

RegWatch newsletter – June 2020

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NEW! In this issue of Reacfin's RegWatch newsletter, we initiate a section covering regulations and authorities/supervisory publications with regard to "Climate Risk" assessment and management.

This month's News

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CRR/CRD

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08/06/2020 EBA publishes the results of the 7th EU-wide transparency exercise. The data confirms the EU banking sector entered the COVID-19 crisis with solid capital positions and improved asset quality, but also shows a significant dispersion across banks.

See [the EBA press release about the 7th EU-wide transparency exercise results](#)

17/06/2020 EBA publishes its first peer review of stress tests and the resilience of Deposit Guarantee Schemes (DGSs). The EBA considers the overall resilience of DGSs to be "fair", which means that any identified shortcomings are unlikely to affect the ability of DGSs to perform their tasks.

See [the EBA press release about the first DGS stress tests report](#)

23/06/2020 The Basel Committee proposes to amend capital rules for non-performing loans securitisations, introducing a prudent treatment with a risk weight floor of 100% for these exposures. The consultation runs until 23 August 2020.

See [the BCBS press release about this consultation](#)

24/06/2020 EBA publishes new ITS on public disclosures by institutions, and revised final draft ITS on supervisory reporting that implements changes introduced in CRR2 and the Prudential Backstop Regulation. The latter include new reporting requirements on counterparty credit risk and net stable funding ratio, non-performing exposures minimum coverage and changes to different areas of reporting, including own funds, credit risk, large exposures, leverage ratio, FINREP and G-SII indicators. They also include several proportionality measures aimed at small and non-complex institutions.

See [the EBA press release about the new ITS on disclosure and supervisory reporting](#)

26/06/2020 EBA publishes a consultation paper on early intervention measures (EIMs) available to supervisors to interact with institutions in difficulties under BRRD. This follows the observation that competent authorities often preferred to apply other pre-BRRD supervisory powers available to them. The consultation runs until 25 September 2020.

See [the EBA press release about this consultation](#)

01/07/2020 EBA publishes final Guidelines on the treatment of structural FX positions. These new Guidelines identify objective criteria to assist Competent Authorities in their assessment of the structural nature of an FX position and to understand whether such position has been deliberately taken for hedging the capital ratio. The Guidelines will apply from 1 January 2022.

See [the EBA press release about the new Guidelines on structural FX positions](#)

MiFIR/MiFID

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05/06/2020 ESMA publishes the final guidelines on the MiFID II compliance function. These guidelines replace the ESMA guidelines on the same topic issued in 2012.

See [the ESMA press release about this publication](#)

18/06/2020 EBA publishes its Final draft amending RTS and ITS on passport notification under MiFID II. The amendments require greater precision and granularity in the information provided about the intended start dates of activities, and in case of the establishment or termination of a branch.

See [the EBA press release about this publication](#)

IFRS

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25/06/2020 IASB issues amendments to IFRS 17 *Insurance Contracts* to help companies with implementation and to make it easier for them to explain their financial performance. IASB also issues an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17.

See [the IASB press release about issued amendments to IFRS17](#)

See [the related free-access webcast](#)

See [the related project summary](#)

29/06/2020 IASB announces it is carrying out a research project to consider filling a gap in IFRS Standards by improving the comparability and transparency of reporting on combinations of businesses under common control, which is currently not covered in IFRS 3 *Business Combinations*. IASB plans to publish a discussion paper later this year.

See [the IASB press release about this research](#)

Climate Risk

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02/06/2020 The ESAs hold a public hearing on proposed ESG disclosure standards for financial market participants, advisers and products. This follows the consultation on the draft RTS under the Regulation on sustainability-related disclosures in the financial services sector, which runs until 1 September 2020.

See [the EBA press release about this consultation](#)

18/06/2020 The EU Parliament adopts a new legislation laying down criteria to determine whether an economic activity is environmentally sustainable. It defines 6 environmental objectives and identifies sustainable activities as the ones contributing to at least one of these objectives without significantly harming any of the others. The “do not harm” principle is expected to be further detailed by the EC later on. Technical criteria relating to each objective should be developed before the end of 2020.

See [the EU Parliament press release about the new criteria for sustainable investments](#)

24/06/2020 The Central Banks and Supervisors Network for Greening the Financial System (NGFS) publishes a final version of their forward-looking climate scenarios, along with a Technical Document setting out guidelines for the application of these scenarios by supervisory authorities.

See [the NGFS final report on climate scenarios](#)

See [the NGFS Guide to climate scenario analysis for supervisory authorities](#)

Others

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04/06/2020 ESMA publishes updated reporting instructions for money market funds (MMF) reporting. The first reports by MMFs under the MMFR should be submitted in September 2020, when they will have to report quarterly reports for both the Q1 and Q2 reporting periods.

See [the ESMA press release about this publication](#)

11/06/2020 EBA publishes its response to the EC’s public consultation on the review of the Non-Financial Reporting Directive (NFRD). Among others, the EBA highlights the need to increase standardisation by setting out mandatory rather than voluntary requirements, so as to ensure comparable disclosures. The EBA also considers this review a good opportunity to expand the scope of companies covered by the NFRD, in a proportionate way.

See [the EBA’s response to the public consultation on the NFRD review](#)

18/06/2020 EBA extends the application date of its Guidelines on legislative and non-legislative moratoria to 30 September 2020 given the continuing COVID-19 crisis.

See [the EBA press release about the extension of Guidelines on loan moratoria](#)

09/07/2020 The FSB and BCBS publish a report on *Supervisory issues associated with benchmark transition*. The report includes insights on remaining challenges to transition based on surveys undertaken by the FSB, the BCBS and the International Association of Insurance Supervisors (IAIS). It sets out recommendations for authorities to support financial institutions' and their clients' progress in transitioning away from LIBOR.

See the [FSB press release about this report](#)

List of acronyms used in this issue

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BCBS	Basel Committee on Banking Supervision
BRRD	Directive 2014/59/EU (Bank Recovery and Resolution Directive)
CRD	Directive 2013/36/EU (Capital Requirements Directive)
CRR	Regulation (EU) No 2013/575 (Capital Requirements Regulation)
DGS	Deposit Guarantee Scheme
EBA	European Banking Authority
EC	European Commission
ESAs	European Supervisory Authorities
ESG	Environmental, social and governance
ESMA	European Securities and Markets Authority
EU	European Union
FINREP	European Financial Reporting Framework
FSB	Financial Stability Board
FX	Foreign exchange
G-SII	Globally Systemically Important Institution
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard
ITS	Implementing Technical Standards
LIBOR	London Interbank Offered Rate
MiFIR	Markets in Financial Instruments Regulation
MMFR	Regulation (EU) 2017/1131 (Money Market Funds Regulation)
NFRD	Directive 2014/95/EU (Non-Financial Reporting Directive)
NGFS	Network for Greening the Financial System
RTS	Regulatory Technical Standards
SII	Systemically Important Institution

About Reacfin

Reacfin S.A. is a Belgian-based consulting firm specialized in

- Actuarial science,
- Risk,
- Portfolio management, and
- Data science.



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