

NEWSLETTER



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Our selection this month:

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US Agencies Finalise New Counterparty Credit Risk Rules for Derivatives: The FDIC and the Fed recently finalised new guidelines for calculating the exposure of derivative contracts under the regulatory capital rule; the method would consist in computing advanced approaches total Risk-weighted assets. The final rules also address concerns raised by the industry stakeholders such as the American Bankers Association; more specifically regarding the adjustments to apply to the exposure amount calculation for derivative contracts with commercial end-user counterparties, and the netting treatment for settled-to-market derivative contracts.

Egypt is Allowed to Increase its SWF's Commitment to 1trios Pounds: Egypt is expected to increase its authorised capital of its Sovereign Wealth Fund up to a trillion Egyptian Pounds (c. USD 60b) from 200b. Egypt is also seeking GCC partners to drum up foreign investment; after launching a USD 20b investment platform with the UAE, the Fund is now setting its sights on Saudi Arabia, Kuwait, and Oman as partners. The partnership could take several forms, the Fund is looking to tap into under-used state assets and attract investors in several key sectors, for instance by setting a platform similar to the venture agreed with the UAE. Projects under the UAE platform will be handled via a 50-50 partnership, and the entity will focus on companies in the banking and the non-banking financial sectors, as well as agribusiness and petrochemicals. Egypt will offer assets, including land, buildings and existing companies, and has access to liquidity, while the UAE will provide the financing.



Ireland Will Review Liquidity Risk Rules: The Central Bank of Ireland plans to assess whether regulations governing Fund Liquidity Risk are still sufficient to protect investors or whether new rules are needed. Liquidity Risk was shed into the light after the suspension of the Woodford Fund earlier this year. According to the Director of Policy and Risk of the Central Bank of Ireland, Mr. Gerry Cross, the Woodford crisis raised questions on the effectiveness of the Liquidity Risk rules *"It is important there should not be a mismatch between investors' expectations and what a fund is able to deliver in terms of daily redemptions, particularly in times of stress"*.

UAE Central Bank Proposes New Rules to Encourage Banks to Diversify Assets: The United Arab Emirates' Central Bank recently proposed new regulatory measures to prevent banks from over-exposure to real estate and to encourage them to maintain diversified assets. UAE has faced sharp real estate slowdown due to property oversupply and slowing GDP growth amid lower oil market prices. Measures are dedicated to boost the real estate sector thanks to stimulating packages, including foreigners to own freehold property in Abu Dhabi. The measures will also ensure that banks with higher real estate exposures will be subject to supplemental regulatory requirements. Real Estate and Construction accounted for about 20% of gross loans at the end of Q1 2019 according to the Central Bank. According to the Head of the UAE Banks Federation, the UAE's Bank lobby is also proposing limits on mortgage loans to protect them from being overexposed to the sector.

BoJ has Plan to Issue Digital Currencies: According to Bank of Japan Governor, Mr. Haruhiko Kuroda, the Central Bank is conducting research about issuing digital currencies. According to the Governor *"If stable coins backed by companies with a huge customer base are issued globally, that could have an impact on monetary policy and financial system stability"*. He also added that a sufficient framework must be in place to ensure robust governance and Risk Management. This decision could be triggered by a recent decision from China to issue its own digital currency using a framework called Digital Currency Electronic Payment.