligations. Deadline: Oct 23.

UNITED STATES

■ **FRB updates its Main Street Lending Program and expands its TALF, CPFF and SMCFE**

It approves two new loan options providing [greater access](#) to credit for nonprofit organizations and expands the set of firms eligible to transact with and provide services in [TALF, CPFF and SMCFE](#) in order to increase the Fed's operational capacity and insight into the respective markets.

■ **CFPB issues final rule on Regulation Z and a template under its compliance assistance sandbox**

i) Final rule amending the official interpretations for [Regulation Z](#), reviewing the dollar amounts for provisions implementing the Truth in Lending Act. ii) It issues [templates](#) under its Compliance Assistance Sandbox Policy to allow employers to build emergency savings programs for their employees and increase their financial resiliency.

■ **CFTC extends Targeted Relief to Market Participants in Response to COVID-19**

It extends the time period for the targeted [no-action relief](#) to registrants listing new principals and to applicants for registration as associated persons from the requirement to submit a fingerprint card.

■ **CFTC approves Final Rule and Amendment Rule on trading facilities**

It approves a [rule](#) on the cross-border application of swap provisions under CEA and amends exempting some EU Multilateral and Organized Trading Facilities from the requirement to register as Swap Execution Facilities.

■ **OCC issues proposed True Lender Rule**

It would determine when a national bank or savings association makes a loan and is the ["true lender"](#) of a partnership between a bank and a third party, resolving the uncertainty on the legal framework. Deadline: Sep 3.

■ **FDIC consults on voluntary certification program**

It seeks input on the public/private [standard-setting](#) partnership and voluntary certification program to promote the efficient and effective adoption of innovative technologies at FDIC-supervised institutions. Deadline: 60 days after publication in the Fed.

■ **SEC issues supplemental guidance on proxy voting responsibilities of investment advisers**

It amends rules governing [proxy](#) solicitations designed to ensure clients of proxy voting advice businesses have reasonable and timely access to transparent, accurate and complete information to make voting decisions.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *The Coronavirus: an unexpected ally of digitization*. June 2020.
- [Press Article](#). *European action plan AML & FT*. June 2020.
- [Press Article](#). *The sustainable opportunity brought by the Covid-19*. May 2020.
- [Press Article](#). *The unknowns of the financial transactions tax*. March 2020.

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

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