

28 FEB 2023

## The SAFE Regulatory Radar in February

Amendments related to the benchmark transition, extended requirements for securitizations, and new guidelines for resolution authorities



**A** *t 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.*

### ESMA: amendments on the clearing and derivative trading obligations related to the benchmark transition

The European Securities and Markets Authority (ESMA) published a [final report](#) on the clearing (CO) and derivative trading (DTO) obligations to accompany the benchmark transition on 1 February 2023, which is part of the transition away from the Euro OverNight Index Average (EONIA) and the London Interbank Offered Rate (LIBOR), primarily Risk-Free Rates such as €STR, SOFR, SONIA and TONA.

[EONIA](#) was the interest rate at which unsecured loans in euro were granted on the interbank market in the euro area from one target day to the next. [LIBOR](#) is a reference interest rate on all banking days under certain conditions, which is used as basis for calculating the lending rate. Due to manipulations during the [LIBOR](#) scandal, the British Financial Conduct Authority (FCA) announced in 2017 that it would replace [LIBOR](#) with other reference interest rates.

The report sets out proposed draft Regulatory Technical Standards (RTS) amending the scope of the [CO](#) and [DTO](#) for over-the-counter (OTC) interest rate derivatives (IRD) denominated in euro, British pound, Japanese yen, and U.S. dollar.

The proposals further include the introduction of:

- the Tokyo Overnight Average Rate Overnight Index Swaps (TONA OIS) (with maturities up to 30 years) class and extend the Secured Overnight Financing Rate Overnight Index Swaps (SOFR OIS) class (up to 50 years) for [CO](#).
- certain Euro Short-Term Rate Overnight Index Swaps (€STR OIS) classes for [DTO](#).

### Securitization regulation: ensuring homogeneity of the underlying exposures of STS securitizations

The simple, transparent, and standardized (STS) requirements, which are part of the [Securitisation Regulation](#) have been extended for asset-backed commercial paper (ABCP) and non-[ABCP](#) securitization.

The [final report](#) draft Regulatory Technical Standards (RTS), published by the European Banking Authority (EBA) on 14 February 2023, amends the Delegated Commission Regulation (EU) 2019/1851 by extending the scope to on-balance-sheet securitizations considering the specificities of these securitizations.

The report introduces transitional provisions for those securitizations who have been notified as [STS](#) and whose securities were issued before its application date. This ensures that existing transactions will continue to remain [STS](#) compliant.

## BRRD: Guidelines to resolution authorities on transparency of write-downs and conversion and bail-in exchange mechanic

[EBA](#) published a [final report](#) on Guidelines to resolution authorities on the publication of the write-down and conversion and bail-in exchange mechanic on 13 February 2023.

The Bank Recovery and Resolution Directive (Directive 2014/59/EU1, BRRD) provides authorities with the powers to write-down and convert capital instruments and also sets out that member states shall ensure resolution authorities may apply the bail-in tool to achieve the resolution objectives.

To ensure that authorities' approaches are credible and that institutions have the necessary information to prepare, authorities are asked to specify if they intend to make use of interim instruments and to set out a timeline of the bail-in process. This ensures that a minimum level of harmonized information on how authorities would effectively execute the write down and conversion of capital instruments and the use of the bail-in tool ("exchange mechanic") is made public. Those authorities that have already published information are expected to check if that publication complies with these guidelines.

The document to be published by authorities will further include:

- a clear description of potential interim instrument
- further details for the timeline
- where available, indicative templates or the main features of the legal instruments to be used to formally implement bail-in.

A policy discussion about another transparency issue within the bail-in framework, namely on the holders of bail-inable securities (retail & bank challenge), is subject of [SAFE White Paper No. 92](#).

### Public consultations

## European Supervisory Authorities (ESA):

- [Consultation](#) on draft guidelines on the system for the exchange of information relevant to fit and proper assessments. The deadline is 2 May 2023.

## European Securities and Markets Authority (ESMA):

- [Consultation](#) on the review of the methodology included in the Guidelines on stress test scenarios under the MMFR. The deadline is 28 April 2023.
- [Consultation](#) on post-trade transparency. The deadline is 31 March 2023.

## European Banking Authority (EBA):

- [Consultation](#) on the amending ITS on supervisory disclosures. The deadline is 9 March 2023.
- [Consultation](#) on the amending ITS on supervisory disclosures to introduce new IRRBB reporting. The deadline is 2 May 2023.

## European Insurance and Occupational Pensions Authority (EIOPA):

- [Consultation](#) on changes to the minimum amount of professional indemnity insurance cover and financial capacity intermediaries need under IDD. The deadline is 6 May 2023.

## Federal Financial Supervisory Authority (BaFin):

- [Consultation](#) on the general decree on remuneration notifications. The deadline is 8 March 2023.

---

[Dr. Jonas Schlegel](#) is Co-Head of the SAFE Policy Center.



**BACK**

## NEWS & LATEST

All News

---

SAFE Finance Blog

---

Events

---

Videos

---

SAFE in the media

---

Newsletter

---

Research Magazine Points

---

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 Fellows](#)

[Policy Publications](#)

[SAFE Finance Blog](#)

[Policy Center Team](#)

### RESEARCH

[Research Departments](#)

[Researchers](#)

[Data Center](#)

### NEWS & EVENTS

[All News](#)

[Press](#)

[Expert List](#)

