EUROPEAN BANKING NEWSLETTER

JULY 2022

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QUICK LINKS

EUROPEAN CENTRAL BANK (ECB)

Proposal to amend EU MiFIR – ECB issues opinion

1 June 2022 - The European Central Bank (ECB) has issued an opinion on a proposal of the European Parliament and the Council of the EU amending Regulation (EU) 600/2014 (MiFIR) to enhance market data transparency, remove obstacles to the emergence of a consolidated tape, optimise trading obligations and prohibit receipt of payments for forwarding client orders.

Among other things, the ECB welcomes the introduction of the proposed enhanced regime for the 'consolidated tape' (CT) and the competitive bid process for the selection of a consolidated tape provider (CTP) for each asset class. It understands that under the proposal the CTP will only be responsible for consolidating the core market data and disseminating it commercially to the market and that the quality of the contributed data, which remains wholly the responsibility of the market data contributors, will be regulated by the Commission on the basis of a delegated act.

The ECB also expresses support for the proposed streamlining of the pre-trade transparency regime for equities, by replacing the double volume cap with a single volume cap set at 7% of the total volume of trades that are executed in the relevant financial instrument under the reference price waiver or the negotiated trade waiver.

Where the ECB recommends amendment to the proposed regulation, it has set out drafting proposals in a technical working document underneath the opinion.

ECB opinion on proposed regulated amending EU MiFIR

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EUROPEAN CENTRAL BANK (ECB)

SINGLE SUPERVISORY MECHANISM (SSM)

SINGLE RESOLUTION MECHANISM (SRM)

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G-SIB assessment methodology - ECB publishes statement on treatment of banking union

27 June 2022 - The ECB has published a statement on the treatment of the European banking union (EBU) in the assessment methodology for global systemically important banks (G-SIBs). The statement follows the Basel Committee on Banking Supervision's May 2022 decision to give recognition in the G-SIB framework to the progress made in developing the EBU through the existing methodology. Under the agreement, a parallel set of G-SIB scores will be calculated for EBU-headquartered G-SIBs and used to adjust their bucket allocations.

The ECB sets out details of the methodology that will be used for exercising supervisory discretion regarding cross-border intra-EBU exposures in the G-SIB assessment framework. The methodology adds an extra step to the existing G-SIB assessment framework through a bank-specific adjustment for structural regional arrangements (ASTRA). ASTRA is defined as the change in the G-SIB score that a EBU-headquartered bank would face if all exposures to counterparties resident in a EBU country were regarded as domestic exposures. The ECB highlights that this new step only applies to EBU-headquartered banks and does not affect the G-SIB scores of non-EBU banks.

ECB Governing Council statement on the treatment of the European banking union in the assessment methodology for global systemically important banks

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CRD VI - ECB opinion on proposed Directive published in OJ

30 June 2022 - The ECB opinion (CON/2022/16) (dated 27 April 2022) on the proposed Directive amending the Capital Requirements Directive (2013/36/EU) as regards supervisory powers, sanctions, third-country branches and ESG risk (CRD VI), has been published in the Official Journal of the European Union.

The European Commission (the Commission) adopted legislative proposals for CRD VI and for a Regulation amending the Capital Requirements Regulation (575/2013/EU) (CRR) to implement the final Basel III standards (CRR III Regulation) in October 2021. The ECB published its opinion (CON/2022/11) on the proposed CRR III Regulation in March 2022.

Opinion of the European Central Bank of 27 April 2022 on the Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, environmental, social and governance risk (CON/2022/16)

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No relevant items

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SINGLE RESOLUTION MECHANISM (SRM)

MREL - SRB publishes updated policy for 2022

8 June 2022 - The Single Resolution Board (SRB) has published an updated version of its policy for the minimum requirement for own funds and eligible liabilities (MREL) under the Bank Recovery and Resolution Directive ((EU) 2019/879) (BRRD II). The updated policy reflects the SRB's experience during the 2020 resolution planning cycle.

The updated policy takes into account regulatory developments such as the end of the supervisory leverage relief measures of the ECB and changes to the Capital Requirements Regulation (CRR) recently agreed by the EU co-legislators on the indirect holding of internal MREL and the MREL calibration for banks with a multiple point-of-entry resolution strategy. It expands the coverage of entities under internal MREL and involves a more dynamic subordination policy, taking into account evolving balance sheets prior to resolution.

The updated MREL policy will apply from the 2022 resolution planning cycle.

SRB Minimum Requirement For Own Funds and Eligible Liabilities (MREL)

Press release

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Expectations for banks to demonstrate resolvability - SRB publishes updated guidance on bail-in playbooks and data

15 June 2022 - The SRB has published several documents – notably, an operational guidance document on bail-in playbooks and instructions relating to bail-in data - supplementing its "expectations for banks" document, which outlines how banks should demonstrate resolvability, published in April 2020.

A bail-in playbook refers to the internal document used by a bank to establish a minimum set of objectives, processes and governance structures to support the implementation of write-down and conversion powers by resolution authorities. The updated guidance adds more detail to the expectations relating to intra-group loss transfer and recapitalisation mechanisms between the resolution entity and its subsidiaries, as well as the required management information systems (MIS) capabilities. It also introduces a dedicated section on the testing of bail-in playbooks and MIS capabilities by banks and includes targeted amendments based on the SRB's experience since the previous update of the guidance.

The accompanying instructions and explanatory notes on bail-in data outline the SRB's expectations on the submission of timely high-quality data to resolution authorities to enable the execution of write-down and conversion powers and the bail-in tool.

SRB Operational Guidance on bail-in playbooks

SRB Bail-in Data Set: Explanatory Note

SRB Bail-in Data Set: Instructions

Webpage

Press release

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