

30 NOV 2020

## The SAFE Regulatory Radar in November 2020

Revised rules for global systemically important institutions, proposed adjustments for covered bond issuers, and a new guidance on CCP resolution



A

At the end of each month, the SAFE Regulatory Radar highlights a selection of important news and developments on financial regulation at the national and EU level.

### Financial supervision: Revised technical standards and guidelines on the methodology and disclosure for global systemically important institutions

On 4 November 2020, the European Banking Authority (EBA) published the updated [final draft regulatory technical standards \(RTS\)](#) on the identification of indicators to determine global systemic importance of financial institutions. EBA further revised [guidelines](#) on the disclosure for global systemically important institutions (G-SIIs) and large entities in the EU with an overall leverage ratio exposure measure over 200 billion euros. Following the latest changes to the Capital Requirements Directive (CRD V), the EBA was mandated to develop an additional methodology for the identification of G-SIIs at the EU level and to bring its acts in line with the [framework](#) introduced by the Basel Committee on Banking Supervision in July 2018.

The most important novelty is a new trading volume indicator to measure systemic importance. The RTS provide data instructions on indicator values and detailed template specifications. Furthermore, the final RTS include insurance activities in the indicator-based measurement approach. Notably, the guidelines on disclosure enable member state authorities to act ex-ante in the disclosure process of the indicators and the underlying values.

After the endorsement of the European Commission, the RTS will be binding in EU member states and apply from the 2022 global systemically important institution exercise onwards. The guidelines on disclosure are non-binding and the national competent authorities have to decide whether to comply with them or not.

### Capital Markets Union: Proposed amendments to Liquidity Coverage Rules for Covered Bond Issuers

On 27 October 2020, the European Commission presented a draft delegated [Regulation](#) amending the Liquidity Coverage Ratio (LCR) Delegated Regulation and supplementing the [Capital Requirements Regulation \(CRR\)](#).

The need for changes was caused by the existing overlap between the 180-day liquidity buffer requirement for covered bonds issued in the EU, established by the [Covered Bond Directive](#) in November 2019, and the liquidity coverage requirement under [LCR Regulation](#) that applies to all credit institutions, including those that issue covered bonds. As both requirements cover the same outflows, it leads to “double-counting”. To solve this problem, the proposal permits credit institutions to treat liquid assets, held as part of their cover pool liquidity buffer, as unencumbered up to the amount of net liquidity outflows from the associated covered bond programme. The draft regulation also lays down monetization rules for the assessment of liquid assets held in a cover pool liquidity buffer. The proposal also contains some terminological changes to clear the existing rules and to better align the text with the CRR.

After passing through the legislative procedure in the European Parliament and Council, the amended regulation will be applicable from 8 July 2022.

### Central counterparties: Final guidance on recovery and resolution

On 16 November 2020, the Financial Stability Board (FSB) issued its [final guidance](#) on financial resources to support central counterparty (CCP) resolution and on the treatment of CCP equity in resolution. This non-binding guidance is aimed to support resolution authorities and crisis management in their assessment and to enhance CCP resolvability. The FSB believes that understanding the potential for certain resources and tools can affect financial stability.

The first part of the guidance sets out the 5-step guidance for authorities on assessing the adequacy of financial resources to absorb losses and to cover other costs in resolution. The five steps are (a) identifying hypothetical loss scenarios, (b) evaluation of existing resources and tools, (c) assessing potential resolution costs, (d) comparing existing resources and tools to resolution costs and (e) evaluation of potential means of addressing any identified gaps. The second part of the guidance is focused on approaches to the treatment of CCP equity in resolution and explains how to evaluate the exposure of CCP equity to losses in recovery, liquidation, and resolution. The FSB also recommends resolution authorities to conduct such an assessment in cooperation with the CCP's supervisory authorities.

### Current public consultations

- **European Commission:** public [consultation](#) on the review of the Alternative Investment Fund Managers Directive. The deadline is Friday, 29 January 2021
- **European Commission:** public [consultation](#) on sustainable corporate governance. The deadline is Monday, 8 February 2021.
- **European Securities and Markets Authority (ESMA):** public [consultation](#) on Article 8 of the Taxonomy Regulation. The deadline is Friday, 4 December 2020.
- **ESMA:** public [consultation](#) on its draft guidelines on the MiFID II / MiFIR obligations on market data. The deadline is Monday, 11 January 2021.
- **ESMA:** public [consultation](#) on guidelines on marketing communications under Regulation 2019/1156 on facilitating cross-border distribution of collective investment undertakings. The deadline is Monday, 8 February 2021.
- **EBA:** public [consultation](#) on its guidelines on sound remuneration policies taking into account the amendments introduced by the Fifth Capital Requirements Directive. The deadline is Friday, 29 January 2021.
- **EBA:** public [consultation](#) on the management and supervision of environmental, social and governance risks for credit institutions and investment firms. The deadline is Wednesday, 3 February 2020.
- **European Central Bank:** public consultations on the draft Eurosystem [oversight framework](#), [assessment methodology](#) and [exemption policy](#) for the Eurosystem oversight framework for electronic payment instruments, schemes and arrangements. The deadline is Thursday, 31 December 2020.
- **FSB:** public [consultation](#) on regulatory and supervisory issues relating to outsourcing and third-party relationships. The deadline is Friday, 8 January 2021.

---

*Anastasia Kotovskaia is Research Assistant at the SAFE Policy Center and currently pursuing a Ph.D. in Law at Goethe University.*



**BACK**

## NEWS & LATEST

All News

---

SAFE Finance Blog

---

Events

---

Videos

---

Distribution List

In this Section:

## FOLLOW US



## CONTACT

Leibniz Institute for  
Financial Research SAFE

Theodor-W.-Adorno-Platz 3  
60323 Frankfurt am Main

Phone: +49 69 798 30080  
Fax: +49 69 798 30077  
Email: [info@safe-frankfurt.de](mailto:info@safe-frankfurt.de)

### SAFE

[About SAFE](#)

[Job Offers](#)

[How to find us](#)

### POLICY CENTER

[SAFE Senior Policy Fellows](#)

[Policy Publications](#)

[SAFE Finance Blog](#)

[Policy Center Team](#)

### RESEARCH

[Research Departments](#)

[Researchers](#)

[Data Center](#)

### NEWS & EVENTS

[All News](#)

[Press](#)

[Expert List](#)