

Financial Regulation: Weekly Update

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Highlights

1. ECB issues recommendation on dividend distributions and results of its vulnerability analysis
2. ECB consults on the publication of compounded €STR rates
3. ECB announces organizational changes to strengthen banking supervision
4. EBA issues a series of consultations regarding resolution issues and a statement on Brexit preparedness
5. SRB issues guidance on operational continuity and FMI contingency plans

GLOBAL

■ ISDA launches risk-free rate (RFR) adoption indicator

It will [provide](#) a monthly snapshot of RFR trading activity in interest rates derivatives markets, based on global cleared OTC and exchange-traded derivatives data from seven central counterparties spanning six currencies.

■ FSB publishes peer review on macroprudential policy framework and tools in Germany

It finds that the [macroprudential framework](#) is well established and operationalized, but it identifies some steps to be taken to strengthen the framework (e.g. data collection, public communication, or extending the policy toolkit).

EUROPE

■ ECB issues recommendation on dividend distribution and results of vulnerability assessment

i) Asks [banks](#) not to pay dividends and not to buy back shares until Jan 2021, expects extreme moderation in variable remuneration and sets a path to restore capital and liquidity positions. ii) The [exercise](#) shows that banks can withstand pandemic-induced stress, but if the situation worsens, the capital depletion would be material.

■ ECB consults on the publication of compounded €STR rates

Publication would take place on a daily basis shortly after the [€STR publication](#), with maturities ranging from one week up to one year. A daily index, allowing the computation of compounded rates over non-standard periods, is also envisaged. Deadline: Sep 11.

■ **ECB announces organizational changes to strengthen banking supervision**

The [new structure](#) reinforces supervisory strategy and risk function, ensuring consistency of supervisory outcomes, strong cooperation between bank and supervisory teams and transparency and predictability of their actions.

■ **EBA issues a series of consultations on resolution**

Consultations regarding: i) the estimation of [Pillar 2](#) and combined buffer requirements for the purpose of setting MREL (deadline: Oct 24), ii) technical standards for [reporting](#) of MREL decisions (deadline: Oct 24), iii) draft RTS on [indirect subscription](#) of MREL instruments within groups (deadline: Oct 23), iv) draft RTS and ITS on impracticability of [contractual recognition](#) of bail-in (deadline: Oct 24), v) review of guidelines on internal [governance](#) under amendments introduced by CRD V and IFD (deadline: Oct 31).

■ **EBA and ESMA consult on joint guidelines on the assessment of suitability of management body**

The review of the joint [guidelines](#) reflect the amendments introduced by CRD V and IFD in relation to the assessment of the suitability of members of the management body and key function holders. Deadline: Oct 31.

■ **EBA publishes risk dashboard and updates on 2021 EU-wide stress test**

i) The [impact](#) of COVID-19 is seen in the contraction of capital ratios (CET1 fell 40 bps to 14,6%), profitability (ROE decreased to 1.3%) and increased cost of risk, which grew to 81 bps. ii) The [exercise](#) is expected to be launched at the end of Jan 2021 and implementation of any potential change to the framework could be possible in 2023.

■ **SRB issues guidance on operational continuity and FMI contingency plans**

Guidance on [operational continuity](#) in resolution with further clarifications to banks on how to implement the SRB expectations related to this issue, and guidance on FMI contingency plans on the minimum content of these plans.

■ **EBA issues statement regarding the end of the transition period for Brexit**

It reminds the importance of [adequate preparations](#) for the end of the transition period, calling on the institutions to finalize the full execution of contingency plans, and ensure adequate communication to concerned EU customers.

■ **ESMA updates transparency opinions for third country venues**

Following the publication of the opinion and the list of third-country venues in June, ESMA [updates](#) the list of venues with a positive assessment; and provides additional guidance on the implementation of such list.

■ **EIOPA issues statement on Solvency II supervisory reporting due to COVID-19**

It considers that [insurance](#) and reinsurance undertakings should now be in a position to comply with the Solvency II framework and encourages them to continue to provide a framework for consistent supervisory approaches.

SPAIN

- **MinEco updates its *Orden* on transparency and protection of banking services customers**

It aims to increase [transparency](#) and information that institutions must provide to customers on product details and cost of their credit and to improve the assessment of their solvency in order to reduce the risk of over-indebtedness.

- **CNMV consults on drafts on FX derivatives and models of governance reports and remuneration**

It asks for feedback on: i) the draft technical guide on [currency derivatives](#) used as a means of payment not considered to be a financial instrument under MiFID. Deadline: Sep 18; ii) on the draft circular amending the templates used for the annual [corporate governance](#) and board member remuneration reports. Deadline: Sep 18.

- **CNMV issues the second report on non-bank financial intermediation (NBFI) in Spain**

The [NBFI](#) assets represent 6.5% of the financial system, their risks associated shows little change regarding patterns observed in previous years, without a major threat to financial stability.

UNITED KINGDOM

- **PRA issues policy statement on asset encumbrance**

It provides feedback to a previous consultation, making some minor [adjustments](#) to remove potential ambiguities.

- **PRA consults on auditors' work on the matching adjustment and on CRD V**

It seeks feedback on: i) expectations and guidance relating to [auditors' work](#) on the matching adjustment and proposal of new expectations on the communication by auditors under Solvency II. Deadline: Oct 30; ii) proposed changes to rules, supervisory statements and statements of policy in order to implement [CRD V](#). Deadline: Sep 30.

UNITED STATES

- **FRB extends its lending facilities**

The [three-month extension](#) (through Dec 31) of its lending facilities will facilitate planning by facility participants and provide certainty that the facilities will continue to be available to help the economy recover from the pandemic.

- **FRB updates Freedom of Information Act (FOIA) and Confidential Supervisory Information (CSI)**

It implements [updates](#) to its FOIA procedures and changes to its rules for the disclosure of CSI, which is supervisory information belonging to the Board that may include proprietary financial institution-specific information.

- **CFPB consults on credit discrimination and inclusive financial system**

It seeks [feedback](#) on a regulatory environment that expands access to credit, ensuring consumers are protected from discrimination in all aspects of credit transactions. Deadline: 60 days after publication in the Federal Register.

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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