

Financial Regulation: Weekly Update

Matias Cabrera and Salvador Portillo

August 30, 2024

Highlights

1. EBA issues final RTS on the FRTB
2. EBA issues no-action letter on the FRTB
3. ECB issues consultation on draft guide on governance and risk culture
4. EBA issues consultation on resolution planning reporting framework
5. BoE issues statement regarding Basel 3.1

Global

- **IAIS issues consultation on operational resilience objectives and toolkit**
The objectives seek to provide the [foundations](#) to support authorities in developing their approaches to supervise insurers' operational resilience. The development of a toolkit is underway. Deadline: Oct 11, 2024.
- **IAIS extends comment period on climate risk supervisory guidance consultation**
It extends the [consultation](#) period given the extensive stakeholder interest. The consultation included new supported material related to supervisory reporting and public disclosure. New deadline: Oct 28, 2024.

Europe

- **EBA issues final RTS on the FRTB**
It [aims](#) to align with the CRR3 and introduce changes on the treatment of foreign-exchange and commodity risk in the banking book, the profit and loss attribution test and the risk factor modellability assessment.
- **EBA issues no-action letter on the FRTB**
It [recommends](#) that competent authorities should not prioritize any enforcement action regarding the amendments to the TB/BB boundary or those related to the IRT provisions included in the CRR3.
- **ECB issues consultation on draft guide on governance and risk culture**
It replaces the 2016 [supervisory statement](#), clarifying supervisory expectations and sharing good practices for internal governance. Deadline: Oct 16, 2024.
- **EBA issues consultation on resolution planning reporting framework**
Draft ITS overhauling the [resolution planning](#) framework to ensure that resolution authorities have the data they need. Among other issues, it expands the information requested on some topics. Deadline: Oct 30, 2024.

- **ESAs issue final report on draft RTS on subcontracting under DORA**
They [aim](#) to enhance banks' digital operational resilience by establishing how to determine and assess the conditions for subcontracting ICT services that support critical functions under DORA.
- **ESMA issues consultation package on MiFIR review**
It [aims](#) to collect views on different issues: equity transparency, the notification of investment firms acting as Systemic Internalizers, volume cap or input/output data for the equity CTP. Deadline: Sept 30, 2024.
- **EBA consults on uniform reporting under SEPA and issues statement to payment service providers**
With the proposed [standardization](#), it will be able to monitor the effects of changes to SEPA regulation on the fees paid by customers as well as instant and non-instant credit transfers. Deadline: October 31, 2024.
- **EBA issues results from exercise on creditworthiness assessment practices of Non-Bank Lenders**
It seeks insight into the extent to which NBLs contribute to [over-indebtedness](#). It finds that, while some NBLs service population segments with limited access to traditional banks, a significant number of them apply inadequate practices for information gathering during their creditworthiness assessments.
- **EBA issues final ITS specifying data collection for the 2025 benchmarking exercise**
The [most significant change](#) is in the area of market risk framework, where the EBA is proposing to expand to all asset classes the alternative standardized approach (ASA) validation portfolios compared to 2024.
- **EBA issues report with priorities for resolution authorities**
It sets three [priorities](#) for resolution authorities and banks for 2025: i) operationalization of the resolution tools, ii) liquidity strategies in resolution, and iii) management information system for valuation.
- **EBA updates information for the identification of G-SIIs**
Using end-2023 data, it updates 13 [systemic importance](#) indicators and underlying data for the 33 largest EU institutions. The information is used to identify a subset of banks as G-SIIs.
- **ECB harmonizes rules for Eurosystem collateral management**
It [harmonizes](#) rules and arrangements for the mobilization and management of collateral in Eurosystem credit operations, marking a step towards further financial integration in the euro area and the CMU.
- **ESMA issues opinion on global crypto firms and non-EU execution venues**
It [addresses](#) the risks of firms seeking authorization under MiCA for part of their activities (crypto brokerage) while keeping part of their activities (intra-group execution venues) outside the EU regulatory scope.
- **EBA and ECB issue joint report on payment fraud**
It [assesses](#) payment fraud data reported semi-annually by payment service providers across the EEA for a variety of payment instruments, such as credit transfers and card payments.
- **SRB issues its MREL dashboard for Q1 2024**
[Highlights](#): i) average MREL final target (including CBR) was 28% TREA, ii) aggregate total MREL shortfall is less than 0.1% TREA (only 6 banks with shortfalls), iii) SRB banks issued €135 bn of MREL instruments.
- **ESMA issues information for bond liquidity assessment and systematic internalizer calculation**
It [published](#) the liquidity assessment of bonds based on a quarterly assessment of quantitative liquidity criteria and the data for the quarterly systematic internalizer calculations for instruments under MiFID II and MIFIR.

- **ESMA issues statement on MoU signed with the British Columbia Securities Commission**
It [establishes](#) cooperation arrangements, including the exchange of information, regarding CCPs which are established in Canada and authorized or recognized by the British Columbia Securities Commission.
- **ESMA publishes translations of its guidelines on funds' names**
It [protects](#) investors against unsubstantiated sustainability claims in fund names, and provides asset managers with clear criteria to assess their ability to use ESG in fund names. Application: Nov 21, 2024.
- **EIOPA publishes report on the collaboration of insurance supervisory authorities**
It [published](#) a follow-up report to the 2020 Peer Review on EIOPA's Decision regarding the collaboration of insurance supervisory authorities. It finds that 33 out of 50 recommended actions were completed.
- **EIOPA consults on new proportionality regime under Solvency II**
It [covers](#) two aspects, namely, how to classify insurance undertakings as small and non-complex and the conditions for granting similar proportionality measures. Deadline: Oct 25, 2024.
- **EIOPA consults on the capital treatment of insurers' direct exposure to CCPs in the standard formula**
It [considers](#) (re)insurers in the EEA historically used CCPs indirectly through clearing members for derivatives transactions, while Solvency II does not address direct exposures. Deadline: Oct 23, 2024.

Spain

- **CNMV publishes market stress indicator for the first half of the year**
It [finds](#) the highest stress levels in money and bond markets, as a result of higher interest rate volatility, as well as the extension of certain risk premiums, and volatility in financial intermediaries.

United Kingdom

- **BoE issues statement regarding Basel 3.1**
It will publish the second and last set of near-final [Basel 3.1 rules](#) on Sep 12, 2024. Additionally, it will also publish a consultation on the capital-related aspects of its strong and simple regime for smaller firms.
- **PRA issues consultation on its approach to international banks**
It updates its approach to supervise [international banks](#) in the UK, including additional criteria to assess whether an international bank should operate as a branch or a subsidiary. Deadline: Oct 30, 2024.
- **PRA publishes policy statement on the leverage ratio**
It [introduces](#) new rules to the leverage ratio treatment of omnibus account reserves and makes minor amendments to the leverage ratio disclosure and reporting instructions. Application: Aug 5, 2024
- **BoE publishes resolvability assessment of major UK banks**
It is the second [assessment](#) of the 8 major UK banks, and it finds that they have continued to make progress in improving their preparations for resolution, including preparations in their everyday business.
- **BoE issues discussion paper on innovation in money and payments**
It [consults](#) on the next steps on how to deliver an ambitious agenda for the UK payments landscape. It also details the impact of the rapid innovations in payments on monetary and financial stability objectives. Deadline: Oct 31, 2024.

- **BoE and PRA publish annual reports**
They publish their [separate](#) annual reports and [accounts](#), providing information on the activities and finances for the preceding year.

United States

- **Agencies publish final guidance on large bank resolution planning**
Joint [guidance](#) to large banks to further develop their resolution plans. It is organized around key areas such as capital, liquidity and operational capabilities. New deadline for submission of resolution plans: Oct 1, 2025.
- **FDIC issues consultation on brokered deposits**
Proposal to strengthen the safety of the [banking system](#), to ensure a uniform and consistent reporting of brokered deposits, and to reduce operational challenges and reporting burdens on insured institutions. Deadline: 60 days after publication in the Federal Register.
- **FRB issues statement on individual capital requirements**
Following the [latest stress test](#), it announces the final individual capital requirements for all large banks. Effective date: Oct 1, 2024.
- **FDIC consults rule on parent companies of industrial banks and industrial loan companies**
It seeks to clarify and enhance the framework to supervise [industrial banks](#), mitigate risks to the deposit insurance fund, and provide transparency. Deadline: 60 days after publication in the Federal Register.
- **FDIC issues request for information on deposits**
It solicits comments on [deposit data](#) that is not currently reported in the Call Report or other regulatory reports, including for uninsured deposits. Deadline: 60 days after publication in the Federal Register.
- **FDIC issues final rule on the Fair Hiring in Banking Act**
It includes [changes](#) on: exclusion of certain older offenses; dismissed criminal records; *de minimis* offenses; and criminal offenses involving dishonesty. It also provides interpretive language for certain topics.
- **FDIC consults on amendments to the Change in Bank Control Act**
Proposal to require the provision of [advance notice](#) to the FDIC for certain acquisitions of voting securities of FDIC-supervised institutions, at a level sufficient to trigger a presumption of control. Deadline: 60 days after publication in the Federal Register.
- **SEC issues rule on the definition of qualifying venture capital funds**
It updates the [dollar threshold](#) for a fund to qualify as a “qualifying venture capital fund” for the purposes of regulation. New threshold: \$12 million in aggregate capital contributions and uncalled committed capital.
- **CFTC issues final rule on foreign boards of trade (FBOT)**
It allows FBOTs registered with the CFTC, to provide [direct access](#) to its electronic trading system to a US Introducing Broker, for the submission of customer orders to the FBOT’s trading system for execution.
- **Agencies consult on joint data standards**
Proposal to establish [data standards](#) for certain information collections submitted to regulatory agencies, promoting interoperability of the data collected. Deadline: 60 days after publication in the Federal Register.

- **CFTC issues no-action letter for EU and UK Derivative Clearing Organizations (DCOs)**
It replaces a 2016 letter which applied only to [EU-based](#) DCOs. After its withdrawal from the EU, the UK retained the EU regulatory framework for CCPs, and UK's HM Treasury published an instrument concluding that the CFTC regime was equivalent to the UK. Thus, the updated letter explicitly includes the UK.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *How should banks integrate climate in their risk management* (only in Spanish). August 2024
- [Press Article](#). *Basel III: good news for the prudent financial 'drivers'* (only in Spanish). June 2024
- [Press Article](#). *Lessons and reforms one year after the financial turmoil* (only in Spanish). May 2024
- [Press Article](#). *Will the European Artificial Intelligence Regulation favor the development of this technology?* (Spanish only). March 2024.

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

DISCLAIMER

The present document does not constitute an “Investment Recommendation”, as defined in Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (“MAR”). In particular, this document does not constitute “Investment Research” nor “Marketing Material”, for the purposes of article 36 of the Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (MIFID II).

Readers should be aware that under no circumstances should they base their investment decisions on the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

This document has been prepared by BBVA Research Department. It is provided for information purposes only and expresses data or opinions regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

The content of this document is protected by intellectual property laws. Reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process is prohibited, except in cases where it is legally permitted or expressly authorised by BBVA on its website www.bbva.com