

Corporate & Investment Banking

QUARTERLY
**REGULATORY
OUTLOOK**

NOVEMBER 2022

TNP¹

EXECUTIVE SUMMARY

Regulatory Initial Margin

The final large wave went live on Sept 1st. Given the number and the nature of the newcomers in the regulation this year a few delays have been observed due notably to late confirmation by entities that they are in the scope with their counterparties and bottleneck at custodians' level to onboard the new joiners. The main consequence is that OTC trading is restricted to a fewer counterparties for most large European banks

CSDR

The proposal for the Corporate Sustainability Reporting Directive (CSDR) was presented and received strong support from investors. However, the buy-in mechanism and how it would be at some points reintroduced remain unclear.

SFDR

The level 2 by the EC in 2022 will go live in January 2023. IBs will have to support their asset managers clients in their disclosures process and shall follow closely the disclosures as they will have to remain innovative in their structured products business

MiCA

While waiting for a regulation such as the Markets in Crypto-Assets Regulation (**MiCA**) to come into force – most likely by **mid 2023** – established banks have recognized that their **long-term experience** as regulated institutions is a **major advantage over neobanks or fintechs**

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Dealing With A Heavy Regulatory Burden

RISK



#MARKETRISK

CRR3/CRD6

Capital Requirements Regulation/Directive

Description

The CRD VI proposals are aimed at further **strengthening the EU prudential framework**, while CRR outlines requirements for **large institutions to disclose prudential information** relating to **ESG**, including **transition and physical risk**.

Updates

Given the time CRR3/CRD6 negotiations are expected to take, **January 2025 is very likely the earliest feasible implementation date**, and it is unlikely that there will be pressure from EU Member States to implement earlier.



FRTB

Fundamental Review of the Trading Book

Description

The revised rules are expected to result in significant **operational complexity** for all market participants, including demand for **high-quality data**, efficient and scalable **computation engines**, additional **reporting overheads** and stringent **governance requirements**.

Updates

All banks will now be required to calculate and report market risk capital requirements under a more sophisticated **Standardized Approach (SA)**. Larger global banks are likely to opt for the **Internal Model Approach (IMA)**.



UMR6

Uncleared Margin Rules *Phase VI*

Description

The global margin policy framework goal is to reduce **systemic risk** in the over-the-counter (OTC) derivatives market by requiring the **exchange of both variation margin (VM) and initial margin (IM)**.

Updates

Phase 6 will largely affect **buy-side** firms. Companies that are already in-scope have advised that preparing for UMR compliance could **take over 12 month**. With compliance requiring collaboration between a wide variety of industry stakeholders, phase 6 could create a **UMR bottleneck**.



MMFR

Money Market Fund Regulation

Description

The MMFR has brought the following obligations: **stress testing**, revised **KYC** policies, new requirements for **CNAV and LVNAV**, increased **reporting** requirements to investors and regulatory bodies.

Updates

On 16th February 2022, ESMA issued an 'Opinion' aimed at **improving the resilience** of MMFs by focusing on certain chinks in the armour around **liquidity**, including the **threshold effects** for constant net asset value MMFs.



UCITS/ PRIIPS

Undertakings for the Collective Investment in Transferable

Description

Regulatory framework that creates a **harmonized regime** throughout Europe for the **management and sale** of mutual funds. UCITS funds can be registered in Europe and **sold to investors worldwide** using **unified** regulatory and investor protection requirements

Updates

New legislation published in December 2021

- has made **content changes** to the PRIIPs Level 2 RTS
- required that, where a UCITS provides an investor with a PRIIPs KID, it is **deemed to have complied** with its obligation to provide a KIID under the UCITS Directive



AIFMD

Alternative Investment Fund Managers Directive

Description

AIFMD aims to **regulate** alternative investment fund managers and the distribution of alternative investment funds (AIFs) in the EU to **ensure investor protection** and **avoid systemic risks**.

Updates

Commission published its legislative proposal on the Review of AIFMD on November 25, 2021. The **proposal is under review** of the European Council and Parliament. Once adopted by the EU co-legislators, Member States will have **24 months for transposition** in local law.



#CREDITRISK

EBA GUIDELINES

European Banking Authority Guidelines on loan origination and monitoring

Description

The requirements are structured in **five sections** : Monitoring **framework**, **Internal governance** for credit granting and monitoring, **loan origination** procedures, valuation of immovable and movable **property** and **pricing**.

Updates

EBA guidelines become effective on **30 June 2021 for new loans and 30 June 2022 for existing loans**. The deadline for the implementation of the monitoring framework for loans issued after 30 June 2021 is 30 June 2024.



TAXONOMY

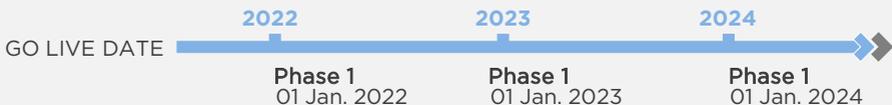
Taxonomy Regulation

Description

The Taxonomy Regulation establishes a classification system which provides an EU-wide common language to identify whether or not a given economic activity should be considered "environmentally sustainable".

Updates

Since 01/01/2022, the requirement to deliver sustainability indicators applies. The **reporting obligations** set out in the Delegated Regulation of July 6, 2021, will be phased as follows: **light reporting** in 2022, **full reporting** in 2023 and full reporting + **publication of indicators** in 2024.



**EXECUTION
& OPERATIONS**



CSDR

Central Securities Depositories Regulation

Description

The aim of CSDR is to **harmonise** certain aspects of the **settlement cycle and settlement discipline** and to provide a set of **common requirements** for CSDs operating securities settlement systems across the EU.

Updates

These measures include **timing requirements** for trade allocation and confirmation messaging, **cash penalties** for late matching and settlement fails, **mandatory buy-ins** for certain transaction types (implementation postponed), and **monitoring and reporting** of settlement fails.



MiCA

Market in Crypto-Assets

Description

MiCA aims to harmonise the European framework for different types of **cryptocurrencies and its coverage** is broad (issuance, trading, settlement, custody, and collateral management) for **digital assets not classified** by current regulations.

Updates

After the vote on March 14, 2022, the proposed amendment to ban or restrict proof-of-work-based crypto assets, which would have effectively resulted in a **ban on Bitcoin (BTC)**, was **rejected**. The proposed regulation is due to come into force by **mid 2023**



ESAP

European Single Access Point

Description

The ESAP is intended to provide an easy **centralized point of access** to information about financial services, capital markets and sustainability, that entities and competent authorities are required to make public.

Updates

The College of Commissioners adopted the proposals on 25 November 2021. The proposals envisage the first submissions to ESAP being phased-in **between 2024 - 2026**.



EMIR REFIT

European Market Infrastructure Regulation

Description

EMIR mandates reporting of **all derivatives to Trade Repositories** (TRs). TRs **centrally collect** and maintain the records of all derivative contracts. They play a central role in enhancing the transparency of derivative markets and reducing risks to financial stability.

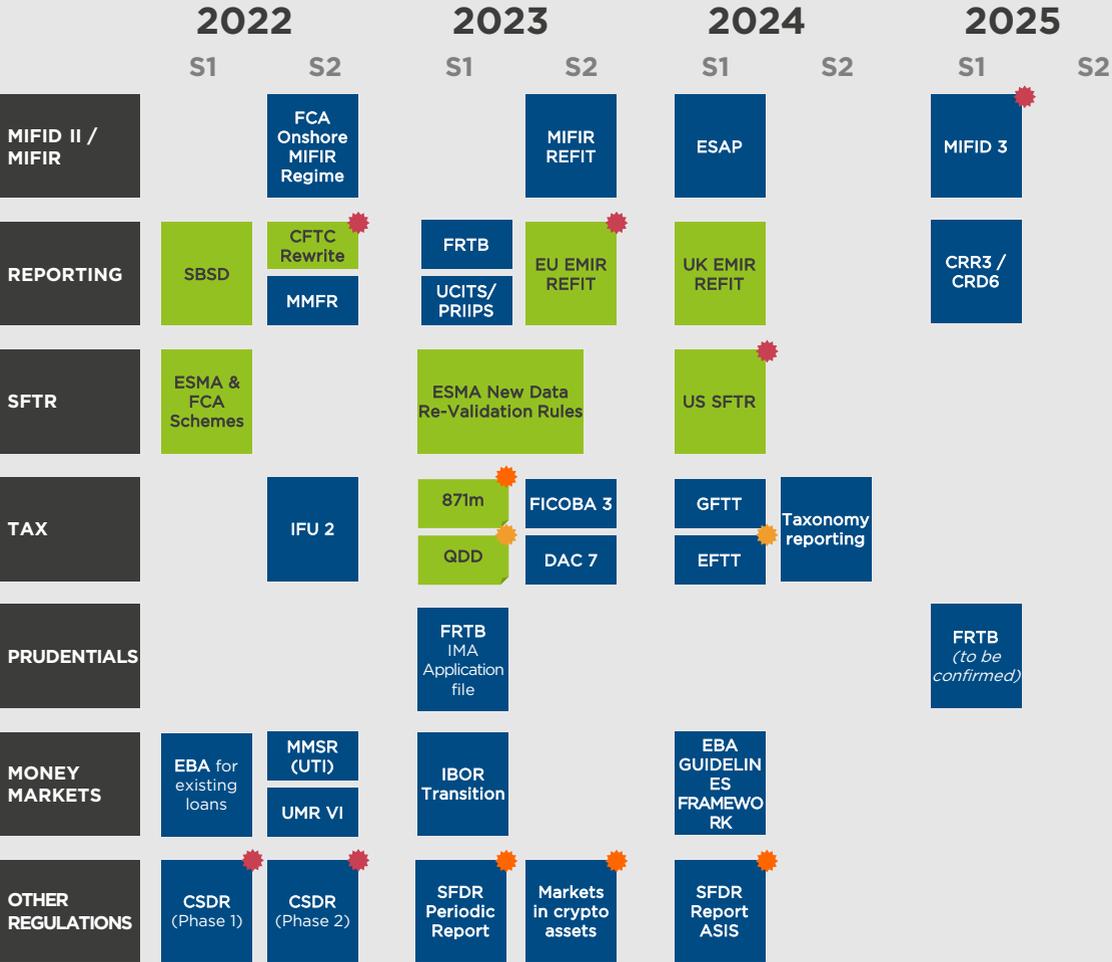
Updates

Whilst the EMIR reporting regime is already in place, the challenges the EMIR Refit poses are significant:

- move to **ISO 20022**
- Introduction of the **new fields**
- changes to **reporting and reconciliation**



DEALING WITH A HEAVY REGULATORY BURDEN



IMPACTS

 HIGH
  MEDIUM
  LOW

REGIONS

EMEA
ASIA
AMER

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