1Q23
Regulation Outlook

R&D

www.managementsolutions.com

Design and Layout

Marketing and Communication Department
Management Solutions

Photographs:

Photographic archive of Management Solutions
iStock

Table of contents

Executive Summary

In terms of regulatory developments, of note this quarter was the publication of the EBA's proposal to amend IRRBB reporting requirements. Also noteworthy at the national level were, in Spain, the Draft Law on Securities Markets and Investment Services, and in the US, the publication of the methodology for the first Pilot Climate Scenario Analysis Exercise and the proposed amendments to cybersecurity-related rules.

European publications

- **Consultation Paper (CP) on Draft ITS amending Commission Implementing Regulation (EU) 2021/451 with regard to IRRBB reporting**. The draft ITS aim to instruct on the data quality required by supervisors to assess banks' IRRBB risks at the appropriate level for each bank and to improve the implementation of the package of measures published by the EBA in October 2022. The CP includes simplified reporting templates for small and non-complex institutions (SNCI) and requests specific comments on proportionality for medium-sized institutions. (EBA, February 2023).

- **Report on the Implementation of Climate Related Adaptation Measures in Non-Life Underwriting Practices**. This report provides an overview of the main findings of EIOPA's voluntary pilot exercise on this issue, as well as the challenges mentioned by participating insurers. The pilot exercise aimed, in particular, to better understand the industry's current underwriting practices in relation to climate change adaptation and to assess their prudential treatment under Solvency II. (EIOPA, February 2023)

- **Report on the results of the 2022 benchmarking exercise for high default portfolios and for 2022 low default portfolios (HDPs and LDPs)**; and the **Report on the results of the 2022 benchmarking exercise for market risk**. These exercises are intended to monitor the consistency of risk-weighted assets (RWAs) across institutions permitted to use internal approaches for the calculation of capital requirements. The second report presents the results of the 2022 benchmarking exercise and summarizes the conclusions drawn from a hypothetical portfolio exercise (HPE) conducted in 2021/22. (EBA, March 2023)

Local publications

- **[ES] Draft Law on Securities Markets and Investment Services**. This law aims to incorporate the necessary improvements to facilitate the development of the Spanish securities markets in the current competitive environment in line with the new European regulations. (Congreso de los Diputados, January 2023)

- **[US] Pilot Climate Scenario Analysis (CSA) Exercise: participant instructions.** The FED has included in this exercise two separate and independent modules: a physical risk module and a transitional risk module, as well as supporting documentation and answers to qualitative questions on governance, risk management practices and measurement methodologies. Participants have until 31 July 2023 to submit the information. The conclusions drawn from this pilot exercise will be published by the end of 2023 at an aggregated level. (FED, January 2023)

- **[US] Bank Term Funding Program (BTFP)**. The BTFP is intended to support US businesses and households by making additional funding available to eligible depository institutions by providing loans of up to one year in length to eligible depository institutions that pledge any collateral eligible for purchase by the Federal Reserve Banks in open market operations. (FED, March 2023)

- **[US] Proposed amendments to cybersecurity-related rules.** These amendments would introduce a requirement to adopt written policies and procedures for incident response programmes to address unauthorised access to or use of customer information, also incorporating cybersecurity risks. In addition, it is proposed to include a broader range of key participants in the US securities market infrastructure under Regulation Compliance and Systems Integrity (Regulation SCI). (SEC, March 2023).

Regulatory outlook

In the coming quarter, the FCA's final Policy Statement on Sustainability Disclosure Requirements (SDRs) and investment labelling is expected to be published, with its anti-greenwashing rules immediately applicable. The FSB's Consultative Paper on strengthening financial institutions' ability to manage third party and outsourcing risk is also expected to be published. In addition, the Digital Markets Regulation will come into force.

Featured regulatory projections

1. Next quarter

- **(Global) Q2 2023:**
  - IAIS: Publication of a thematic report on the operational resilience of the insurance sector.
- **(Global) April 2023:**
  - FSB: i) Revised report to the G20 on achieving greater convergence in cyber incident reporting; ii) Consultative document to the G20 aimed at strengthening financial institutions' ability to manage third-party and outsourcing risk (this will include expectations for financial authorities' oversight of financial institutions' reliance on critical service providers, including Big-Tech and FinTech firms).
- **(Europe) Q2 2023:**
  - EBA: i) Multi-annual work programme (2024-2026 horizon).
  - EP/Council: Regulation laying down the requirements for artificial intelligence (AI Act).
- **(UK) Q2 2023:**
  - FCA: Policy Statement on sustainability disclosure requirements (SDR) and labelling of investments.

2. Next year

- **(Global) Q3 2023:**
  - ISSB: Publication of IFRS S1 (General requirements for sustainability-related financial disclosures) and IFRS S2 (Climate-related disclosures).
  - IAIS: Consultation on revised ICP 14 (Valuation) Consultation on revised ICP 17 (Capital Adequacy) ii) Consultation on changes to certain ICP guidance with relation to climate risk; iii) final recommendations for the regulation of Crypto and Digital Assets (CDA);
  - IAIS-FSB: Revise the 2017 FSB Recommendations to mitigate vulnerabilities in open ended funds (OEFs) stemming from liquidity mismatch.
- **(Global) September 2023:**
  - TNFD: final Nature-related Financial Disclosures framework
- **(Global) Q4 2023:**
  - IAIS: i) Consultation on changes to certain ICP guidance with relation to climate risk, as well as supporting material; ii) final recommendations for the regulation of Decentralised Finance (DeFi).
- **(Europe) 2023**:
  - EBA: i) RTS on ESG disclosures for STS securitization; ii) review of RTS on sustainability disclosures PAI indicators[1]; iii) CP on the Guidelines on ESG risks management; iv) Final report on prudential treatment exposures; v) CP on GL on institution´s stress testing.
  - EIOPA: i) GL promoting supervisory convergence under SFDR, MiFID II, Taxonomy Regulation, CSRD, the Benchmarks Regulation; ii) Amending RTS on the PAI framework and certain product disclosures under SFDR; iii) RTS; ITS; and GL as required under MiCA; iv) RTS and ITS under DORA including as relates to ICT risk management and third party risk management under DORA; v) RTS on the notifications for cross-border marketing and management of AIFs and UCITS; vi) revision of ITS on external credit assessment institution (ECAI) mapping for corporate ratings under the Capital Requirements Regulation (CCR) and Solvency II; viii) RTS on the minimum elements that should be included in a business reorganisation plan; ix) Revision of RTS on securitisation disclosure requirement (CP); x) Initiate one-off climate change stress test in cooperation with ESRB, ECB, EBA, ESMA[2].

[1] CP of RTS on sustainability disclosures PAI indicators published on 12/04/2023
[2] Request for a one-off scenario analysis exercise published on 08/04/2023

- **(Europe) Q3 2023**:
  - EBA: i) GL on calculation of K IRB for dilution and credit risk (CP); vi) GL on diversity benchmarking under CRD and IFD; viii) GL on resolvability testing; ix) GL on Overall Recovery Capacity; xii) ITS on IRRBB reporting; xiii) ITS on supervisory disclosure.
- **(Europe) July 2023**:
  - EBA: Stress Test results 2023.
- **(Europe) September 2023:**
  - EC: legislative proposal that would establish the digital euro and regulate its main features.
- **(Europe) December 2023**:
  - ECB: Manage C&E risks in an institution-wide approach, including business strategy, governance and risk appetite, as well as risk management, including credit, operational, market and liquidity risk management.
  - CNMV: Technical Guidance on Enhancing Transparency of Collective Investment Undertakings.
- **(Spain) Q2 2023**:
  - Spanish government: Royal Decree implementing Article 32 of Law 7/2021, of May 20, on climate change and energy transition[3].
- **(UK) 2023:**
  - UK.Gov: Consult on the UK Green Taxonomy.
  - PRA: Consultation paper setting the proposals to introduce a new regulatory framework on Diversity, Equity, and Inclusion (DEI) in the financial sector.
- **(UK) July 2023:**
  - BoE: Stress Test results for 2022.
- **(UK) Q4 2023:**
  - UK.gov: Consultation on the introduction of requirements for the UK's largest companies to disclose their transition plan if they have them.
- **(USA) End of 2023:**
  - Fed. Conclusions obtained from the Pilot Climate Scenario Analysis Exercise (CSA).

3. More than a year

- **(Europe) 2024**:
  - EBA: i) Final guidelines on ESG risk management; ii) Third revision of the SREP guidelines; iii) Final guidelines on stress testing of institutions; iii) Greenwashing report; iv) ITS on ESG reporting.
- **(Europe) Q1 2024:**
  - EIOPA: i) Review of the digital transformation strategy, integrating it with the data and IT strategy, the SupTech Strategy and partially also the cyber underwriting strategy.
- **(Europe) July 2024:**
  - ESAs shall submit RTS/ITS specifying some aspects set out in DORA.
- **(Europe) 2025**:
  - EIOPA: i) Implementation of a cyber incident reporting system - Centralised data centre.

Application dates

1. Next quarter

- **(Europa) May 2023**:
  - Application of the Digital Markets Regulation
- **(Spain) 31 March 2023:**
  - Bank of Spain. Entry into force of the Circular on the information to be submitted to the Bank of Spain on covered bonds and other loan mobilization instruments.
- **(UK) June 2023**:
  - Anti-greenwashing rule of the Supervisory Statement (PS) on sustainability disclosure requirements (SDR) and investment labeling.

2. Next year

- **(Europe) 2023**:
  - Implementation of the provisions amending the CRR III concerning: i) certain provisions concerning own funds and eligible liabilities; ii) amendments on the prudential requirements of investment firms; ii) certain changes on definitions of entities to be included in the scope of prudential consolidation (e.g. definition of investment holding company); iii) treatment of defaulted exposures and iv) changes to the definitions of institutions to be included in the scope of prudential consolidation.
- **(Europe) September 2023**:
  - Data Governance Act.

[3] Preliminary draft document published on 14/04/2023

- **(Europe) December 2023**:
  - First date of reference for the disclosure of GAR.
  - ITS of the EIOPA on the amendments of supervisory reporting and disclosure requirements under Solvency II.
- **(UK) July 2023:**
  - FCA. i) Deadline for implementation of entity integration activities (Consumer Duty application plans); ii) Rules and guidance introduced by the Consumer Duty in relation to new and existing products or services that are open to sale.

3. More than a year

- **(Europe) January 2024**:
  - EBA Guidelines on resolvability.
  - EBA final guidelines on transferability.
  - CSRD: application for companies already subject to the NFRD.
  - MiCA Regulation
- **(Europe) February 2024**:
  - General application of the Digital Services Regulation (exceptions applicable as of November 2022).
- **(Europe) June 2024**:
  - First date of reference for disclosure of additional (vs GAR) BTAR information.
  - EBA. First reference date for the implementation of the Draft ITS amending Commission Implementing Regulation (EU) 2021/451 as regards reporting on IRRBB.
- **(Europe) December 2024**:
  - ECB: Be fully in line with all supervisory expectations, including a robust integration of C&E risks in the institutions' stress testing framework and in the ICAAP.
- **(Europe) 2025:**
  - General application of the provisions amending the CRR which introduce revisions to the Basel III framework in Europe.
  - Member States shall adopt and publish the regulations and administrative provisions necessary to comply with CRD IV amendments.
- **(Europe) January 2025**:
  - DORA application
  - CSRD: application for large companies not currently subject to the NFRD.
- **(Europe) January 2026:**
  - CSRD: implementation for listed SMEs, as well as for small and non-complex credit institutions and captive insurance companies.
- **(UK) June 2024**:
  - PS labelling, naming and marketing requirements and initial disclosure of PS on sustainability disclosure requirements (SDRs) and investment labelling.
- **(UK) July 2024:**
  - Rules and guidance introduced by the Consumer Duty in relation for closed products or services.
- **(UK) June 2025**:
  - FCA: i) first continuous disclosures related to sustainable performance; ii) entity-level disclosures in the sustainability report (large entities).

Publications of the quarter

Summary of this quarter's most important publications

Theme	Title	Date	Page
	European Insurance and Occupational Pensions Authority		
Supervision	• Supervisory Convergence Plan for 2023	08/02/2023	12
Insurance subscription	• Report on the Implementation of Climate Related Adaptation Measures in Non-Life Underwriting Practices	09/02/2023	13
	European Central Bank		
Resilience	• Results of 2022 SREP	09/02/2023	14
	European Banking Authority		
Reporting	• CP on Draft ITS amending Commission Implementing Regulation (EU) 2021/451 with regard to IRRBB reporting	10/02/2023	15
Risks	• 2022 Credit and Market Risk Benchmarking Report	17/03/2023	16
	Congreso de los Diputados		
Capital markets	• Approval of the Draft Law on Securities Markets and Investment Services	16/01/2023	18
	Banco de España		
Financial statements	• Information to be sent to the BoS on covered bonds and other loan mobilization instruments	15/03/2023	20
	Comisión Nacional del Mercado de Valores		
Supervision	• Report on the CNMV's supervision of non-financial information for fiscal year 2021 and main areas of review for the following fiscal year	28/03/2023	21
	Financial Conduct Authority		
Consumer protection	• Results of the review of the Consumer Duty application plans	31/01/2023	23
	BoE/HM Treasury		
Digital pound	• Consultation Paper (CP) assessing the desirability of creating a retail CBDC, the digital pound	14/02/2023	25

Summary of this quarter's most important publications

Theme	Title	Date	Page
	UK Parliament		
Data protection	• Draft Law on Data Protection and Digital Information (No. 2)	21/03/2023	27
	Federal Reserve		
Climatic risks	• Climate Scenario Analysis (CSA) Pilot Exercise: Instructions for Participants	23/01/2023	28
Funding	• Bank Term Funding Program (BTFP)	27/03/2023	30
	National Institute of Standards and Technologies		
AI risks	• Artificial Intelligence Risk Management Framework (AI RMF)	06/02/2023	31
	Securities and Exchange Commission		
Financial advisory	• Proposed rule on Safeguarding Advisory Client Assets	24/02/2023	33
Digital risks	• Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer; Cybersecurity Risk Management Rule for Market Entities; y Regulation Systems Compliance and Integrity	28/03/2023	35

Publications of the quarter

European publications

08/02/2023
EIOPA - Supervisory Convergence Plan for 2023

1. Context

The implementation of a common supervisory culture requires constant change and evolution. It is of utmost importance that the supervisory community has, at all levels, easy access to EIOPA tools as well as the ability and willingness to use them, for this reason EIOPA promotes supervisory convergence through the release of public supervisory convergence tools such as Opinions or Supervisory Statements when possible.

In this context EIOPA has published the **Supervisory Convergence Plan for 2023**, which starts with 2022 priorities and also takes into account the Union-wide strategic priorities and strategic objectives as well as the Peer review work plan 2023-2024.

2. Main points

The EIOPA has established three pillars of supervisory convergence and supervisory priorities:

- **Practical implementation of the common supervisory culture and the further development of supervisory tools.**
    - Risk assessment **framework** and application of **proportionality**. EIOPA has paused preparatory work on the new Solvency II Directive until the process on the review is over and intends to review the Supervisory Review Process (SRP) guidelines and possibly the Supervisory Handbook risk assessment framework.
    - Common benchmarks for the supervision of **internal models**; (p.e. Supervisory Handbook Chapter on Calibration in Internal Models).
    - Supervisory assessment of **conduct risks**. The EIOPA will: i) implement follow-up measures on findings of thematic review on credit protection products to be taken by National Competent Authorities (NCAs); ii) expand the type of work to be carried out in relation to conduct risk assessment; iii) continue to work on issues with exclusions and lack of clarity in insurance contracts; iv) continue monitoring value for money risks; v) carry put a Peer review on the Product Oversight Governance and conduct of business chapter for the Supervisory Handbook.
    - Supervisory approach to **environmental, social and governance (ESG) risks**. EIOPA will revise climate related risk chapter of Supervisory Handbook, start monitoring its Opinion on climate change risks, collect data on ESG products, monitoring greenwashing and analyse consumers understanding of natural catastrophe insurance coverage.
    - Further improvement of the Supervisory Handbook chapters on **group supervision**.
    - **Supervisory technology** (SupTech). Implementation of a SupTech solution and develop the second SupTech program.
    - **Supervision of captives**. EIOPA will publish a document with recommendation to NCAs on how to supervise some specificities of captives insurance and reinsurance.
    - **Supervisory tools** in cross-border contexts. Analysis of different tools and powers in cross border contexts in view of assessing their effectiveness and potential improvements.
- **Risk to the internal market and the level playing field which may lead to supervisory arbitrage**
    - Calculation of **technical provisions.** EIOPA will discuss how to raise awareness to the impact of increasing inflation.
    - **Internal model** outcomes, modelling **methodologies** and supervisory **practices**. EIOPA will finalise the comparative studies of Internal Models and will initiate them on modelling of Life Risk and over Operational Risk methodologies and supervisory practices.
    - **Authorisations, fitness and propriety**. EIOPA will continue working to set up a cross sectoral system for information exchanges.
    - **Pension issues**. EIOPA will further develop the Institutions for Occupational Retirement Provisions (IORP) Supervisory Handbook.
    - **Third country reinsurance** in the EU. EIOPA will work further on the establishment of a cooperation framework between EU and third countries supervisors
- **Supervision of emerging risks**
    - **IT security and governance-related risks**, including cyber risk. EIOPA will work together with the EBA and ESMA via the Joint Committee on fulfilling the policy mandates under DORA Regulation.
    - **Digital transformation**. EIOPA will; i) seek to develop further sectorial work,; ii) work to address financial inclusion in the digital age; iii) collect harmonized data relating the use of technologies; and iv) continue with the analysis of the opportunities and challenges of an open insurance framework.
    - **Cyber underwriting**. EIOPA will conduct analysis aimed at understanding the level of access to cyber coverage for Small and Medium Enterprises (SMEs).
    - **Digital business model analysis**. EIOPA will develop supervisory convergence tools to support NCAs in the performance of the business model analysis in the context of the insurance digital market.

European Insurance and Occupational Pensions Authority

09/02/2023

EIOPA - Report on the Implementation of Climate Related Adaptation Measures in Non-Life Underwriting Practices

1. Context

Climate change is expected to materially increase the frequency and severity of climate and weather related events, thereby raising the physical risk exposures of the society and real economy. For this reason, risk-based premium levels are expected to increase as well over time. On this regard, climate-related adaptation measures reduce the policyholder's physical risk exposures and insured losses, and can be a key tool to maintain the future supply of these type of insurance products.

In this context EIOPA has published the **Report on the Implementation of Climate Related Adaptation Measures in Non-Life Underwriting Practices**, which provides an overview of main findings of the EIOPA's voluntary pilot exercise on this issue as well as the challenges mentioned by the participating insurance undertakings. The pilot exercise particularly aimed to better understand the industry's current underwriting practices regarding climate change adaptation and to assess their prudential treatment under Solvency II, and whether the prudential framework introduces any obstacles potentially hindering the incorporation of adaptation measures in insurance products.

2. Main points

- **Structure of the pilot exercise**. EIOPA has been particularly focusing in the pilot exercise on insurance products that:
  - Offer insurance coverage for climate-related hazards according to the EU Taxonomy.
  - Implement climate-related adaptation measures that lower the policyholders' physical risk exposures to climate-related hazards.
  - Set incentives for policyholders to take up adaptation measures.

  The final sample consisted of thirty-one undertakings from fourteen different countries, who were asked a questionnaire containing twenty-four questions, related to four main areas:
  - Influence of climate change on non-life insurance lines of business.
  - Implementation of climate-related adaptation measures in non-life insurance products. The insurance lines considered are; i) motor vehicle liability; ii) other motor insurance; iii) marine, aviation and transport insurance; iv) fire and other damage to property insurance; v) general liability insurance; vi) credit and suretyship insurance; vii) legal expenses insurance; viii) assistance insurance; and ix) miscellaneous financial loss.
  - Underwriting effects of climate-related adaptation measures, particularly regarding the specific climate-related adaptation measures implemented in their non-life insurance products, corresponding costs and incentives for policyholders to take up the risk prevention measures.
  - Prudential treatment of climate-related adaptation measures, particularly regarding the best estimate calculation of technical provisions and the solvency capital requirements.
- **Non-life insurance and climate change.** Most participants mentioned not to have raised insurance premiums due to climate change, although many of them mentioned increases in premium levels in property insurance, in line with it being the insurance line of business most strongly exposed to climate change. Most participants mentioned not to have specific climate-related exclusions in their insurance products.
- **Underwriting practices.** Most participants considered climate-related adaptation measures to be an effective tool to maintain long-term availability and affordability of non-life insurance coverage in light of climate change. In the pilot exercise the following underwriting practices were the most provided by participants:
  - Dedicated Risk Assessments in Property Insurance.
  - Early warning alert systems against extreme weather events.
  - Nature-based solutions.
- **Challenges for climate change adaptation in non-life insurance**. Three particular challenges emerged from the pilot exercise that appear to hinder the large-scale provision of non-life insurance products implementing climate-related adaptation measures:
  - The lack of policyholders' awareness about climate change and related adaptation measures.
  - Difficulties in the risk-based recognition of adaptation measures in standardized insurance contracts.
  - Substantial costs of adaptation measures and lack of corresponding financial incentives for policyholders.

3. Next steps

EIOPA's next steps on sustainable finance include several working areas that will support overcoming these challenges:

- EIOPA aims to study possible tools to enhance climate-related risk awareness and understanding of related prevention measures among society and industry.
- EIOPA will focus on developing ways to improve the collection of insured loss data and on facilitating the use of open-source modelling of climate risks.
- EIOPA will assess the potential for a dedicated prudential treatment of climate-related adaptation measures in non-life insurance, and will initiate the reassessment of the capital charges for natural catastrophe risk in Solvency II's Standard Formula.

09/02/2023
ECB - Results of 2022 SREP

EUROPEAN CENTRAL BANK
EUROSYSTEM

1. Context

The ECB has published the outcome of its **2022 Supervisory Review and Evaluation Process (SREP**) which reflect the resilience of Europe's banking sector and the challenges that lie ahead. The findings of that annual assessment indicate that despite the outlook worsening throughout the year, rising interest rates led to improved profitability and capital generation. In fact, significant institutions have maintained solid capital and liquidity positions, with most banks operating at capital levels above those dictated by capital requirements and guidance.

2. Main points

- **Business model**. The business model scores have remained broadly the same in the 2022 SREP cycle, with supervisors focusing on the forward-looking view given the complex context. 5% of banks have seen their scores improve, associated with enhancements in strategic steering and a rebound in sustainable sources of revenue. Against the backdrop of the deteriorating economic situation triggered by Russia's war in Ukraine and inflationary pressures, bank profitability proved robust in 2022. In fact, aggregate return on equity (ROE) has continued to grow in 2022 and reached 7.6% in the third quarter. The improvement has largely been driven by increased net interest income supported by both volume and margin effects.
- **Internal governance**. Despite the progress made by significant institutions over the last few years, internal governance and risk management remains an area of elevated concern for ECB Banking Supervision (No bank had a score of 1 in 2022, whereas 73% of institutions had a score of 3). The 2022 SREP findings on this are can be grouped together in the following topics:
  - concerns regarding the effectiveness of management bodies in terms of their composition, collective suitability and oversight role.
  - issues related to the risk management framework, mainly regarding the risk appetite and the practices employed to manage climate-related and environmental (C&E) risks.
  - insufficient attention paid by of the management body to compliance and internal audit functions
  - persisting fragmented and non-harmonised IT landscapes.
- **Credit risk**. Positive credit quality developments, such as the continuing reduction of non-performing loans (NPLs), contributed to marginal improvements in average credit risk scores. However, the scores remained the same for more than half of the significant institutions due to the uncertain macroeconomic outlook and signs of latent credit risk
- **Capital adequacy**. Capital adequacy scores have remained broadly the same, with few changes in their distribution relative to 2021. 92% of significant institutions were assigned the same score as in the previous SREP assessment cycle, whereas for 4% the score deteriorated and 4% received an improved score.
- **Other risks**.
  - **Market risk and interest rate risk in the banking book**. In terms of credit spread risk, supervisors noted that market fluctuations only have a limited sensitivity on banks' capital and cautioned that this effect could be put to the test in stressed market conditions. In terms of interest rate risk, supervisors concluded that, while most banks have a balanced positioning to cope with monetary policy normalisation, modelling of expected impacts should be strengthened.
  - **Operational risk**. The main deficiencies in the operational resilience framework include: i) the management of risks related to IT outsourcing and reliance on third-party service providers for critical functions and services, and ii) IT security and cyber risk management, including cyber hygiene measures and cyber resilience.
  - **Climate-related risk**. More than 40 qualitative measures were issued to 30 significant institutions in the 2022 SREP cycle. The qualitative integration of C&E risks had an impact on the SREP scores of a small number of institutions, although this did not translate into higher overall capital requirements.
  - **Risk of excessive leverage**. For the first time, the ECB assessed the risk of excessive leverage in a SREP exercise. The aim was to identify banks that need to apply qualitative measures or P2R for the leverage ratio. The ECB issued qualitative measures for four banks as a result.

10/02/2023
EBA - CP on Draft ITS amending Commission Implementing Regulation (EU) 2021/451 with regard to IRRBB reporting

1. Context

The EBA reporting framework (as reflected in the Commission Implementing Regulation (EU) 2021/451 - ITS on Supervisory Reporting) is uniformly and directly applicable to reporting institutions, ensuring a level playing field in the area of reporting and facilitating data comparability.On October 2022 the EBA published a policy package which included a final set of Guidelines and two final draft Regulatory Technical Standards (RTS) specifying technical aspects of the revised framework capturing interest rate risks for banking book (IRRBB) positions.

In this context, the EBA has launched a **Consultation Paper (CP) on Draft ITS amending Commission Implementing Regulation (EU) 2021/451 with regard to IRRBB reporting**. This new, harmonised reporting aims to bring the data quality required for assessing IRRBB risks, such as changes in policy rates and the identification of outliers, on an appropriate scale of institutions and to apply the policy package published by the EBA in October 2022. The CP includes simplified templates for the reporting by small and non-complex institutions (SNCIs) and asks for specific feedback on proportionality for medium institutions

2. Main points

The EBA has come up with five different templates for enhanced reporting of the IRRBB:

- **J 01.00: Evaluation of the IRRBB: economic value of equity (EVE) / Net Interest Income (NII) Supervisory Outlier Tests (SOT) and Market Value (MV) changes.**
    - <u>Scope of application</u>: this template is proposed to be reported by all institutions, regardless of their classification,
    - <u>Frecuency</u>: on a quarterly basis.
    - <u>Information gathered</u>: i) the shock size; ii) the SOT EVE and SOT NII. The sensitivities for the baseline and each of the regulatory shock scenarios are to be reported as the variation of the absolute amount and the iii) market value changes for baseline and parallel up and down shock scenarios.

- **J 02.00 and J 05.00: Breakdown of sensitivity estimates**.
    - <u>Scope of application</u>: this template is to be reported separately by Small and Non-Complex Institutions (non-SNCI) (J 02.00) and SNCIs (J 05.00).
    - <u>Frecuency</u>: on a quarterly basis.
    - <u>Information gathered</u>: the SOT NII and SOT EVE, specifically the contribution by each asset and liability item, including derivatives granularity, for every scenario reported in J 01.00.

- **J 03.00 and J 06.00: Repricing cash flows.**
    - <u>Scope of application</u>: this template is to be reported separately by non-SNCIs (J 03.00) and SNCIs (J 06.00).
    - <u>Frecuency:</u> on a quarterly basis.
    - <u>Information gathered</u>: the same balance-sheet items as reported in J 02.00 (non-SNCIs) and some extra granularity compared to J 05.00 (SNCIs). These balance-sheet items are to be reported for: i) information on weighted average yield and weighted average contractual residual maturity; ii) information of the exposure amount (and carrying amount) with indication of how much (materiality) is behaviourally modelled and with automatic optionality and iii) information on 19 time buckets for the repricing schedule for all notional repricing cash flows
- **J 08.00: Qualitative information.**
    - <u>Scope of application</u>: this template is proposed to be reported by all institutions, regardless of their classification.
    - <u>Frecuency</u>: on a quarterly basis.
    - <u>Information gathered</u>: further information which justifies the information reported in the previous templates, such as assumptions, yield curves and approaches used in the reporting of the other templates.

. 3. Next steps

- Comments to this consultation can be sent until **2 May 2023.**
- After a consultation period of 3 months the EBA will finalise the draft ITS and submit the amending final draft ITS to the EU Commission, which is expected to take place in **mid-2023.**
- The EBA will also develop the data-point model (DPM), XBRL taxonomy and validation rules based on the final draft amending ITS.
- The first reference date for the application of these technical standards is foreseen to be **June 2024**. The expected implementation period for the proposed changes is approximately **1 year.**

17/03/2023
EBA - Report on the 2022 credit and market risk benchmarking exercise

1. Context

According to the directive Capital Requirement Directive (CRD), competent authorities (CAs) shall carry out supervisory benchmarking studies of internal approaches for calculating own funds requirements. Moreover, the EBA is mandated to produce a report to assist the CAs in the assessment of the quality of the internal approaches.

In this regard, the EBA has published its annual reports on the consistency of the Risk Weighted Assets (RWAs), across all EU institutions authorised to use internal approaches for the calculation of capital requirements: **Report on the results from the 2022 high and low default portfolios (HDPs and LDPs) credit risk benchmarking** and the **Report on the results from the 2022 market risk benchmarking exercise**. These exercises aim at monitoring the consistency of risk weighted assets (RWAs) across all EU institutions authorised to use internal approaches for the calculation of capital requirements. For market risk, the report presents the results of the 2022 supervisory benchmarking and summarises the conclusions drawn from a hypothetical portfolio exercise (HPE) conducted in 2021/22. Regarding credit risk, this year's Report continues to provide in-depth analysis of the observed and potential impact of the COVID-19 pandemic on the internal rating-based (IRB) parameters used to calculate own funds requirements.

2. Main points

Report on the 2022 Credit Risk Benchmarking Exercise

- **Sample**. 101 institutions provided related realisations for LDP portfolios (i.e. exposures to large corporates, sovereigns and institutions) and HDP portfolios (i.e. residential mortgages, small and medium-sized enterprise (SME) retail, SME corporate and corporate-other portfolios). In addition, institutions provide the RWA and related IRB parameters for some specific large corporates, institutions and sovereigns to which they have exposures. However, given the individual business models not each participating institution provides data for each portfolio.
- **Changes in exposure at default (EAD) and risks weight (RWs)**
  - For non-defaulted exposures, the EAD covered by the IRB approaches of institutions in the sample has been increasing for all exposure classes, except for exposures to institutions, with more significant increases observed in the mortgage's exposure class (MORT) and the large corporates exposure class (LCOR).
  - The EAD may be lower than the original exposure e.g. in case of unfunded credit risk mitigation with an effect on the EAD. The exposure to SMEs in the corporate asset class (SMEC) and to retail SMEs which are not secured by immovable property (SMOT) which is benefitting from guarantees has nevertheless been increasing again in 2021, however not as significant as observed for 2020.
  - In addition, for defaulted exposures, the according EAD has been decreasing in all exposure classes.
  - The increase in non-defaulted exposure that has been observed during 2021 in some exposure classes, combined with COVID-19 support measures applied by member states, should give rise to vigilance regarding the appropriateness of own funds requirements arising from the IRB approach as the underlying exposure might be structurally different from the experience incorporated in the historical observation periods. Equally the significant decrease of defaulted exposure observed in parallel to the significant increase in non-defaulted exposure should trigger some supervisory vigilance.
- **Probability of default (PD) and default rate (DR) developments**
  - There is a slight decrease in the 1-year and 5-years DR as well as a slight decrease in the PD. Furthermore, for corporate exposure (CORP), there is a slightly lower dispersion of the PD values.
    - This trend is likely explained by the **Moratoria** and the **other national support measures** implemented in the response to the COVID-19 pandemic, but may as well be influenced by the implementation of new default identification processes in institutions.
    - This trend is **unlikely to have caused the equally decrease of median PDs**, given the clarification for the use of COVID-19-impacted data for internal credit risk models that EBA has published on the 21st of June 2022. Moreover, it is unlikely that institutions already recalibrated their rating systems with the most recent DR from the crisis years given the time they need for model recalibration and model change approval. Further, the EBA recommends that potential downward recalibrations be postponed at least until the effects of the crisis have fully materialised in the observed loss rates. Therefore, it is unlikely that there is a cause effect relation between the trend of decreasing DR and the trend of decreasing PDs both observed as of 31st December 2021 compared to 31st December 2020.
  - The average PDs for LDP exposure classes implies that for exposure to large corporates (LCOR) the support measures may have now been incorporated in the rating grade assignments. It should be noted that while for LCOR the average PDs seem to revert to pre-crisis levels, the average PDs for some HDP portfolios are significantly below the 2019 levels.

- **Portfolio composition and representativeness**
  - The most relevant asset class in terms of capital absorption is the LCOR, with a share in terms of RWA of 33% against a share of exposure of 19%. It should be noted that around 80% of the LCOR EAD relate to obligors for which only foundation internal ratings-based (FIRB) or standardised approach (SA) will be available following the full Basel III implementation.
  - The exposure class MORT is still the most relevant in terms of exposure, representing 29% of the total, in line with the core business of most European institutions.

Report on the 2022 Market Risk Benchmarking Exercise.

- **Sample**. 41 banks from 13 jurisdictions. The relevant institutions submitted data for 81 instruments recombined into 62 market portfolios and 4 correlation trading portfolios.
- **Overview of the results obtained**.
  - The primary considerations are that the 2022 results show a small reduction in the dispersion of the initial market valuation (IMV) versus the 2021 exercise with regard to the FX asset class; remained fairly stable versus the 2021 dispersion.
  - From a risk factor perspective, FX and commodities (CO) portfolios exhibit a lower level of dispersion than the interest rates (IR), equity (EQ) and credit spread asset classes.
  - Across all asset classes except for credit spread (CS) the overall variability for value at risk (VaR) is lower than the observed variability for stressed VaR (sVaR) (21% and 28% respectively, compared with 27% and 31% in 2021 and with 18% and 29% in 2020). More complex measures such as the incremental risk charge (IRC) show a higher level of dispersion (45%, compared with 43% in 2021, and 49% in 2020).
  - The variability of the empirical estimates of the expected shortfall (ES) at a 97.5% confidence level indicates that the dispersion in this metric across risk factors is similar to that found for VaR and profit and loss (P&L) VaR
- **Dispersion in the capital outcome**. The average variability across the sample as measured by the interquartile dispersion (IQD) is significant, around 20%.
- **Additional analysis of Risk measures**. The analysis has been extended to other drivers of variation, such as the size of the bank, the business model of the bank, the level of approval granted by the Competent Authorities (CAs) and the already mentioned stressed period applied in the sVaR calibration. From this analysis it is concluded that the bigger a bank is in terms of its trading book, the (slightly) smaller the dispersion on average.
- **Sensitivities Based Method (SBM) and Own Funds Requirements (OFR) analysis**. The 2022 benchmarking exercise see the intro of the SBM sensitivities and OFR data collection:
  - Overall, the OFR data submitted by the banks was quite complete and close to the Risk Measures data submission. The dispersion of the SBM OFR, as expected is generally lower than the dispersion for the standard Risk Measures (VaR and SVaR). On the one hand, this is reassuring result, since standardised measures are supposed to be the same for all, and so a low IQD is expected. On the other side, there are portfolios where the IDQ is higher for the SBM measures with respect to the VaR measures.
  - The level of detail in the SBM OFR submission, allow the supervisors to clearly define which are the asset class and risk class component of the OFR, and this allows to identify area of potential problem in the application of the standardised methodology.

3. Next steps

- **CAs' assessments based on supervisory benchmarks.** Overall, CAs planned some action in respect of 15 banks (i.e reviewing the banks' internal VaR and IRC models, extra supervisory charges or further internal model investigations at the peer level).

CONGRESO DE LOS DIPUTADOS

16/01/2023
Congress of Deputies - Draft Law on Securities Markets and Investment Services.

1. Context

The Securities Market Law establishes the basic characteristics of the different financial markets and their agents, and sets out their essential obligations of conduct and information to guarantee the protection of financial customers. Since the last reform of this law in 2015, a large number of publications have been published amending European financial regulations, such as: i) the amendment of Solvency II; ii) the amendments to the Markets in Financial Instruments Directive; iii) the Directive on the prudential supervision of investment firms; iv) the proposal for a Directive accompanying the proposals for Regulations concerning crypto-asset markets, the temporary regime for market infrastructures based on distributed registry technology (TRD) and digital operational resilience and the v) Quick Fix Directive of MiFID II. As a result, in August 2022 the Preliminary Draft Bill transposing these European regulations into Spanish law and removing those precepts included in European regulations was approved, pending parliamentary processing.

In this context, the Congress of Deputies has approved the Securities Markets and Investment Services Bill, which incorporates the necessary improvements to facilitate the development of Spanish securities markets in the current competitive environment; to substantially improve the regulatory and systematic technique of this sector; and to adapt national regulations to recent developments in European law.

2. Main points

The main changes introduced by this Law in the framework of the securities markets affect different aspects of these markets:

- **Representation and registration of securities**
  - Those issued by means of decentralised or distributed registration technologies (DLTs) are recognised as financial instruments, in addition to securities or book entries. The regulations are also established for the accounting registration of negotiable securities admitted and not admitted to trading, represented by means of these technologies.
  - The obligation for the central securities depository to have an information system for the supervision of trading, clearing, settlement and registration of securities is eliminated, as this system is redundant with the provisions of European regulations.
- **Trading venues**. Multilateral trading facilities (MTFs) and organised trading systems (OTFs) shall also be considered trading venues. In this respect, they will be subject to the regulations of regulated markets on takeover bids and will also be subject to the rules on the opt-out from trading of a financial instrument that until now only applied to regulated markets.
- **Development of the Listed Companies with Acquisition Purposes (SPAC) regime**. The regime of SPAC is developed. The SPAC consists of the incorporation of a listed company that attracts investments and whose exclusive corporate purpose is the identification of a company -generally unlisted- with high growth potential. One of the main features of SPACs is that investors have a right of redemption of the capital invested in the SPAC at the time of incorporation. In addition, provision is made for the SPAC to reduce its capital by acquiring own shares as a redemption mechanism. Other specific provisions are also laid down for SPACs in relation to takeover bids, legal grounds for separation, the treasury stock regime and the requirements applicable to acquisitions for valuable consideration. It is also specified that the listed company with a takeover intention will have a period of 36 months to formulate a takeover proposal, which may be extended by a further 18 months if so approved by the General Meeting of shareholders.
- **Investment firms**
  - The separation of prudential requirements according to the size of investment firms and other requirements related to systemic risks and their economic importance is set out. Those institutions whose total value of their consolidated assets or the group of which they form part is equal to or greater than EUR 30 billion must obtain authorisation as a credit institution and be supervised by the Bank of Spain (BdE). On the other hand, those investment services firms that have consolidated assets whose value exceeds 15 billion euros or are part of a group that complies with this requirement will be investment services firms authorised and supervised by the CNMV. Thirdly, there will be another group of investment services firms also subject to the prudential regulation of credit institutions, when so determined by the CNMV (consolidated assets > EUR 5 billion meeting the conditions of size, nature, scale and complexity).
  - The CNMV's obligation to establish and apply position limits_to the size of a net position in agricultural commodity derivatives and critical or significant commodity derivatives traded outside the trading venue is extended.
  - The national financial advisory firm (EAFN) is established which must join the Investment Guarantee Fund (FOGAIN). It comprises natural and legal persons other than credit institutions that may provide investment advice, without being considered as investment firms. These natural or legal persons will be referred to as national financial advisory firms and will be subject to the same requirements and sanctioning regime as financial advisory firms but with lower initial capital requirements and may not provide their services in other EU or non-EU Member States.

- **Advertising**. Obligations are established for internet search engines, social networks and the media to collect information indicating that advertisers of financial instruments or investment services to the general public who intend to advertise on their systems have the corresponding authorisation to provide investment services, before publishing their advertisements or highlighting such advertisers in search results, internet pages or social networks for remuneration. In addition, they shall verify that such advertisers are not included in the list of entities warned by the CNMV or by foreign supervisory bodies.
- **Cryptoassets market**. The necessary adaptations are introduced for the application of the Regulation on crypto-asset markets. Specifically, with regard to the designation of the CNMV as the competent authority for the supervision of the issue, offer and admission to trading of certain crypto-assets that are not financial instruments. The applicable infringement and sanctioning regime is also introduced.
- **Regime for credit cooperatives**. The Law on credit cooperatives is amended to incorporate regulations on the marketing of a credit cooperative's social contributions to members or potential members.

3. Next steps

- This law will enter into force in general terms twenty days after its publication in the Official State Gazette (BOE).
- A transitional period of **two years** from the entry into force of this law is introduced for **the elimination of the information system for the supervision** of trading, clearing, settlement and registration of securities.

15/03/2023

BoS - Circular on the information and statements to be submitted to the BdE on covered bonds and other loan mobilization instruments.

1. Context

Until the publication of Directive 2019/2162 on the issuance and public oversight of covered bonds, European legislation on covered bonds was scattered in different directives and did not provide a uniform definition of covered bonds. This meant that the same preferential treatment could be given to instruments which could differ in nature, risk and level of investor protection, which hindered the creation of a true single market for covered bonds and could also be detrimental to financial stability. This Directive was transposed in Spain through Royal Decree-Law 24/2021, which sets out the information credit institutions issuing covered bonds are required to report to the Bank of Spain.

Against this backdrop, the Bank of Spain has published **Circular 1/2023 elaborating on the information to be submitted to the Bank of Spain on covered bonds and other debt mobilisation instruments**, and the requirements relating to mortgage securities and mortgage transfer certificates. In addition, some reporting requirements in Circular 4/2017 and Circular 4/2019 are repealed.

2. Main points

- **Scope of application**. The circular will be applicable to credit institutions, branches in Spain of credit institutions authorised in another EU Member State and financial credit institutions, depending on the type of information to be submitted.
- **Information and statements to be sent to the Bank of Spain, as well as the rules for completing and submitting them**. The information is structured in seven blocks and must be submitted within the stated deadlines after the end of the quarter to which the data refer:
  - 15th day of the following month: 1) Cover pool liquidity buffer requirement for the covered bond programme; 2) Cover pool liquidity buffer requirement for instruments mobilising credits or loans secured by first mortgages or first non-possessory pledge.
  - 25th day of the second month: 1) Cover pool asset eligibility and cover pool requirements for the covered bond programme; 2) Instruments for the mobilization of credit or loans secured by first mortgages or first non-possessory pledges; 3) Issues of mortgage securities and mortgage transfer certificates; Cover pool register organisation and management (if there have been changes since the previous submission); 4) Cover pool supervisory body (if there have been changes since the previous submission).
- **Amendments to Circular 4/2017**. Individual public statements PI 11 to PI 13 are removed, and the content of the notes to the individual annual accounts is modified. Likewise, the annex on special accounting records and any references to them in the internal accounting development and management control regulations are deleted.
- **Amendments to Circular 4/2019**. The requirement for credit financial institutions to publish certain information in accordance with statement templates PI 11 and PI 12 in Circular 4/2017 and to submit them to the Bank of Spain is eliminated.

3. Next steps

- The Circular comes into force on **31st March 2023**. The first supervisory statements required under this Circular will be those for the first quarter of 2023, but they will need to be submitted to the Bank of Spain together with those for the second quarter of 2023, on the date stipulated for the latter statements.

28/03/2023

CNMV - Report on the CNMV's supervision of non-financial statement for the financial year 2021 and main areas of review for the following financial year.

1. Context

In 2017, Royal Decree-Law 18/2017 made it mandatory for companies of securities on regulated markets to publish the Non-Financial Information Statement (NFIS). This regulation established the obligations imposed by the Non-Financial Reporting Directive (NFRD). In 2020 the European Parliament (EP) and the Council published the Taxonomy Regulation, which will oblige entities subject to the NFRD to include in their NFIS information on how and to what extent their activities qualify as environmentally sustainable. In 2022, the CNMV published for the first time a Report on the supervision of EINF and main areas of review for the following year. The same year also saw the publication of Directive (EU) 2022/2464 on Corporate Sustainability Reporting (CSRD), which reinforces the existing rules on disclosure of non-financial information contained in the NFRD.

In this context, the CNMV has published the second **Report on the supervision of NFIS and main areas of review for the next financial year**. The document describes the supervisory work carried out by the CNMV in relation to 2021 NFIS of companies of securities traded on regulated markets in the EU under the supervision of the CNMV (hereinafter companies). It also includes certain priority areas for the purpose of the CNMV's supervision of 2022 NFIS.

2. Main points

- **Companies subject to NFIS publication**. Of the 136 companies that submitted individual annual accounts, and of the 128 companies that issued consolidated annual accounts for the financial year 2021, only <u>52 were required to include the NFIS</u> in their individual management report.
  The <u>number of companies</u> that have submitted the NFIS for the financial year 2021 <u>has increased</u> compared to the previous year, mainly due to: i) the lowering of the threshold for the number of employees to 250; and ii) the listing of non-financial entities on the stock market.
    - <u>Three Ibex companies</u> were not required to prepare the 2021 NFIS because they did not exceed 250 employees on average per year: : Inmobiliaria Colonial, SOCIMI, S. A., Merlín Properties, SOCIMI, S. A. y Solaria Energia y Medioambiente, S. A.
    - <u>All companies obliged by Royal Decree Law 18/2017</u> submitted the corresponding <u>NFIS verification report.</u>

- **Supervision of non-financial information**.
    - <u>Formal review</u>. Different recommendations were sent to 17 companies, and further information was requested from 9 companies on the following issues: i) the caveat in the verification report; ii) the frameworks used; iii) the tables of contents; and iv) Article 8 of the Taxonomy Regulation.
    - <u>Substantive review</u>. There were recommendations to all supervised companies (20 companies), and further information was required from 13 companies, primarily in relation to the following aspects: i) the breakdowns of the carbon footprint and reduction targets; ii) the indicators in Article 8 of the Taxonomy Regulation; iii) the methodology and concepts considered for the calculation of the pay gap; iv) the perimeter considered and exclusions; v) the business model and third party participation in the issuer's value chain; vi) consistency between the information in the notes to the report regarding provisions and contingencies and that included in the human rights and corruption issues of the NFIS; vii) variable remuneration linked to sustainability indicators; and viii) the impacts of COVID-19.
    - <u>Climate related issues</u>. The European Securities and Markets Authority (ESMA) again considered climate change-related disclosures as a priority, emphasising the importance of transparency in describing policies and their outcomes. It also stressed the importance of describing the impact of the entity's activities on climate, as well as the risks (physical and transitional) and opportunities with material impact for the entity arising from climate. In addition, ESMA insisted on including disclosures to understand the financial implications of climate-related issues.
      In this regard, additional information was requested from 6 companies for climate change issues (3 in 2020), while recommendations were sent to 17 of the 20 companies for climate change issues (13 in 2020).
    - <u>Social and staff issues</u>. In this area, requests were sent to two companies, and recommendations were sent to 16 entities.
      In relation to equality, inclusion and diversity, of note was the information requested or recommended on the pay gap (hereinafter, gap) and average remuneration KPIs, in respect of which 2 companies (e.g. appropriate segmentation of the wage gap) were requested and recommendations were sent to 12 companies (5 and 6 in 2020, respectively).
      In addition, it was recommended that they be more specific in the breakdown of the risks related to this issue considering the activity and the countries in which they operate, broadening their description and providing a short, medium and long-term perspective of these risks, as recommended by the EU Guidelines

- **Special analyses performed**. The following special actions were carried out during the review of the NFIS:
    - Breakdowns relating to Article 8 of the Taxonomy Regulation: companies of non-financial securities with more than 500 employees were required to provide in their NFIS for the financial year 2021 the proportion of eligible and non-eligible economic activities, for climate change mitigation and adaptation objectives in their total turnover, their CapEx and OpEx, together with certain qualitative information relevant to this disclosure.
    - Carbon footprint: ESMA emphasised the importance of providing Scope 1 and 2 emissions, as well as Scope 3 where reliable data is available, together with an explanation of the most relevant sources of these emissions, noting that these disclosures should not be limited to providing retrospective information, but also information on expected progress towards meeting targets.
- **Supervision Plan for 2022 NFIS**.
    - ESMA established in October 2022 the following priority topics to be included in the 2022 NFIS: i) climate-related issues; ii) breakdowns relating to article 8 of the Taxonomy Regulation; and iii) perimeter and data quality.
    - The CNMV adds other recommendations such as a more detailed analysis of the disclosures related to the Taxonomy Regulation.
    - Other issues will also be reviewed, such as the water footprint and the complaints channel, and any other specific aspects that are relevant for the purposes of each issuer of securities supervised by the CNMV.

31/01/2023
FCA - Results of the Consumer Duty implementation plans review

1. Context

In July 2022, the FCA set out the final rules and guidance for a new Consumer Duty. The Consumer Duty which set higher and clearer standards of consumer protection across financial services and require firms to put their customers' needs first and to evidence whether this outcome is being met. In order to embed the Duty effectively, the FCA introduced a implementation period depending on the type of product. By the end of October 2022, firms' boards were expected to have agreed their plans for implementing the Duty. After the end of this milestone, the FCA requested these plans from larger fixed firms (with the greatest potential impact on consumers and markets).

In this context, the FCA has published the Results of the Consumer Duty implementation plans review. Many of the plans reviewed showed that firms have understood and embraced the shift to focus on consumer outcomes but others suggested some firms may be further behind in their thinking and planning for the Duty. In this respect FCA has identified many examples of good practice , and also examples where firms may need to improve their implementation approach.

2. Main points

- **Key findings**. The review highlighted three key areas where firms should particularly focus their attention during the second half of the implementation period (to 31 July 2023):
  - <u>Effective prioritisation</u>: Some plans do not have clear basis for prioritising some implementation work ahead of other aspects:
    - Firms should make sure they are prioritising appropriately, focusing on reducing the risk of poor consumer outcomes and assessing where they are likely to be furthest away from the requirements of the Duty.
  - <u>Embedding the substantive requirements</u>: Some plans suggested that firms may have considered the requirements superficially or are over-confident that their existing policies and processes will be adequate:
    - FCA urges firms to carefully consider the substantive requirements of the Duty.
    - Firms should ensure that, when they are reviewing their products and services, communications and customer journeys, they identify and make the changes needed to meet the new standards.
  - <u>Working with other firms</u>: To implement the Duty on time, many firms need to work and share information with other firms in the distribution chain. However, FCA found some plans which gave little focus to this area:
    - This suggests some firms may need to accelerate their work on this important aspect of implementation.
- **Good practices and areas of improvement.**
  - <u>Governance and oversight</u>. Many firms have developed robust governance frameworks for their implementation work, with clear executive accountability for delivery and board oversight. On the other hand, In some cases, there was more limited evidence that firms' boards and committees had properly scrutinised and challenged plans.
  - <u>Culture and people</u>. Some plans set out a clear people and training approach to ensure all staff understand their responsibilities under the Duty. Different approaches were proposed to engage staff, including all-staff and role-tailored training. Other plans were lacking in detail in this area. In some cases they recognised the importance of a culture focused on delivering good customer outcomes but provided little explanation of tangible action the firm needs to take to ensure this is the case.
  - <u>Deliverability</u>. Most firms have effectively set out key workstreams, with some clearly mapping the milestones they need to meet to have a realistic prospect of meeting the implementation deadline. On the other hand, some firms' implementation work appears to be less progressed than others with gap analyses at an earlier stage and project requirements yet to be fully scoped.
  - <u>Third parties</u>. Some firms appeared to have a good understanding of implementation dependencies with third party providers and had allocated time in their plan. As an area for improvement, other firms' work appeared less developed in this area. Some recognised that they do work with third parties – and that they would need to consider this – but did not specifically identify key third party relationships or the nature of any dependency.
  - <u>The four outcomes</u>. Firms shall identify where they fall short, and make the changes necessary to their products, communications, systems and processes to meet the Duty standard. Some plans were clearer than others that firms had engaged with these substantive requirements of the Duty and considered what these mean for their businesses and the changes they will likely need to make. However, given the high-level nature of many plans at time of review, there was more limited evidence in some plans of how firms have engaged with the substantive requirements of the Duty.

- Data strategies. Firms that had considered the consumer outcomes they are aiming to deliver also tended to have considered the data they need to measure and monitor the delivery of these outcomes. Nevertheless, some plans offered more limited detail of firms' in-depth consideration of their data requirements under the Duty and how they will source, package, monitor, govern, and act upon these.

3. Next steps

- Firms should consider the findings from the review, and develop their implementation plans and approach in line with good practice where appropriate.
- FCA will continue working to support firms' embedding activities in the run-up to the July 2023 implementation deadline for new and existing products and services:
  - Continue to engage with fixed firms where there are questions about their plans or approach, and to monitor the progress they are making in embedding the Duty. FCA will also be working with and supporting board champions at some larger firms.
  - Sending a survey to a sample of firms to help it understand the progress they are making in implementing the Duty and will carry out targeted engagement with smaller firms.
  - Issuing letters to firms, highlighting the key expectations on implementing the Duty and some of the key risks and consumer harms FCA is concerned about in their sectors.

14/02/2023
BoE/HM Treasury - Digital Pound

1. Context

The way money is used in the United Kingdom is changing, bringing fresh opportunities and new considerations for public policy. Banknotes, issued by the BoE, are being used less frequently by households and businesses, while new technologies are allowing for the emergence of new forms of digital money, and new ways and devices to pay with it. International developments have the potential to affect the UK domestically and as a global leader in finance.

In this context, the joint BoE-HM Treasury central bank digital currency (CBDC) Taskforce, has published a **Consultation Paper (CP) that sets out an assessment of the case for a retail CBDC – a so-called digital pound.**

2. Main points

- **Main characteristics**.
  - The delivery of the digital pound would be a public-private partnership that reflects the comparative advantages of each sector.
  - Public digital money issued by a central platform operated by the BoE.
  - The BoE and the Government would not see any personal data.
  - The digital pound technology architecture would be flexible, adaptable and extensible.
  - Digital pass-through wallets would allow users to hold and use the digital pound, which would always be a direct liability of the Bank.
  - Accessible to UK and non-UK residents.
  - Used by households and businesses.
  - Seamlessly exchangeable with other forms of money, including cash and bank deposits. The digital pound would not replicate physical cash in every respect.
  - Accessed by users through smartphones or cards.
  - No interest would be paid.
  - Limited amount per user, at least initially.
  - For everyday payments online and in-store.
- **Reasons to create a digital pound**. The BoE and HM Treasury consider two main primary motivations for the digital pound:
  - <u>To sustain access to UK central bank money</u> – ensuring its role as an anchor for confidence and safety in our monetary system, and to underpin monetary and financial stability and sovereignty.
  - <u>To promote innovation, choice, and efficiency in domestic payments</u> as our lifestyles and economy become ever more digital.
  - <u>Other motivations</u> include enhancing financial inclusion, payments resilience and improving cross-border payments.
- **Monetary and financial stability risks**. If introduced, the digital pound would need to support the Bank's objectives for monetary and financial stability. The digital pound could also pose some risks, which would need to be managed before it could be introduced:
  - New forms of digital money, both the digital pound and stablecoins, could <u>adversely impact banks' businesses models and affect the cost and availability of credit</u>. As bank deposits flow to a newly introduced digital pound, commercial banks lose retail deposit funding and could pass on higher wholesale funding and could mean higher wholesale funding costs for customers.
  - The extent of <u>bank disintermediation and impact on the cost of credit</u> depends crucially on the speed and scale of adoption of the digital pound.
  - The digital pound would not fundamentally alter the traditional channels of money creation, but it might affect <u>monetary stability</u>: i) via the transmission mechanism of monetary policy; ii) via monetary policy implementation; iii) via the equilibrium interest rate and the effective lower bound (ELB); and iv) via productivity.
    - Bank disintermediation might affect the **transmission of monetary policy to the real economy**.
    - Keeping the digital pound retail-focused would help to ensure that **monetary policy is implemented effectively**. In addition, the Bank would intervene to change the supply of reserves more frequently or in larger size.
    - The digital pound could affect the **level of the equilibrium interest rate**, with implications for the conduct of monetary policy. However, it is considered that the impact of the digital pound on the equilibrium interest rate is small and probably slightly negative.
    - The digital pound could affect the level of productivity. The direct effect would be through enhanced payments efficiency as payments become faster and/or cheaper. On the other hand, the digital pound may result in bank disintermediation and tighter financial conditions, reflecting higher funding costs or bank lending rates.

- **Criteria of the proposed digital pound model**.
  - The model should be interoperable with other forms of money, in particular cash and bank deposits.
  - The model should ensure a standard of operational resilience necessary for major national infrastructure.
  - The model should support private sector innovation, safeguards data protection and privacy, and promotes accessibility.

3. Main points

- The Bank and HM Treasury have set a list of questions which respondents should provide answers by **7 June 2023**. After this, the Bank and HM Treasury will assess the responses and these will be evaluated and inform their future work and exploration of the digital pound.

21/03/2023
UK Parliament - Explanatory notes to the bill of the Data Protection and Digital Information (Nº 2). .

1. Context

In 2018, the EU General Data Protection Regulations (GDPR) started to apply in the UK, as supplemented by the Data Protection Act (DPA) of the same year. However, in the government's view, some elements of these regulations created barriers, uncertainty and unnecessary burdens for businesses and consumers. For this reason in July 2022 it was first introduced the Data Protection and Digital Information Bill and was paused in September 2022 so ministers could engage in a participatory design process with business leaders and data experts, ensuring that the new regime was built on the UK's high standards for data protection and privacy. At the same time it sought a move away from the restrictive approach of the European GDPR.

In this context, the UK Parliament has introduced the **Data Protection and Digital Information (No. 2) Bill** with the aim of providing organisations with greater flexibility on how to comply with certain aspects of the data protection legislation; improving the clarity of the framework, particularly for research organisations; and providing more certainty and stability for cross-border flows of personal data. It also extends data sharing powers to include businesses, with a view to better enabling targeted government services to support business growth and to deliver joined-up public services and reduce legal barriers to data sharing.

2. Main points

- **Scope of application**. The Bill's data protection reforms extend to the whole of the UK, although with specifications depending on the type of modification.
- **General changes to the DPA and UK GDPR.**
  - Clarification of the language in the UK GDPR with a view to helping researchers in their use of personal data. It would allow for the re-use of personal data for the purpose of longer term research studies.
  - Streamline the requirements the current legislation places on organisations to demonstrate how they are complying with the legislation.
  - Changes to the Privacy and Electronic Communications Regulations 2003, relating to confidentiality of terminal equipment (e.g. cookie rules), unsolicited direct marketing communications (e.g. nuisance calls), and communications security (e.g. network traffic and location data).
  - Clarification of the rules on international transfers and cross-border flows of personal data, in order to facilitate international trade by providing a clearer and more stable framework for international transfers of personal data.
- **Changes to Part 3 of the DPA**.
  - Introducing a definition of consent that has the same meaning as in the other regimes in order to minimise differences across the regimes, as well as conferring the ability to create codes of conduct and introducing similar exemptions for legal professional privilege and by protecting national security.
  - Removing the requirement for competent authorities to inform the data subject that they have been subject to automated decision-making if certain conditions are met.
  - Amendment of the requirement for controllers to keep logs relating to processing, removing the requirement to record a justification in the logs of consultation and disclosure.
- **Other changes:**
  - Enabling swift implementation of new international alerting data sharing agreements.
  - Establish a regulatory framework for the provision of digital verification services in the UK and enable public authorities to disclose personal information to trusted digital verification services providers for the purpose of identity and eligibility verification.
  - Extending powers under the Digital Economy Act (DEA) 2017 to allow data sharing to deliver public services to businesses.
  - Improving data portability between suppliers, service providers, customers, and relevant third parties.

3. Next steps

The Bill was introduced to the House of Commons and given its First Reading on Wednesday 8th March. This stage is formal and takes place without any debate. Members of the Parliament will next consider the Bill at Second Reading. The date for second reading has not yet been announced.

23/01/2023
Fed - Pilot Climate Scenario Analysis Exercise: participant instructions

1. Context

Climate change poses significant challenges for the global economy and financial system, with implications for the structure of the economy, the safety and soundness of financial institutions, and the stability of the financial sector more broadly. Large banking organizations are increasingly focused on climate-related financial risks and are incorporating these risks into their risk-management frameworks but there are conceptual and practical challenges which make it difficult to understand fully how climate-related financial risks may impact the financial condition of large banking organizations (e.g. lack of relevant historical data). As a result, in September 2022 the Fed announced that a pilot climate scenario analysis exercise will be launched in early 2023 and it would conclude around the end of the year.

In this context, the Fed has published the **Pilot Climate Scenario Analysis (CSA) Exercise: participant instructions**. The Board has designed the pilot CSA exercise to learn about large banking organizations' climate risk-management practices and to enhance the ability of large banking organizations and supervisors to identify, measure, monitor, and manage these risks. The pilot CSA exercise comprises two separate and independent modules: a physical risk module and a transition risk module as well as supporting documentation and responses to qualitative questions describing their governance, risk-management practices, measurement methodologies of the large banking organizations.

2. Main points

- **Exercise participants**. Six U.S. bank holding companies (BHCs) (referred to as "large banking organizations" or "participants") will participate in this pilot exercise: Bank of America; Citigroup; Goldman Sachs; JPMorgan; Morgan Stanley; and Wells Fargo Bank. These large banking organizations have material corporate and real estate portfolios and have made significant investments in their climate-related, risk-management capacity
- **Model risk management**. Many large banking organizations are in the early stages of model development for their climate-related financial risk model. For this reason participants may use models that have not been fully integrated into their model risk-management framework, including those that have not yet been subject to comprehensive model validation
- **Physical Risk Module**.
  - **Scenarios**. The pilot CSA exercise will focus on how acute physical risk drivers impact large banking organizations' residential real estate (RRE) and commercial real estate (CRE) loan portfolios over a one-year horizon in 2023. The physical risk scenarios consider physical impacts based on a distribution of potential future physical shocks of different levels of severity for both a common and an idiosyncratic hazard. The scenarios also consider different degrees of risk mitigation related to insurance coverage:
    - The **common shock** component of the physical risk module considers participants' vulnerability to a severe hurricane (or a series of hurricanes) resulting in both storm surge and precipitation-induced flooding in the Northeast region of the United States. Participants should estimate the impact of the common hazard for their residential and CRE exposures within the Northeast region across two different degrees of physical risk severity and with different insurance assumptions. For each of the iterations, participants should consider climate conditions broadly consistent with possible future climate conditions in 2050.
    - For the **idiosyncratic shock** component, participants should select a hazard event (or a series of events) and one of the 10 geographic regions pointed out in the document, based on materiality to their business models and exposures. Similar to the common shock, participants should document all material assumptions they make around the design of the idiosyncratic hazards across all scenarios and assumptions around the state of climate and the related chronic physical features in 2050.
  - **Direct and indirect impacts.** In addition to the direct impact of physical risks on credit risk, participants are encouraged, but not required, to incorporate indirect effects of the event where possible (e.g. impacts on the local economy, infrastructure, municipal debt, and supply chains).
  - **Balance Sheet Approach**. The physical risk module assumes an immediate physical shock to the December 31, 2022, balance sheet. Participants will report the impact on relevant credit metrics for each loan or facility on the balance sheet assuming the shock is realized on January 1, 2023. For purposes of this pilot exercise, participants will assume that balance sheets remain static over the relevant projection horizon.
  - **Projected Risk Parameters**. Participants should report best estimates of scenario-adjusted probability of default (PD) and loss given default (LGD) as of January 1, 2023, for each loan or facility in the portfolios in scope. In addition, participants should report best estimates of the scenario-adjusted internal risk rating grade (RRG), for CRE exposures across both hazards and scenarios. Participants should report six sets of estimates for each credit risk parameter: three iterations for the common shock and three iterations for the idiosyncratic shock.

- **Transition Risk Module**.
  - **Scenarios**. The transition risk module will focus on estimating the effect of specific scenarios on corporate loan and CRE loan portfolios over a 10-year horizon from 2023–32. The pilot CSA exercise will not include a review of the trading book. The Fed leverages scenario narratives from the most recent Network of Central Banks and Supervisors for Greening the Financial System (NGFS) climate scenarios released in October 2022. For the transition risk module, the Federal Reserve has selected two scenarios from the Phase III vintage of climate scenarios from NGFS: Current Policies and Net Zero 2050**:**
    - **Current Policies**. This scenario assumes that all countries or regional groups preserve currently implemented policies and adopt no new policies, including those already announced, to abate emissions. This scenario reports increases in greenhouse gases (GHG) emissions until 2080 and an overall warming of 3°C by 2100. Transition risks in the Current Policies scenario are minimal. For the pilot CSA exercise, participants should use the Current Policies scenario as the applicable baseline scenario.
    - **Net Zero 2050**. This scenario limits global warming to around 1.5°C through stringent climate policies and innovation, reaching net zero CO2 emissions around 2050. The scenario assumes that stringent climate policies are introduced immediately, and carbon prices increase over the time horizon of the exercise. Transition risks are moderate in this scenario.

3. Next steps

- Participants will submit completed data templates, supporting documentation, and responses to qualitative questions to the Fed by **July 31, 2023**.
- The Board anticipates publishing insights gained from this pilot exercise around the **end of 2023** at an aggregate level, reflecting what has been learned about climate risk-management practices and how insights from scenario analysis will help identify potential risks and promote effective risk-management practices. Consistent with the objectives and design of the pilot exercise, the Board does not plan to disclose quantitative estimates of potential losses resulting from the scenarios included in the pilot exercise. No firm-specific information will be released.

27/03/2023
Fed - Bank Term Funding Program

1. Context

The collapse of Silicon Valley Bank (SVB) meant its inability to continue to meet the repayment of its deposits due to its lack of liquidity, being then intervened by the Federal Deposit Insurance Corporation (FDIC). These circumstances have resulted in exigent stress to US banks and the financial system.

In this context, the Fed has created the **Bank Term Funding Program (BTFP)** with the aim to support American businesses and households by making additional funding available to eligible depository institutions. The BTFP offers loans of up to one year in length to eligible depository institutions pledging any collateral eligible for purchase by the Federal Reserve Banks in open market operations.

2. Main points

- **Eligible borrowers**. Any US federally insured depository institution (including a bank, savings association, or credit union) that is eligible for primary credit.
- **Eligible collateral**. Includes any collateral eligible for purchase by the Reserve Banks in open market operations, provided that such collateral was owned by the borrower as of March 12, 2023.
- **Advance size**. Limited to the value of eligible collateral pledged by the eligible borrower.
- **Advance term**. Available to eligible borrowers for a term of up to one year.
- **Rate**. Will be the one-year overnight index swap rate plus 10 basis points; the rate will be fixed for the term of the advance on the day the advance is made.
- **Fees**. There are no fees associated with the BTFP.
- **Collateral valuation**. Will be par value. Margin will be 100% of par value.
- **Prepayment**. Borrowers may prepay advances (including for purposes of refinancing) at any time without penalty.
- **Recourse**. Advances are made with recourse beyond the pledged collateral to the eligible borrower.
- **Requirements imposed on recipients**. The BTFP will not impose any new requirements on borrowers with respect to employee compensation, distribution of dividends, or any other corporate decision in exchange for accessing this facility.
- **Expected costs to taxpayers**. The BTFP includes features that are intended to mitigate risk to the Fed and taxpayers.
    - Eligible collateral is limited to high-quality assets, and advances are made with recourse beyond the collateral pledged by the borrower depository institution.
    - The Department of the Treasury, using the Exchange Stabilization Fund (ESF), is providing $25 billion as credit protection to the Reserve Banks in connection with the BTFP.

3. Next steps

- Eligible borrowers can request advances under the BTFP until **March 11, 2024**.
- No new advances will be made after that date, unless the BTFP is extended by the Fed Board and the Secretary of the Treasury.

06/02/2023

NIST - Artificial Intelligence Risk Management Framework

1. Context

Artificial intelligence (AI) technologies have significant potential to transform society, the environment and our planet. AI technologies can drive inclusive economic growth and support scientific advancements, however, also pose risks that can negatively impact individuals, groups, organizations, communities, society, the environment, and the planet. Like risks for other types of technology, AI risks can emerge in a variety of ways and can be characterized as long- or short-term, high or low-probability, systemic or localized, and high- or low-impact. Already in Europe, the Commission (EC) published in April 2021 the Proposal for a Regulation on a European approach to IA with the aim of implementing the development of a trust ecosystem by proposing a binding framework.

In this context, the National Institute of Standards and Technology (NIST) of US has published the **Artificial Intelligence Risk Management Framework (AI RMF)** which aims to offer a resource to the organizations designing, developing, deploying, or using AI systems to help manage the many risks of AI and promote trustworthy and responsible development and use these systems. The Framework, unlike the European one, is intended to be voluntary. On the other hand, is risk-based, rights-preserving, non-sector-specific, and use-case agnostic, providing flexibility to organizations of all sizes and in all sectors.

2. Main points

- **Foundational Information**:
    - AI challenges. This Framework offers approaches to minimize anticipated negative impacts of AI systems and identify opportunities to maximize positive impacts. It also describes the different challenges to be taken into account when managing risks in pursuit of AI trustworthiness, which are related to: i) risk measurement, ii) risk tolerance, iii) risk prioritization and iv) integration in the strategies and processes of the organization risk management strategies and processes.
    - AI Actors and Dimensions. The AI RMF is intended to be used by AI actors across the AI lifecycle dimensions which are classified into: i) Application Context; ii) Data and Input; iii) AI Model, and iv) Task and Output. AI actors involved in these dimensions who perform or manage the design, development, deployment, evaluation, and use of AI systems and drive AI risk management efforts. AI actors involved in these dimensions are perform or manage the design, development, deployment, evaluation, and use of AI systems and drive AI risk management efforts.
    - AI risks and trustworthiness. Creating a trustworthy AI requires balancing each of the following characteristics based on the AI system's context of use; i) valid and reliable, ii) safe, iii) secure and resilient, iv) accountable and transparent, v) explainable and interpretable, vi) privacy-enhanced, and vii) fair with harmful bias managed.
    - Effectiveness of the AI RMF. Organizations and other users of the Framework are encouraged to periodically evaluate whether the AI RMF has improved their ability to manage AI risks.
- **AI Core and Profiles**

- AI RMF Core. The AI RMF Core provides outcomes and actions that enable dialogue, understanding, and activities to manage AI risks and responsibly develop trustworthy AI systems. The Core is composed of four functions, each of them broken down into categories and subcategories that are further subdivided into specific actions and outcomes. The four high-level functions are:
    - **Govern.** Cross-cutting function that is infused throughout AI risk management and enables the other functions of the process.
    - **Map**. This function helps organizations to; i) improve their capacity for understanding contexts, ii) check their assumptions about context of use, iii) enable recognition of when systems are not functional within or out of their intended context, iv) identify positive and beneficial uses of their existing AI systems, v) improve understanding of limitations in AI and ML processes, vi) identify constraints in real-world application that may lead to negative impacts, vii) identify known and foreseeable negative impacts related to intended use of AI systems, and viii) anticipate risks of use of AI systems beyond intended use.
    - **Measure**. Identifies risks are assessed, analyzed or tracked.
    - **Manage**. Risks are prioritized and acted upon based on a projected impact.

- AI RMF Profiles.
    - AI RMF **use-case profiles** are implementations of the AI RMF functions, categories, and subcategories for a specific setting or application based on the requirements, risk tolerance, and resources of the Framework user. AI RMF profiles assist organizations in deciding how they might best manage AI risk that is well-aligned with their goals, considers legal/regulatory requirements and best practices, and reflects risk management priorities.
    - AI RMF **temporal profiles** are descriptions of either the current state or the desired, target state of specific AI risk management activities within a given sector, industry, organization, or application context. An AI RMF Current Profile indicates how AI is currently being managed and the related risks in terms of current outcomes. A Target Profile indicates the outcomes needed to achieve the desired or target AI risk management goals.

- AI RMF **cross-sectoral profiles** cover risks of models or applications that can be used across use cases or sectors. Cross-sectoral profiles can also cover how to govern, map, measure, and manage risks for activities or business processes common across sectors such as the use of large language models, cloud-based services or acquisition.

This Framework does not prescribe profile templates, allowing for flexibility in implementation.

3. Main points

- NIST intends to work collaboratively with other entities to develop metrics, methodologies, and goals for evaluating the AI RMF's effectiveness, and to broadly share results and supporting information.

24/02/2023
SEC - Proposed rule on Safeguarding Advisory Client Assets

1. Context

The Investment Advisers Act of 1940 regulates the custodial practices of advisers. The Commission has amended the rule over time as custodial and advisory practices have changed, since its adoption it has been designed to safeguard client funds and securities from the financial reserves, including insolvency, of an investment adviser and to prevent client assets from being lost, misused, stolen, or otherwise misappropriated.

In this context of change, the SEC has proposed new rules on the **Safeguarding Advisory Client Assets** under the Investment Advisers Act of 1940 with the objective of recognizing the evolution of products and services offered for investing, as well as strengthening existing custody protections for investors. They also are proposing corresponding amendments to the recordkeeping rule and to Form ADV for investment adviser registration.

2. Main points

- **Scope of Rule**. The proposed rule would continue to apply to any adviser whose "related persons" have custody in connection with advisory services the adviser provides to the client. On the other hand, the proposed rule would change the current rule's scope, in two ways; i) expand the types of investments covered by the rule (from client "funds and securities" to client "assets"), consequently, the proposed rule's definition of assets would include as investments any type of cryptoassets even in the instances where such assets are neither funds nor securities, and ii) make explicit that the current rule's defined term "custody" includes discretionary authority.
- **Qualified Custodian Protections**. The proposed rule provides changes that aim to provide investors with certain standard custodial protections that will improve the safeguarding of their assets in the current market as well as in the future as the market for financial products and advisory services continues to evolve. The following stand out:
  - Continue to allow banks or savings associations, registered broker-dealers, registered futures commission merchants, and certain foreign financial institutions to act as qualified custodians but only if they have "possession or control" of clients assets pursuant to a written agreement between the qualified custodian and the investment adviser.
  - In the case the qualified custodian is the adviser, the proposed rule would require a written agreement between the adviser and the client. The written agreement should contain two new contractual provisions; i) the qualified custodian should provide promptly, upon request, records relating to clients' assets held in the account at the qualified custodian to the Commission or to and independent public accountant engaged for purposes of complying with the safeguarding rule and ii) specify the adviser's agreed-upon level of authority to effect transactions in the account.
  - The proposed rule would require that an adviser obtain reasonable assurances from a qualified custodian relating to certain protections that the adviser will provide to the advised client (e.g. custodian diligence level).
- **Segregation of Client Assets.** The proposed rule would require advisers to segregate client assets from the adviser's assets and its related persons' assets in circumstances where the adviser has custody. Specifically, it would require for the client assets to:
  - Be titled or registered in the client's name or otherwise held for the benefit of that client.
  - Not be commingled with the adviser's assets or its related persons' assets.
  - Not be subject to any right, charge, security interest, lien, or claim of any kind in favor of the adviser, its related persons, or its creditors, except to the extent agreed to or authorized in writing by the client.
- **Investment Adviser Delivery of Notice to Clients**. The proposed rule would require that an investment adviser to notify its client in writing promptly upon opening an account with qualified custodian on its behalf. It would also explicitly require that the notice include the custodial account number to improve the utility of the notice.
- **Surprise Examination requirement.**
  - Advisers with custody must undergo an annual surprise verification by an independent public accountant. Currently, the surprise examination requirement does not require the adviser explicitly to have a reasonable belief about the implementation of the written agreement between the adviser and the accountant. The proposed rule require the surprise examination to be amended to state that the advisers must reasonably believe that a written agreement has been implemented, which would become mandatory after the reform.
  - There are some exceptions to this requirement:
    - When the adviser's sole reason for having custody is because it has discretionary authority or because the adviser is acting according to a standing letter of authorization.
    - An adviser that obtains an audit at least annually and upon an entity's liquidations under the proposed rule would be deemed to have complied with the surprise examination requirement and would eliminate the need for an adviser to comply with the client notice requirement.

- **Amendments to the Investment Adviser Recordkeeping Rule.** Investment advisers that have custody of client assets are required to make and keep true, accurate, and current records of required client notifications and independent public accountant engagement, specific books and records, and standing letters of authorization. The proposed rule includes the following modifications to these registries:
    - More detailed and broader scope of records of trade and transaction activity is required.
    - New recordkeeping requirements are included: i) retaining copies of required client notices; ii) creating and retaining records documenting client account identifying information; iii) creating and retaining records of custodian identifying information; iv) creating and retaining a record that indicated the basis of the adviser's custody of client assets; v) retaining copies of all account statements; and vi) retaining copies of any standing letters of authorization.
    - Advisers are required to retain copies of documents relating to independent account engagements.

3. Next steps

- Comments to the proposed rules should be received before **60 days** after its date of publication in the Federal Register.

28/03/2023
SEC - SEC proposes cybersecurity-related rules amendments

1. Context

The SEC has identified that the increased reliance on information systems by Market Entities has caused a corresponding increase in their need to: i) protect customer information; ii) address cybersecurity risks and adopt compliance; and iii) follow compliance and integrity standards. Given the interconnectedness of Market Entities' information systems, a significant cybersecurity incident at one Market Entity has the potential to spread to other Market Entities in a cascading process that could cause widespread disruptions threatening the US securities markets.

In this context, the SEC has published a proposal for the **Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer** including rule amendments that would require entities registered with the SEC to adopt written policies and procedures for incident response programs to address unauthorized access to or use of customer information. In addition, it has published a proposal for a **Cybersecurity Risk Management Rule for Market Entities** to address cybersecurity risks through policies and procedures, notifying the SEC of the occurrence of significant incidents. Finally, the SEC has also proposed a **Regulation Systems Compliance and Integrity** to include a broader range of key market participants in the US securities market infrastructure under the Regulation Systems Compliance and Integrity (Regulation SCI).

2. Main points

Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer

- **Covered institutions by Regulation S-P**: broker-dealers, registered funds and investment advisers.
- **Amendments to Regulation S-P's safeguards rule**: The proposed amendments would require to:
  - Develop, implement, and maintain written policies and procedures for an incident response program that is reasonably designed to detect, respond to, and recover from unauthorized access to or use of customer information.
  - The proposed response program procedures also would have to include notification to individuals whose sensitive customer information was, or is reasonably likely to have been, accessed or used without authorization. The notice must be clear and conspicuous and provided by a means designed to ensure that each affected individual can reasonably be expected to receive it. The deadline to provide the notice is 30 days.
- **Amendments to Regulation S-P to enhance the protection of customers' nonpublic personal information**: The proposed amendments would:
  - More closely align the information protected under the safeguards rule and the disposal rule by applying the protections of both rules to customer information.
  - Broaden the group of customers whose information is protected under both rules.

Cybersecurity Risk Management Rule for Market Entities

- **Scope of application**. The requirements would apply to "Market Entities": Covered and Non-Covered Entities.
  - Covered Entities. Proposed Rule 10 would include certain broker dealers, Municipal Securities Rulemaking Board (MSRB), clearing agencies, national securities associations, national securities exchanges, Security-Based Swap Data Repositories (SBSDRs) and Security-Based Swap (SBS Entities).
  - Non-Covered Entities (or "Non-Covered Broker-Dealers). Would be all other categories of broker-dealers not considered Covered Entities under proposed Rule 10. They are smaller firms whose functions do not play as significant a role in promoting the operation of the U.S. securities markets, as compared to broker-dealers that would be Covered Entities.
- **Rule 10.** This rule would impose new cybersecurity requirements on all Market Entities.
  - Would require both Covered and Non-Covered Entities to establish, maintain, and enforce written policies and procedures that are reasonably designed to address their cybersecurity risks.
  - All would also be required, at least annually, to review and assess the design and effectiveness of their cybersecurity policies and procedures. They also would be required to prepare a report (in the case of Covered Entities) and a record (in the case of Non-Covered Entities) with respect to the annual review.
  - would need to give the SEC immediate written electronic notice of a significant cybersecurity incident upon having a reasonable basis to conclude that the incident has occurred or is occurring.
- **Form SCIR**. Parts I and II would be used by Covered Entities, respectively, to report and update information regarding cybersecurity risks.
  - Part I.
    - Information about the significant cybersecurity incident through check boxes, date fields, and narrative fields.
  - Part II.
    - Summary description of the cybersecurity risks that could materially affect its business and operations and how the entity assesses, prioritizes, and addresses those cybersecurity risks.
    - Summary description of each significant cybersecurity incident that occurred during the current or previous calendar year, if applicable.

- Report and update information about the significant cybersecurity incident by filing Part I of proposed Form SCIR, no later than 48 hours upon having a reasonable basis to conclude that a significant incident has occurred or is occurring.
- Disclose publicly summary descriptions of their cybersecurity risks and the significant cybersecurity incidents they experienced during the current or previous calendar year on Part II of proposed Form SCIR.

- **Additional requirements for Covered Entities.** Covered Entities shall also establish, maintain, and enforce in their written policies and procedures:
  - Periodic assessments of cybersecurity risks associated with the Covered Entity's information systems and written documentation of the risk assessments;
  - Controls designed to minimize user-related risks and prevent unauthorized access to the Covered Entity's information systems;
  - Measures designed to monitor the Covered Entity's information systems and protect the Covered Entity's information from unauthorized access or use, and oversee service providers that receive, maintain, or process information, or are otherwise permitted to access the Covered Entity's information systems;
  - Measures to detect, mitigate, and remediate any cybersecurity threats and vulnerabilities with respect to the Covered Entity's information system; and
  - Measures to detect, respond to, and recover from a cybersecurity incident and written documentation of any cybersecurity incident and the response to and recovery from the incident.
- **Non-Covered Broker-Dealers.** These would also be required to annually review and assess the design and effectiveness of its cybersecurity policies and procedures, and make a written record documenting the steps taken in performing the annual review. However, minimum elements to be included will no be defined.
- **Cross-Border application to SBS Entities**. The SEC is proposing to apply the requirements of proposed Rule 10 to an SBS Entity's entire security-based swap business without exception, including in connection with any security-based swap business it conducts with foreign counterparties.

Regulation Systems Compliance and Integrity

- **Expansion the definition of "SCI entity".** It is included a broader range of key market participants in the U.S. securities market infrastructure, such as registered SBSDRs, registered broker-dealers exceeding a size threshold ("SCI broker-dealers"), and additional clearing agencies exempt from registration.
- **Updating of certain provisions of Regulation SCI**. The objective is to take account of developments in the technology landscape of the markets and the Commission and its staff's oversight experience. For this reason the following amendments have been proposed:
  - Amendments to require that an SCI entity's policies and procedures for SCI systems address with specificity the following:
    - Systems classification and life cycle management.
    - Management of third-party providers, including cloud service providers and providers of critical SCI systems.
    - Access controls.
    - Identification of current SCI industry standards, if any.
  - Amendments to expand the definition of systems intrusion, including a wider range of cybersecurity events (e.g. any unauthorized entry into the SCI systems or indirect SCI systems of an SCI entity)
  - Amendments regarding notice of systems intrusions to the Commission and affected persons.
  - Amendments to the definition of SCI review and to specify in greater detail the contents of the SCI review and associated report, and to require annual penetration testing.
  - Amendments to require that SCI entities designate key third-party providers for participation in annual business continuity/disaster recovery testing.
  - Amendments to address how an SCI entity may avail itself of the safe harbor provision.
  - Amendments to address the maintenance of records by a former SCI entity.
  - Changes to Form SCI consistent with the proposed changes.

3. Next Steps

Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer

- The proposed compliance date is **twelve months after the effective date** of any adoption of the proposed amendments in order to give covered institutions sufficient time to develop and adopt appropriate procedures.
- The deadline to receive comments is 60 days from publication in the Federal Register.

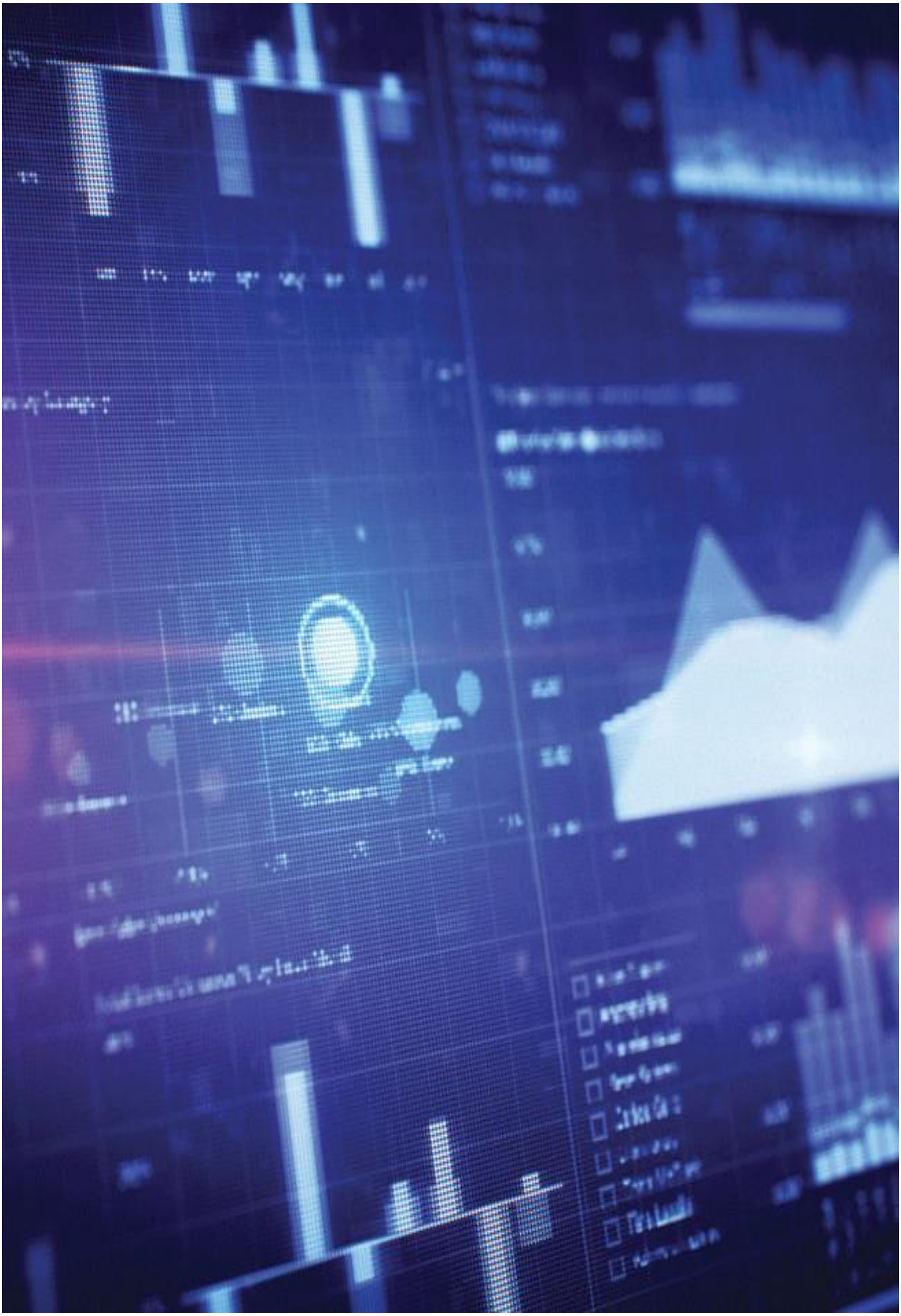
Cybersecurity Risk Management Rule for Market Entities

- The SEC seeks comment on a **potential compliance date** for disclosure requirements regarding cybersecurity risks, by which a Covered Entity would need to make its first public disclosure on proposed Form SCIR.
- Comments must be received **on or before 60 days** after the date of publication in the Federal Register.

Regulation Systems Compliance and Integrity

- No compliance date.

Comments must be received **on or before 60 days** after the date of publication in the Federal Register



Other publications of interest

Capital, liquidity and leverage

SOLVENCY II

(05/01/2023) EIOPA – Capital charge/ Free Interest Rate Term Structures

The European Insurance and Occupational Pensions Authority (EIOPA) has published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of December 2022. On the other hand the EIOPA has published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of December 2022. With this publication, EIOPA ensures consistent calculation of technical provisions across Europe.

LIQUIDITY COVERAGE RATIO

(13/01/2023) EBA - The liquidity coverage ratio of EU banks declined in the first half of 2022 but is still well above the minimum requirement 13 January 2023

The European Banking Authority (EBA) has published its Report on liquidity measures, which monitors and evaluates the liquidity coverage requirements currently in place in the EU. The liquidity coverage ratio (LCR) declined to 166% in June 2022 with respect to the 170% of the previous quarter. The fall was due to an increase in outflows driven by higher interest rates and volatility which led to a decline in asset prices during the first half of the year.

MREL

(16/01/2023) EBA - EBA publishes its annual quantitative monitoring report on minimum requirement for own funds and eligible liabilities complemented by a related impact assessment

The European Banking Authority (EBA) has published its annual quantitative Report on minimum requirement for own funds and eligible liabilities (MREL) with data as of December 2021. The Report is complemented by an analysis looking into the impact of the MREL framework on a number of relevant dimensions. As of 31 December 2021, the EBA estimated that 70 banks reported an MREL shortfall of EUR 33bn out of a sample of 245. This is down by 42% compared to last years' quantitative report on MREL on banks profitability.. The Report shows progress in closing MREL shortfalls, albeit at a lower rate for smaller banks, and concludes that the impact of MREL on banks' profitability is manageable, although heterogeneous across types of banks and Member States.

STRESS TEST

(31/01/2023) EBA/ECB - EBA launches 2023 EU-wide stress test/ ECB to stress test 99 euro area banks in 2023

The European Banking Authority (EBA) has launched the 2023 EU-wide stress test and released the macroeconomic scenarios. This year's EU-wide stress test is designed to provide valuable input for assessing the resilience of the European banking sector in the current uncertain and changing macroeconomic environment. Through this exercise, The European Central Bank (ECB) will stress test a total of 99 directly supervised banks in 2023. The EBA will coordinate the EU-wide stress test in cooperation with the ECB and national supervisory authorities. It is expected that the results are published the results of the exercise at the end of July 2023.

(09/02/2023) OCC - OCC Releases Dodd-Frank Act Stress Test Scenarios for 2023

The Office of the Comptroller of the Currency (OCC) of the US has published the economic and financial market scenarios that will be used in the upcoming stress tests of supervised entities (certain national banks and federal savings). Supervised entities are required to use the scenarios to conduct the stress tests, the results of which will provide the OCC with forward-looking information used in banking supervision and assist the agency in assessing the risk profile and capital adequacy of covered institutions. These will be required to publish a summary of the results of their stress tests in the period from June 15 to July 15.

SECURITISATION

(14/02/2023) EBA – EBA publishes final draft technical standards defining the homogeneity of the underlying exposures in STS securitisation

The European Banking Authority (EBA) has published its final draft Regulatory Technical Standards (RTS), setting out the conditions for the assessment of the homogeneity of the underlying exposures in a set of simple, transparent and standardized (STS) on-balance sheet securitizations. In particular, these technical standards clarify that, in the case of on-balance sheet securitizations, homogenous exposures must be underwritten according to similar underwriting standards and managed according to similar management procedures.

MREL

(27/02/2023) SRB - Single Resolution Board publishes MREL dashboard Q3.2022

The Single Resolution Board (SRB) has published its minimum requirement for own funds and eligible liabilities (MREL) dashboard for Q3 in 2022. The key findings expose that: i) SRB banks issued EUR 75 bn of MREL-eligible instruments, a higher level compared to the previous quarter as well as year-on-year; ii) around 39% of the stock was made of instruments with residual maturities between 2 and 10 years, while the share of short-term MREL debt (maturing between 1 and 2 years) remained low, equal to about 7% of the total; and iii) in the final months of 2022, market conditions improved significantly and investors' demand in unsecured primary markets was strong. For resolution entities, the average MREL final target, including additional capital requirements (CBR), to be respected by 1 January 2024, was equal to 26.4% of the Total Risk Exposure Amount (TREA), remaining broadly stable compared to Q2 in 2022.

Prudential framework for small firms

(27/02/2023) BoE - CP5/23 – Remuneration: Enhancing proportionality for small firms

The Bank of England (BoE) has published a Consultation Paper (CP) to gather insights regarding Prudential Regulation Authority's (PRA) proposed changes to the current rules and expectations to enhance the proportionality of the remuneration requirements which apply to small Capital Requirements Regulation (CRR) firms and small third-country CRR firms. The proposals included would: i) define small firms in line with the proposed Simpler-regime size threshold, and with reference to selected other Simpler-regime criteria under the 'Strong and Simple' framework; ii) remove the requirement for small firms to apply rules on clawback, and buyouts; and iii) provide clarity on how disclosure requirements apply for all proportionality levels. Responses are requested by 31 March 2023.

(27/02/2023) BoE - CP4/23 - The Strong and Simple Framework: Liquidity and Disclosure requirements for Simpler-regime Firms

The Bank of England (BoE) has published a Consultation Paper (CP) to gather insights regarding Prudential Regulation Authority's (PRA) proposed simplifications to the prudential framework that would apply to Simpler-regime Firms. The proposals include: i) new liquidity requirements for the application of the net stable funding ratio (NSFR); ii) revisions to the application of Pillar 2 liquidity add-ons; iii) new Pillar 3 disclosure requirements for Simpler-regime Firms; iv) a new Internal Liquidity Adequacy Assessment Process (ILAAP) template; and v) simplifications to certain proportionality approaches currently applicable in the PRA Rulebook. Responses are requested by 30 May 2023.

Transparency in equity instruments

(01/03/2023) ESMA - ESMA publishes the results of the annual transparency calculations for equity and equity-like instruments

The European Securities and Markets Authority (ESMA) has published the results of the annual transparency calculations for equity and equity-like instruments. The calculations include: i) the liquidity assessment; ii) the determination of the most relevant market in terms of liquidity; iii) the determination of the average daily turnover relevant for the determination of the pre-trade and post-trade large in scale thresholds; iv) the determination of the average value of the transactions and the related the standard market size; and v) the determination of the average daily number of transactions on the most relevant market in terms of liquidity relevant for the determination of the tick-size regime. The transparency requirements will apply from 1 April 2023 until 31 March 2024. From 1 April 2024 the next annual transparency calculations for equity and equity-like instruments, to be published by 1 March 2024, will become applicable.

Solvency II

(03/03/2023) EIOPA - EIOPA publishes monthly technical information for Solvency II Relevant Risk Free Interest Rate Term Structures – end-February 2023/ Monthly update of the symmetric adjustment of the equity capital charge for Solvency II – end-February 2023

The European Insurance and Occupational Pensions Authority (EIOPA) has published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of February 2023. On the other hand, the EIOPA has also published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of February 2023.

Other publications of interest

Capital, liquidity and leverage

INSURANCE CAPITAL STANDARD

(09/03/2023) IAIS – IAIS finalises criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the Insurance Capital Standard

The International Association of Insurance Supervisors (IAIS) has agreed on the criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS) across jurisdictions. The IAIS is developing the Insurance Capital Standard (ICS) as a consolidated group-wide capital standard for Internationally Active Insurance Groups (IAIGs). The ICS will provide a common language for supervisory discussions of group solvency of IAIGs and enhance global convergence among group capital standards.

NON-PERFORMING EXPOSURES

(14/03/2023) BoE - CP6/23 - The non-performing exposures capital deduction

The Bank of England (BoE) has published a Consultation Paper (CP) setting out the Prudential Regulation Authority's (PRA) proposal to remove the Common Equity Tier 1 (CET1) deduction requirement in the PRA Rulebook, regarding non-performing exposures (NPE) that are treated as insufficiently covered by firms' accounting provisions. The policy proposals included in this CP would: i) remove the CET1 deduction requirement for non-performing exposures ('NPE deduction') that are treated as insufficiently provided for by firms; and ii) remove the associated reporting requirements for the NPE deduction. This consultation closes on June 14, 2023.

- **SUSTAINABILITY**

CLIMATE RISK AND REGULATORY CAPITAL FRAMEWORK

(13/03/2023) BoE - Bank of England report on climate-related risks and the regulatory capital frameworks

The Bank of England (BoE) has published a report on climate-related risks and regulatory capital frameworks. In 2021, the BoE published its Climate Change Adaptation Report (CCAR), which set out initial thoughts on climate change and regulatory capital frameworks for banks and insurers. The CCAR states that current frameworks already capture climate-related risks (climate risks) to some extent, including through capital models and credit ratings. However, risk capture may be incomplete due to difficulties in estimating climate risks (capacity gaps) and there may be problems capturing risks in existing capital regimes (regime gaps). The new report includes updates on: i) capacity and regime gaps; ii) capitalization schedules; and iii) areas for future research and analysis.

Claims Management Companies

(05/01/2023) FCA - Portfolio Strategy: Claims Management Companies (“CMCs”)

The Financial Conduct Authority (FCA) has published a letter to Set out its updated view of the drivers of harm and risks that Claims Management Companies (CMCs) pose to their consumers or the markets in which they operate. Addittionally, FCA outlines its expectation of CMCs, including how firms should be mitigating these key risks and describes its supervisory strategy and programme of work to ensure that firms are meeting the FCA´s expectations, and harms are being remedied and/or mitigated. The FCA expects that CMCs consider whether they can make any changes to reduce any harm or potential harm to consumers.

2023 priorities for the financial sector

(10/01/2023) PRA - UK Deposit Takers Supervision: 2023 priorities/ Banks active in the UK: 2023 priorities/ Insurance supervision: 2023 priorities

The Prudential Regulation Authority (PRA) has published three letters on its 2023 priorities for: i) UK deposit takers; ii) banks active in UK and; iii) insurance sector. These cover different supervisory areas. For UK deposit takers, the PRA mainly sets put expectations regarding: i) credit and operational risk; ii) financial resilience; iii) model risk; iv) data and v) Financial risks arising from climate change. Generally, the PRA expects that firms to comply with the latest or future regulation on these topics (e.g. Model risk management (MRM) principles) as well as supervisory expectations (e.g. climate risk management supervisory expectations). For banks active in UK the PRA focuses in similar areas, but it does not include priorities regarding credit risk and MRM. The PRA will among others: i) maintain focus on financial resilience through ongoing assessments of individual firms’ capital and liquidity position; ii) review the onboarding and due diligence practices, as well as counterparty pricing and margining frameworks; iii) expects the compliance with supervisory expectations (risks from outsourcing and climate risk management supervisory expectations). Finally, the main focus for 2023 regarding the insurance sector will be on: i) financial resilience; ii) MRM; iii) implementing financial reforms; iv) reinsurance risk; v) operational resilience; and vi) ease of exit for insurers.

CRA banks performance evaluations

(11/01/2023) OCC - OCC Releases CRA Evaluations for 22 National Banks and Federal Savings Associations

The Office of the Comptroller of the Currency (OCC) has released a list of Community Reinvestment Act (CRA) performance evaluations that became public during the period of September 1, 2022, through November 30, 2022. The CRA requires each federal bank regulatory agency to assess each federally insured institution's record of helping to meet the credit needs of its entire community, consistent with safe and sound lending. The list contains only national banks, federal savings associations, and insured federal branches of foreign banks that have received ratings. The possible ratings are outstanding, satisfactory, needs to improve, and substantial noncompliance.

OCC Fair Lending Handbook

(12/01/2023) OCC - Fair Lending: Revised Comptroller’s Handbook Booklet and Rescissions

The Comptroller of the Currency (OCC) has issued version 1.0 of the “Fair Lending” booklet of the Comptroller’s Handbook. This booklet provides information and examination procedures to assist OCC examiners in assessing fair lending risk and evaluating compliance with the Fair Housing Act, Equal Credit Opportunity Act, and the consumer protection regulation.

Marketing communications

(16/01/2023) ESMA - ESMA and NCAS to look at marketing of financial products

The European Securities and Markets Authority (ESMA) has announced that is launching a common supervisory action (CSA) with national competent authorities (NCAs) on the application of MiFID II disclosure rules with regard to marketing communications across the European Union (EU). The CSA will be conducted over the course of 2023. As part of the CSA, NCAs will review whether marketing communications (including advertisements) are fair, clear and non-misleading and how firms select the target audience for the marketing communications, especially in the case of riskier and more complex investment products. Finally, the 2023 CSA will also be an opportunity collect information about possible ‘greenwashing practices’ observed in marketing communications and advertisements.

Other publications of interest

Supervision

BENCHMARK ADMINISTRATORS

(25/01/2023) ESMA - ESMA and the UK FCA agree MOU on the recognition of UK benchmark administrators in the EU

The European Securities and Markets Authority (ESMA), and the UK Financial Conduct Authority (FCA) have agreed a new Memorandum of Understanding (MoU) regarding cooperation and the exchange of information with respect to benchmark administrators based in the UK. The new MoU with the UK FCA enables ESMA to start recognizing benchmarks administrators from the UK.

BAKING SUPERVISION

(27/01/2023) Fed - Federal Reserve Board issues policy statement to promote a level playing field for all banks with a federal supervisor, regardless of deposit insurance status

The Federal Reserve Board has issued a policy statement to promote a level playing field for all banks with a federal supervisor, regardless of deposit insurance status. The statement makes clear that uninsured and insured banks supervised by the Board will be subject to the same limitations on activities, including novel banking activities, such as crypto-asset-related activities. The statement also makes clear that uninsured and insured banks supervised by the Board would be subject to the limitations on certain activities imposed on national banks, which are overseen by the Office of the Comptroller of the Currency (OCC). The equal treatment will promote a level playing field and limit regulatory arbitrage.

SUPERVISORY STRATEGY

(03/02/2023) FCA - Our Asset Management Supervision Strategy

The Financial Conduct Authority (FCA) of UK has published a letter outlining the potential harms to consumers or markets that may arise from asset managers' business models. The paper sets out what is the authorities vision, expectation and what they will do in relation to supervisory priorities on: i) product governance; ii) ESG investment; iii) product liquidity management; iv) operational and resilience investing; and v) financial resilience. It also indicates that a policy discussion will be conducted on whether the regulatory regime provides an effective and proportionate way to achieve good outcomes and can facilitate innovation, taking into account evolving technology and global financial regulatory standards.

SUPERVISORY ARRANGEMENTS WITH THIRD COUNTRIES

(03/02/2023) EIOPA - EIOPA aims to strengthen oversight of third country governance arrangements with supervisory statement

The European Insurance and Occupational Pensions Authority (EIOPA) has published a Supervisory Statement to strengthen the supervision and monitoring of insurance undertakings' and intermediaries' activities when using governance arrangements in third countries. In particular, EIOPA and National Competent Authorities expect, among others, that undertakings and intermediaries using third country branches retain to perform disproportionally functions or activities, an appropriate level of corporate substance within the European Economic Area (EEA) and that they are not disproportionately dependent on their third-country arrangements for activities in the EEA.

THIRD PARTY RISK MANAGEMENT

(08/02/2023) BoE - The Bank of England's policy on outsourcing and third party risk management for Financial Market Infrastructures (FMIs)/ Outsourcing and third party risk management Supervisory Statement: recognised payment system operators and specified service providers

The Bank of England (BoE) has published its policy on outsourcing and third party risk management for financial market infrastructures (FMIs) in the UK. The BoE's policy aims to (i) facilitate greater resilience and adoption of cloud and other new technologies; (ii) set out the BoE's requirements and expectations in relation to outsourcing and third party risk management in FMIs; and (iii) complement the BoE's supervisory statements on the operational resilience of FMIs. In addition, the BoE has published its Supervisory Statement (SS) on Recognized Payment System Operators (RPSOs) and Specific Service Providers (SSPs), which sets out the BoE's supervisory approach to outsourcing and third-party risk management relevant to many areas of such players' operations. RPSOs and SSPs are expected to comply with the expectations of this SS by February 9, 2024

Trading book and banking book

(27/02/2023) EBA - EBA publishes a no-action letter on the boundary between the banking book and the trading book provisions

The European Banking Authority (EBA) has published a no-action letter stating that competent authorities should not prioritize any supervisory or enforcement action in relation to the new banking book – trading book boundary provisions established in CRR II. The front-loaded application of the boundary provisions compared to the rest of the Fundamental Review of the Trading Book framework (CRR III proposal) creates several significant operational issues: i) institutions would be subject to an operationally complex and fragmented two-step implementation of the boundary framework; ii) they would be subject to an operationally burdensome and costly fragmented application of the rules for the reclassification of positions and internal-risk transfer between the trading and non-trading books; and iii) there are no jurisdictions at global level that envisaged such a two-step implementation of the boundary and internal-risk transfer frameworks.

Financial statement supervision

(16/03/2023) CNMV - La CNMV publica el informe anual de supervisión de las cuentas anuales de las empresas emisoras

The Comisión Nacional del Mercado de Valores (CNMV) has published its annual report on the supervision of the annual accounts of issuing companies, which describes the supervisory work carried out by the CNMV during 2022 in relation to the annual accounts for the financial year 2021. The Report also includes certain supervisory priority areas envisaged by the CNMV for the 2022 annual accounts. These priorities are: i) climate-related issues; ii) the Russian invasion of Ukraine; iii) analysis of the breakdowns on material assumptions, judgements and uncertainties to which issuers are exposed in the current macroeconomic scenario; and iv) how inflation and rising interest rates have been taken into consideration in determining the discount rates applied in the impairment tests of non-financial assets.

Banking system

(23/03/2023) BIS - Basel Committee to review recent market developments, advances work on climate-related financial risks, and reviews Basel Core Principles

The Basel Committee on Banking Supervision (BCBS) has met to take stock of recent market developments and risks to the global banking system and related vulnerabilities, and to discuss a range of policy and supervisory initiatives. The BCBS is reviewing its Core principles for effective banking supervision (“Basel Core Principles”), agreeing to consult on revisions of it by mid-2023. The BCBS will also continue to monitor banks’ cryptoasset activities and exposures, including their role as potential issuers of stablecoins and tokenised deposits. By the end of 2023, the committee will issue a consultation paper on Pillar 3 disclosure framework for climate-related financial risks.

- **SUSTAINABILITY**

Climate-related statistical indicators

(24/01/2023) ECB - Towards climate-related statistical indicators

The European Central Bank (ECB), as part of its action plan to include climate change considerations in its monetary policy strategy, has published a first set of climate-related statistical indicators to better assess the impact of climate-related risks on the financial sector and to monitor the development of sustainable and green finance, fulfilling another of the commitments of its climate action plan. The new indicators are either experimental or analytical: i) experimental indicators on sustainable finance provide an overview of debt instruments labelled as “green”, “social”, “sustainability” or “sustainability-linked” by the issuer that are issued or held in the euro area; ii) analytical indicators on carbon emissions financed by financial institutions which provide information on the carbon intensity of the securities and loan portfolios of financial institutions; iii) analytical indicators on climate-related physical risks which analyse the impact of natural hazards.

Other publications of interest

Recovery and resolution

BANK RESOLUTION

(13/02/2023) EBA - EBA asks authorities to increase transparency on their approach to bail-in in case of banking failure

The European Banking Authority (EBA) has published its final Guidelines to resolution addressed to resolution authorities for the publication of their approach to the bail-in tool implementation. These Guidelines aim at ensuring 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 ("exchange facility") is made public. The EBA is asking authorities that have not yet done so to start publishing, as of January 2024, a high-level document setting out the key aspects of their preferred approach. In particular, they are asked to specify if they intend to make use of interim instruments and to set out a timeline of the bail-in process. Those authorities that have already published information are expected to check if that publication complies with these Guidelines.

RESOLUTION OF INSURERS

(27/03/2023) FSB - Summary of FSB Technical Workshop: Resolution planning for insurers

The Financial Stability Board (FSB) has published a summary of the virtual workshop held in July 2022, which aimed to gather industry views and discuss issues concerning the resolution of insurers. At the workshop, participants discussed the different sources of funding in resolution, as well as industry approaches and challenges associated with mapping and assessing internal financial and operational interconnectedness and its impact on business continuity in resolution.

- **SUSTAINABILITY**

ECOLOGICAL TRANSITION

(08/03/2023) EC – Assessment of the financial system's resilience to stress in the transition to the EU's 2030 goals for the reduction of greenhouse gas emissions

The European Commission (EC) has published a letter inviting the European Supervisory Authorities (ESAs) to carry out a comprehensive analysis of the entire financial system in relation to the resilience of the financial system in the transition towards the target of reducing greenhouse gas emissions by at least 55% by 2030. The Commission requested that the results of the assessment should ideally be presented by the end of 2024, and at the latest by the first quarter of 2025.

Other publications of interest

Reporting and disclosure

TRANSPARENCY

(19/01/2023) ESMA - ESMA consults on post-trade transparency

The European Securities and Markets Authority (ESMA) has published a Consultation Paper (CP) to seek feedback on certain technical issues to provide further guidance in its future manual that will be publish on post-trade transparency. This Manual is meant to provide further clarifications on: i) issues related to post-trade transparency to improve the consistency and usability of the information published; and ii) the reporting to ESMA's Financial Instruments Reference Data System – FITRS. Stakeholders are invited to provide comments by 31 March 2023.

REPORTING FRAMEWORK

(26/01/2023) PRI - Release of the 2023 Reporting Framework and updates on Accountability

The Responsible investment organization has announced the release of its new Reporting Framework, setting out the updated reporting process for the organization's investor and asset owner signatories. Changes include improvements in clarity, with updated terminology and minimized ambiguity, as well as improvements in consistency and applicability, as well as restructuring of some sections for better alignment with other sustainability reporting frameworks such as Task Force on Climate-Related Financial Disclosures (TCFD), and Taskforce on Nature-related Financial Disclosures (TNFD).

RISK DASHBOARD

(07/02/2023) EIOPA - Risk Dashboard points to overall resilience in insurance despite high macro and market risks

The European Insurance and Occupational Pensions Authority (EIOPA) has published its Risk Dashboard based on Solvency II data from the third quarter of 2022. The results show that insurers' exposures to macro and market risks are currently the main concern for the insurance sector. All other risk categories, such as profitability and solvency, climate as well as digitalization and cyber risks stay at medium levels.

SUPERVISORY DISCLOSURE

(08/02/2023) EBA - EBA consults on the amending ITS on supervisory disclosures

The European Banking Authority (EBA) has launched a public consultation on its draft Implementing Technical Standards (ITS) on supervisory disclosures. The amended draft ITS incorporate the changes to the EU legal framework, in particular those related to supervisory reporting and investment firms. The ITS aim at specifying the format, structure, contents list and annual publication date of the supervisory information to be disclosed by competent authorities. Comments can be sent before 28 February 2023.

SUPERVISORY BENCHMARKING ON INTERNAL MODELS

(16/03/2023) EBA – EBA publishes Handbook on data submission for supervisory benchmarking

The European Banking Authority (EBA) has published a Handbook on supervisory benchmarking of internal models. The Handbook is an online tool that provides guidance and links to relevant documents and information (e.g. Q&As) relevant to credit risk, market risk and IFRS9 benchmarking. The Handbook will be regularly updated.

FRTB REPORTING

(21/03/2023) EBA – EBA consults on amendments to the reporting on the Fundamental Review of the Trading Book

The European Banking Authority (EBA) has launched a public consultation on its draft Implementing Technical Standards (ITS) amending the ITS on specific reporting requirements on market risks (FRTB reporting). This consultation paper sets out proposals for the expansion of the FRTB reporting framework with the aim to support institutions' preparation for the full implementation of FRTB. The proposals complement the already existing reporting requirements with a comprehensive set of templates to capture details on the instruments and positions in scope of the A-SA, as well as templates to capture summary and detailed information on the instruments and positions in scope of the alternative internal model approach (A-IMA). Comments to the consultation can be sent before 20 June 2023.

Other publications of interest

Reporting and disclosure

IFRS 9

(21/03/2023) IFRS – IASB proposes narrow-scope amendments to classification and measurement requirements for financial instruments

The International Accounting Standards Board (IASB) has published an exposure draft proposing amendments to the classification and measurement requirements in the International Financial Reporting Standard (IFRS 9). The proposed amendments respond to comments received from a post-implementation review of the classification and measurement requirements in IFRS 9, which was completed in December 2022. The proposed amendments include: i) Clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features, as ESG-linked features in loans could affect whether loans are measured at amortized cost or fair value; ii) Clarifying how to account for the settlement of liabilities through electronic payment systems. Comments to the consultation can be submitted by 19 July 2023.

- **SUSTAINABILITY**

CSRD/ESRS

(26/01/2023) ESMA/EBA/EIOPA - ESMA issues its first opinion on the draft European Sustainability Reporting Standards/Opinion of the European Banking Authority on the draft European Sustainability Reporting Standards (ESRS)/EIOPA's Opinion to the European Commission on EFRAG's technical advice on ESRS

The European Banking Authority (EBA), European Securities and Markets Authority (ESMA) and European Insurance and Occupational Pensions Authority (EIOPA) have published an opinion on the first set of draft European Sustainability Reporting Standards (ESRS) developed by the European Financial Reporting Advisory Group (EFRAG). The ESMA finds that ESRS broadly meets the objective of being conducive to investor protection and of not undermining financial stability. The EIOPA Opinion identifies potential areas for the European Commission (EC) to consider in the adoption of the first set of standards. Finally, the EBA acknowledges that, overall, the draft ESRS are consistent with international standards and any other relevant EU Regulation. The EBA also highlights a few aspects that should deserve further consideration by the EC. These opinions will be taken into account by the EC in adopting the ESRS Delegated Act by 30 June 2023.

REPORTING FRAMEWORK ESG

(30/01/2023) FRC - UK Accounting Regulator to Ramp Focus on Key ESG Disclosure Areas

The Financial Reporting Council (FRC) has published its ESG Statement of Intent outlining the priority areas that the FRC will address in 2023, including developing guidance and best practices on ESG data distribution and consumption, and examining companies' materiality processes to consider how improvements could be made. The paper outlines areas identified as key challenges in ESG reporting, suggested actions to address these areas, and a focus on how data is used and reported. The FRC also noted that it will update its guidance on climate risks for financial reporters and introduce requirements for actuaries to consider climate risks in reporting.

CSRD TRANSPOSITION

(01/03/2023) MINECO - Consulta pública previa sobre el anteproyecto de ley de información sobre sostenibilidad

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) opened a public consultation on the preliminary draft law on sustainability information. The main objective of this regulatory development is to adapt to the Spanish legal system the provisions introduced by Directive (EU) 2022/2464 (CSRD) to improve the quality, comparability and reliability of the sustainability information published by companies, specifying the following aspects: i) extend the scope of application; ii) regulate in a more exhaustive manner the content of the sustainability report; iii) elaborate the management report including the sustainability report in electronic format; iv) regulate the aspects related to the verification of the sustainability information. Interested parties could make observations and comments until March 4, 2023.

STRUCTURED FINANCING

(13/03/2023) EBA - ECB and the ESAs call for enhanced climate-related disclosure for structured finance products

The European Supervisory Authorities (ESAs), together with the European Central Bank (ECB), have published a Joint Statement on climate-related disclosure for structured finance products. The Statement encourages the development of disclosure standards for securitised assets through harmonised climate-related data requirements. Currently, there is a lack of climate-related data on the assets underlying structured finance products. Furthermore, it aims to facilitate access to climate-related data with a view to improving sustainability-related transparency in securitisations and to promote consistent and harmonised requirements for similar instruments.

Other publications of interest

Reporting and disclosure

CLIMATE-RELATED RISKS

(23/03/2023) IFRS - Connectivity in practice: the IASB's new project on Climate-related Risks in the Financial Statements

The International Accounting Standards Board (IASB) has started a project to explore whether and how companies' financial statements can provide better information about climate-related risks. The objective is to give investors better qualitative and quantitative information about the effect of climate-related risks on the carrying amounts of assets and liabilities reported in the financial statements. In this sense, the IASB will revise: i) unclear or insufficient requirements in IASB Standards; ii) lack of compliance with current requirements by companies; iii) investor information needs that go beyond the objective of financial statements.

CLIMATE-RELATED DISCLOSURES

(23/03/2023) ECB - ECB starts disclosing climate impact of portfolios on road to Paris-alignment

The European Central Bank (ECB) has published its first climate-related financial disclosures, which provide information on its portfolios' carbon footprint and exposure to climate risks, as well as on climate-related governance, strategy and risk management. Presented in two reports, the disclosures cover the corporate security holdings under the corporate sector purchase program (CSPP) and the pandemic emergency purchase program (PEPP), as well as the ECB's euro-denominated non-monetary policy portfolios (NMPPs). The disclosures show that the corporate bonds held under the CSPP and PEPP are on a decarbonization path. Although the portfolios' absolute greenhouse gas emissions have increased in recent years because the Eurosystem has purchased more securities for monetary policy purposes, issuers' carbon intensity has gradually declined. From now on, the ECB will disclose climate-related information on these portfolios every year.

GLOBAL ASSURANCE FRAMEWORK

(28/03/2023) IOSCO - IOSCO sets out key considerations to promote an effective global assurance framework for sustainability-related corporate reporting

The International Organization of Securities Commissions (IOSCO) has today published a Report on International Work to Develop a Global Assurance Framework for Sustainability-related Corporate Reporting. The report elaborates on IOSCO's support for the on-going work of the international standard setters: the International Auditing and Assurance Standards Board and the International Ethics Standards Board, for Accountants develop profession-agnostic assurance and ethics standards over sustainability-related information.

Other publications of interest

Compliance

CUSTOMER PROTECTION

(11/01/2023) FCA – CP23/1: Insurance guidance for the support of customers in financial difficulty

The Financial Conduct Authority (FCA) have published a Consultation Paper (CP) which sets out its proposals to help protect customers of non-investment insurance policies in financial difficulty and to provide clearer expectations of firms in supporting their customers. Whit this reforms the FCA willl replace the insurance aspects of the previous guidance for insurance and premium finance for customers in financial difficulty due to coronavirus (Covid-19), with insurance guidance that applies to all customers in financial difficulty. The consultation closes on 11 March 2023.

CONFLICTS OF INTEREST

(26/01/2023) SEC - Prohibition Against Conflicts of Interest in Certain Securitizations

The Securities and Exchange Commission (SEC) is revising a rule prohibiting an underwriter, placement agent, initial purchaser, or sponsor of an asset-backed security (including a synthetic asset-backed security), or any affiliate or subsidiary of any such entity, from engaging in any transaction that would involve or result in certain material conflicts of interest.

CONSUMER PROTECTION

(13/02/2023) CNMV - Consulta pública de la Guía Técnica sobre refuerzo de la transparencia de IIC con objetivo concreto de rentabilidad y de IIC de renta fija con estrategia de comprar y mantener

The Comisión Nacional del Mercado de Valores (CNMV) has launched for public consultation a proposal for a Technical Guide on reinforcing the transparency of collective investment institutions (CIIs) with a specific return objective and fixed income CIIs with a buy-and-hold strategy. The main objectives of the Technical Guide are to establish criteria on: i) the information provided to investors on the estimated return; ii) the warnings to be given to investors on the risk derived from not valuing part of their operations during the marketing period; iii) to reinforce the warning on the cost of liquidity; and iv) to extend the warnings established on the term risk and on the cost of the fund's liquidity to fixed-income CIS with a buy-and-hold strategy. The public consultation will be open until March 31, 2023.

POLICYHOLDER PROTECTION

(13/02/2023) IAIS - Issues Paper on roles and functioning of Policyholder Protection Schemes (PPSs)

The International Association of Insurance Supervisors (IAIS) has published an Issues Paper on the roles of Policyholder Protection Schemes (PPSs) that provides an updated overview of global practices around PPSs and their roles in insurance resolution. This Paper describes current practices for PPSs and is intended to serve as a guide for jurisdictions considering establishing a PPS or modifying an existing PPS.

ELIMINATION OF PRICE-SETTING STRATEGIES

(16/03/2023) EIOPA - EIOPA supervisory statement takes aim at unfair 'price walking' practices

The European Insurance and Occupational Pensions Authority (EIOPA) has published a supervisory statement on differential pricing practices with the aim of eliminating price-setting strategies which lead to the unfair treatment of customers. The statement underlines that providers falling under the scope of the Insurance Distribution Directive (IDD) shall always act honestly, fairly and professionally in accordance with the best interests of their customers. The statement also underlines that product oversight and governance processes should cover pricing techniques and ensure that these techniques do not adversely affect customers. EIOPA will continue monitoring the market and may consider adopting further measures where it identifies consumer detriment.

GUIDELINES ON MIFID II

(27/03/2023) ESMA - ESMA updates its guidance on product governance

The European Securities and Markets Authority (ESMA) has published its Final Report on Guidelines on MiFID II product governance guidelines. The main amendments introduced to the guidelines concern: i) the specification of any sustainability-related objectives a product is compatible with; ii) the practice of identifying a target market per cluster of products instead of per individual product ("clustering approach"); iii) the determination of a compatible distribution strategy where a distributor considers that a more complex product can be distributed under non-advised sales; and iv) the periodic review of products, including the application of the proportionality principle. The Guidelines will be translated into the official languages of the EU and published on ESMA's website, applying two months after the date of the publication.

Other publications of interest

Compliance

AUDITING AND ETHICAL STANDARDS

(27/03/2023) IOSCO - Monitoring Group Welcomes Important Step in Implementing its Recommendations with the Establishment of the International Foundation for Ethics and Audit

The Monitoring Group of the International Organization of Securities Commissions (IOSCO) has created the International Foundation on Ethics and Auditing. This foundation is an important step in the implementation of the recommendations for Strengthening the International Auditing and Ethics Standard Setting System, issued by the IOSCO in July 2022. In this regard, the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA), collectively, the Standards Boards, will now be housed in a separate and independent legal entity.

POSITION CALCULATION

(28/03/2023) ESMA - ESMA consults on position calculations for Trade Repositories

The European Securities and Markets Authority (ESMA) has launched a consultation on amendments to its Guidelines for Trade Repositories (TRs) on position calculation under EMIR. The objective is to improve consistency of position calculation across TRs regarding: i) the scope of data to be used; ii) the time of calculation; and iii) the calculation methodologies. The Guidelines aim to ensure TR calculate positions in derivatives in a harmonized manner and in line with the revised technical standards under EMIR Refit. ESMA will consider the feedback it receives to this consultation with a view to publishing the final report together with the updated XML schemas by early Q4 2023.

HARM TO CONSUMERS OF BANKING PRODUCTS

(28/03/2023) EBA - EBA publishes new set of indicators to identify potential causes of consumer harm

The European Banking Authority (EBA) has published, for the first time, a set of indicators, which aim at identifying detriment to consumers arising from the misconduct of financial institutions offering retail banking products in the European Union (EU). These indicators cover the banking products in the EBA's consumer protection scope, and include mortgage credit, consumer credit, deposits, payment accounts and payment services.

Other publications of interest

Technology

PSD2

(11/01/2023) EBA - EBA publishes peer review on authorisation under the Payment Services Directive

The European Banking Authority (EBA) has published its peer review on authorisation of payment institutions and e-money institutions under the revised Payment Services Directive (PSD2). The review generally found increased transparency and consistency of the information required in the authorisation process. However, it also identified significant divergences in competent authorities' assessment and the degree of scrutiny of applications. The review, therefore, sets out a series of measures to address such divergencies, to level out the supervisory playing field and to mitigate against 'forum shopping'.

DIGITAL REPORTING

(12/01/2023) FCA - CP23/2: Streamlining our rules on structured digital reporting of financial statements

The Financial Conduct Authority (FCA) has published a Consultation Paper (CP) to collect feedback on changes to streamline our transparency rules for certain companies with securities admitted to UK regulated markets to prepare their annual financial report in a specific web browser format (XHTML), and to present the financial statements in it in the structured digital format.

DIGITALISATION

(12/01/2023) ESAs - Joint thematic Report on national financial education initiatives on digitalisation

The three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) have published a joint thematic Report on national financial education initiatives on digitalisation, with a focus on cybersecurity, scams, and fraud. The Report identifies good practices that national competent authorities and other public entities can follow when designing and implementing their financial education initiatives.

DIGITAL EURO

(16/01/2023) Council - Eurogroup statement on the digital euro project

The European Council has published a statement on the project of the digital euro addressing desirable features such as complementarity with cash, accessibility for euro area users, privacy and the safeguarding of the financial system. The Council also welcomed the Commission's intention to table in the first half of 2023 a legislative proposal that would establish the digital euro and regulate its main features, subject to the decision of the co-legislators. The ECB Governing Council will review the outcome of the investigation phase in autumn 2023 and decide on this basis whether to move to a realisation phase. The possible issuance of a digital euro would only come at a later stage and would necessarily depend on the EU legislative developments.

EU CHIPS INDUSTRY

(24/01/2023) EP - Semiconductors: MEPs adopt legislation to boost EU chips industry

The European Parliament (EP) backed plans to secure the EU supply of chips by boosting production and innovation, and setting up emergency measures against shortages. In their amendments to the Chips Act, MEPs have focussed more on next-generation semiconductor and quantum chips.

AI

(01/02/2023) ESMA- TRV article: Artificial intelligence in EU securities markets

The European Securities and Markets Authority (ESMA) has published its Risk Analysis on the Artificial Intelligence (AI) in EU securities markets. This practice under increasing scrutiny from regulators and supervisors interested in examining its development and the related potential risks. This article contributes by providing an overview of AI use cases across securities markets in the EU and assessing the degree of adoption of AI-based tools

CYBER RESILIENCE

(14/02/2023) ESRB - ESRB publishes report on advancing macroprudential tools for cyber resilience

The European Systemic Risk Board (ESRB) has published its report aimed at boosting macroprudential tools for cyber resilience. The report, prepared against a geopolitical backdrop of heightened cyber risk, underlines the need to strengthen cyber resilience. To this end, European Union authorities are encouraged to make progress on: i) system-wide pilot testing of cyber resilience scenarios; ii) implementation of systemic impact tolerance targets to identify and measure the impacts of cyber incidents on the financial system; iii) and financial crisis management tools.

Other publications of interest

Technology

CYBERCRIME

(15/02/2023) EU Council - Access to e-evidence: Council authorises member states to ratify international agreement

The Council has adopted a decision authorizing member states to ratify, in the interest of the EU, the Second Additional Protocol to the Convention on Cybercrime (Budapest Convention). The protocol will improve cross-border access to electronic evidence to be used in criminal proceedings. It will contribute to the fight against cybercrime and other forms of crime at global level by simplifying cooperation between member states and third countries, while ensuring a high level of protection for individuals and compliance with EU data protection standards.

PRIVACY

(16/02/2023) IAPP – Australian privacy reform moves forward with new government report

The Australian Government has published the Privacy Act Review Report which proposes to reform the Privacy Act 1988 with the aim of strengthening the protection of personal information and the control individuals have over their information. In particular the proposal would: i) clarify what information should be protected under the Privacy Act; ii) recognise the public interest to society of protecting individuals' privacy; iii) ensure de-identified information is protected from misuse. The public can comment on the proposed reforms until March 31.

PERSONAL DATA

(27/02/2023) IAPP - A look at what's in China's new SCCs

The Cyberspace Administration of China (CAC) has released the standard contractual clauses (SCC) and Regulation, which will have significant implications for multinational corporations which transfer employee data, customer data and other personal data outside China during their business operations. Compared to other data export mechanisms under the Personal Information Protection Law (PIPL), the SCCs regime is expected to have apparent advantages because of more foreseeability of contract terms and time/cost efficiency. Where it is possible to rely on the Chinese SCCs for transferring data outside China, organizations should take necessary compliance actions as soon as possible. The Regulation will come into force on 1 June 2023.

INNOVATION IN FINANCIAL SECTOR

(01/03/2023) EC - Call for proposals: A new Data Hub on the EU Digital Finance Platform

The European Commission (EC) has announced the creation of a new Data Hub to foster innovation in Europe's financial sector. It is meant to be a space where firms could access data for testing purposes in close contact with supervisory authorities. This project will complement national innovation hubs and regulatory sandboxes, as well as private-sector initiatives. In a first step, the EC is planning to host synthetic datasets in the Data hub that have been created by participating supervisory authorities based on real data they hold, and they want to receive feedback from firms on what the most promising use cases are for which such datasets could be made available – and which ones which you would like to access for testing. The deadline to join the project is 12h00 CET on 12 April 2023.

ASSISTANCE TO EMERGING MARKETS REGULATORS

(08/03/2023) IOSCO – IOSCO and Cambridge Judge Business School collaborate on a machine-learning pilot to assist emerging markets regulators

The International Organization of Securities Commissions (IOSCO) and Cambridge Judge Business School have announced a pilot project for the development of a Machine Assisted Capacity Building for Standards Implementation (MASI). The aim is to provide a capacity building tool for emerging markets jurisdictions to assist self-assessments against the IOSCO core principles and to facilitate comparisons with other regulatory frameworks from more developed jurisdictions.

DIGITAL REGULATION

(17/03/2023) ITU – Global Digital Regulatory Outlook 2023 – Policy and regulation to spur digital transformation

The International Telecommunication Union (ITU) has published its Global Digital Regulatory Outlook 2023, which benchmarks regulatory progress across 193 countries. This new analysis is the go-to reference for regulators and policy-makers seeking to understand a fast-moving landscape – and shape regulatory change that will benefit all in the quest for digital transformation

Other publications of interest

Technology

CYBERSECURITY

(22/03/2023) MINECO – Abierto el plazo para solicitar las ayudas del programa UNICO I+D 6G 2023, dotado con 62 millones de euros de fondos Next Generation

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has announced the presentation of the CyberCamp UMU project, promoted by the Instituto Nacional de Ciberseguridad (INCIBE) to improve the culture and training in cybersecurity in Spain. In the field of digital infrastructures, it was noted the opening of the deadline for submitting applications for grants for research and development of 6G technology of the UNICO I+D program to strengthen an ecosystem of research and development around 5G+ and 6G in Spain. Designed with the premise of fostering public-private collaboration, these grants include subsidies amounting to 49.6 million euros for companies.

Other publications of interest

Others

BANKING STATISTICS

(11/01/2023) ECB - ECB publishes supervisory banking statistics for the third quarter of 2022

The European Central banks (ECB) has published its supervisory banking statistics for the third quarter of 2022. The main findings include a decrease in the following aggregate ratios: i) the capital ratios; ii) the non-performing loans (NPL) ratio excluding cash balances at central banks and other demand deposits and iii) the aggregate liquidity coverage ratio. On the other hank the aggregated annualised return on equity was stable. Higher net interest income was a key profitability driver. Finally, loans and advances subject to COVID-19-related measures have also decreased further.

IAIS WORK-PLAN

(12/01/2023) IAIS - IAIS 2023-2024 Roadmap outlines two-year workplan addressing key risks and trends in the insurance sector

The International Association of Insurance Supervisors (IAIS) has published a roadmap that provides a two-year workplan, outlining the projects and activities that the IAIS will progress in support of the objectives of the 2020-2024 Strategic Plan. In particular, it will focus on: i) assessing trends and risks in the global insurance sector; ii) finalising the development of global standards; iii) promoting effective supervisory practices in particular the Insurance Capital Standard; iv) supporting the implementation of agreed global standards and assessing their comprehensive and consistent implementation; and v) enhancing efficient and effective operations and transparent communication with stakeholders.

RETAIL INVESTMENT PRODUCTS

(17/01/2023) ESMA - Costs of retail investment products continue slow decline

The European Securities and Markets Authority (ESMA) has published its fifth annual report on the costs and performance of European Union (EU) retail investment products. In the report, ESMA looks at the market between 2012 and 2021 and finds that the costs of investing in the most important retail financial products continued to decline, albeit at a very slow pace. It also shows that the recent rise in price levels has started to weigh on investor returns.

INSURANCE BASED PRODUCTS

(17/01/2023) EIOPA - Insurance and pension products rode the market rebound and offered high returns in 2021

The European Insurance and Occupational Pensions Authority (EIOPA) has published its Costs and Past Performance Report, which provides an overview of the returns and costs of insurance and pensions products in 2021. The analysis has shown that insurance-based investment products (IBIPs) benefitted from the post-pandemic market recovery and offered positive returns to investors in 2021. Unit-linked products delivered an average net return of 9.4% on the back of a strong rebound in financial markets, while hybrid and profit participation products garnered 4.0% and 1.3%, respectively.

(18/01/2023) EIOPA - Consumer trends report sees progress on consumer-centric products with room for further improvement/ heat map of the key findings of the 2022 consumer trends report

The European Insurance and Occupational Pensions Authority (EIOPA) has published its Consumer Trends Report 2022 in which it examines the financial health of consumers and small businesses through their use of insurance and pension savings products. The Report reveals that access to affordable insurance and pension products aligned with consumers' needs remains low. Also, the report reveals a strong increase in the sale of products with sustainability features in recent years, which makes it important to ensure that sustainability-related claims are not misleading or unsubstantiated.

NBFI

(19/01/2023) FSB - Implementation of G20 Non-Bank Financial Intermediation Reforms: Progress report

The Financial Stability Board (FSB) has published a report on the G20 Non-Bank Financial Intermediation Reforms (NBFI). It describes progress in implementing systemic risks associated with NBFI and it finds, among others, that: i) Jurisdictions have made progress in implementing Basel III reforms to mitigate spillovers between banks and non-bank financial entities, but implementation is not yet complete; ii) Implementation of FSB recommendations for dampening procyclicality and other financial stability risks associated with securities financing transactions (SFTs) is incomplete and continues to face significant delays in most jurisdictions.

OCC BOOKLET

(19/01/2023) OCC - Branches and Relocations: Revised Comptroller's Licensing Manual Booklet

The Office of the Comptroller of the Currency (OCC) has published a Booklet that contains the OCC's policies and procedures to guide a national bank or federal savings association (FSA) in submitting a request for prior approval to establish or relocate a branch, or relocate its main or home office.

Other publications of interest

Others

PENSION SCHEMES

(30/01/2023) UK Gov - Broadening the investment opportunities of defined contribution pension schemes

The UK Government has responded to the consultation on ‘broadening the investment opportunities of Defined Contribution (DC) pension schemes’ The consultation sought views on new draft regulations and guidance introducing disclose and explain proposals, and on the exemption for performance-based fees from the charge cap calculations for schemes that choose to incur performance-based fees. Both these regulatory measures are intended to remove barriers and help stimulate investment in illiquid assets by occupational defined contribution (DC) pension schemes to achieve better outcomes for savers using this type of instrument.

(30/01/2023) UK Gov - Extending Opportunities for Collective Defined Contribution Pension Schemes

UK Government has published a consultation that seeks views on policy proposals for broadening Collective Defined Contribution (CDC) provision beyond single or connected employer schemes to accommodate multi-employer schemes. References to multi-employer schemes in this document are also intended to cover Master Trust schemes. There are, however, some areas where different considerations will be appropriate for schemes established on a commercial basis.

(30/01/2023) UK Gov - Addressing the challenge of deferred small pots

The Department for Work and Pensions (DWP) has issued a call for evidence to deepen the evidence base around the scale and characteristics of the growth in the number of deferred small pots. It is focused on two large-scale automated consolidation solutions: i) a default consolidator model and ii) “pot-follows-member”. At the same time it is recognised the potential impact of other actions, including member exchange, and enabling more member engagement, that can help mitigate the growth in the number of small pots.

CLEARING AND DERIVATIVES TRADING OBLIGATIONS

(01/02/2023) ESMA - ESMA reviews the scope of clearing and derivatives trading obligations

The European Securities and Markets Authority (ESMA) has published its final report on the clearing (CO) and derivative trading obligations (DTO) to accompany the benchmark transition. 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 EUR, GBP, JPY, and USD

INSURERS IN FINANCIAL DIFFICULTIES

(08/02/2023) PRA - CP3/23 – ‘Dealing with insurers in financial difficulties’

The Prudential Regulation Authority (PRA) has published a Consultation Paper (CP) which sets out the PRA`s proposed rules and policy in respect of the changes introduced by the Financial Service and Markets Bill 2022-23 (FSM Bill) to the Financial Service and Markets Act 2000 (FSMA) concerning insurers in financial difficulties. The proposals in this CP introduce: i) new PPP Rules concerning how the Financial Services Compensation Scheme (FSCS) should operate; ii) new rules concerning the notification of affected persons; and iii) a new Statement of Policy (SoP) setting out the PRA’s approach and expectations in relation to write-down applications and the appointment of write down managers.

MONEY MARKET FUNDS

(08/02/2023) ESMA - ESMA report finds EU MMF industry at close to €1.5tn

The European Securities and Markets Authority (ESMA) has published its market report on European Union (EU) Money Market Funds (MMF). With this report ESMA provides for the first time a comprehensive market-level view of EU MMFs, based on supervisory information collected by National Competent Authorities (NCAs) and ESMA.

INSURANCE COVERAGE

(09/02/2023) EIOPA - EIOPA consults on changes to the minimum amount of professional indemnity insurance cover and financial capacity intermediaries need under IDD

The European Insurance and Occupational Pensions Authority (EIOPA) has launched a public consultation on its draft amendments to the Regulatory Technical Standards (RTS) adapting the base euro amounts for the professional indemnity insurance (PII) cover and financial capacity of insurance intermediaries under the Insurance Distribution Directive (IDD). The IDD prescribes that changes to the minimum amounts shall be based on the rate of inflation. Stakeholders are invited to provide feedback to this consultation paper by 6 May 2023.

Other publications of interest

Others

RISK MONITORING

(09/02/2023) ESMA - ESMA sees high risks amid fragile markets

The European Securities and Markets Authority (ESMA) has published the first Trends, Risks and Vulnerabilities Report (TRV) for 2023. The main findings indicate that, in general: i) contagion and operational risks are considered to be elevated, as are liquidity and market risks; ii) shocks to markets could be amplified by liquidity supply and demand imbalances, iii) tighter global financial conditions have weighed on economic activity, while inflation remains strong; iv) investor sentiment remains weak against the backdrop of economic uncertainty; and v) capital market financing decreased sharply in 2022, turning negative for the first time since the COVID-19 related market stress in early 2020.

REMUNERATION

(10/02/2023) BoE - PS1/23 – Remuneration: Unvested pay, Material Risk Takers and public appointments

The Prudential Regulation Authority (PRA) has published its Policy Statement (PS) providing feedback on responses to Consultation Paper (CP) 8/22 - "Remuneration: Unvested Remuneration, Material Risk Takers and Public Appointments". The CP sets out the PRA's proposed expectations regarding changes to the instruments or rights comprising the deferred unvested sums awarded to Material Risk Takers (MRTs) as part of their variable remuneration. The PS issued also contains the final PRA policy updated in Supervisory Statement (SS) 2/17 - "Remuneration".

NAIC 2023 PRIORITIES

(13/02/2023) NAIC - NAIC Announces 2023 Regulatory Priorities

The National Association of Insurance Commissioners (NAIC) has announced its strategic priorities and potential workplans for 2023. The NAIC provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers in the U.S. The NAIC 2023 Priorities comprise: i) climate risk/natural catastrophes and resiliency; ii) data/artificial intelligence, cybersecurity, and innovation; iii) insurer financial oversight and transparency; iv) long-term care insurance (LTCI); v) marketing of insurance products; and vi) financial inclusion.

REGULATOR´S STANDARDS

(15/02/2023) IOSCO - IOSCO members report high level of implementation for Regulator's Principles

The International Organization of Securities Commissions (IOSCO) has published a report which sets out the findings of the second review of the IOSCO Principles Relating to the Regulator (Principles 1-5). These five Principles are part of IOSCO's 38 Objectives and Principles of Securities Regulation, which provide core elements of an essential regulatory framework for securities regulations, particularly the desirable attributes of a regulator. Based on the information reported by the participating jurisdictions, the Review found that the implementation of Principles 1-5 is generally high. The review noted that a variety of different approaches to implementation have been observed and several good practices and examples have been provided in the report. While the status of implementation varies across jurisdictions, the gaps in implementation have been observed mostly in nascent and emerging market jurisdictions.

RISKS OF DECENTRALIZED FINANCE

(16/02/2023) FSB – FSB assesses financial stability risks of decentralised finance

The Financial Stability Board (FSB) has published a report on the financial stability risks of Decentralised Finance (DeFi). The report concludes that DeFis do not differ substantially from traditional finances in the functions they perform. However, DeFi's specific features may result in some vulnerabilities such as operational fragilities, liquidity and maturity mismatches, leverage, and interconnectedness. Based on these findings, the FSB will carry out additional work to: i) analyze the growth and implications of the tokenization of assets; ii) explore approaches to fill data gaps to measure and monitor interconnectedness of DeFi; iii) examine the extent to which the FSB's proposed policy recommendations for the international regulation of crypto-asset activities may need to be enhanced.

MARKET STANDARDS

(01/03/2023) EP - MEPs back better access to market data and more robust EU market infrastructures

The Economic and Monetary Affairs Committee of the European Parliament (EP) has approved changes to the rules on transparency applicable under the Markets in Financial Instruments Regulation (MiFIR), simplifying the limitations on trading without pre-trade transparency (dark trading). The decision supports an EU-wide consolidated tape (CT) through an electronic system which combines sales volume and price data from different exchanges and consolidates these into a continuous live feed, providing a single reference price for each asset class (shares, exchange traded funds, bonds and derivatives)across markets. Trading venues (except smaller markets and SME growth markets) would have to provide pre- and post-trade information to a consolidated tape provider (CTP) as close to real time as it is technically possible. The EP also asks the European Securities and Markets Authority (ESMA) to define the size of financial transactions in equities that could benefit from a waiver from the MiFIR transparency obligations. Approval by the Parliament as a whole would be pending and it would then be taken to the Council.

Other publications of interest

Others

MARKET CORRECTION MECHANISM (MCM)

(01/03/2023) ESMA - ESMA finds that MCM had no measurable impact on financial markets under current market conditions

The European Securities and Markets Authority (ESMA) has published its Effects Assessment of the introduction of the market correction mechanism (MCM) on gas derivative markets. In the report, ESMA explores whether there has been any change in trading or in the Central Counterparties (CCPs') capacity to conduct their risk management activities, as a consequence of the MCM. The results confirm that no noticeable impact can be identified. However, it should not be understood as the MCM not having any impact because it could be different as the market environment changes and the activation of the MCM is anticipated by market participants.

IORP II DIRECTIVE

(03/03/2023) EIOPA - EIOPA consults on technical advice for the review of the IORP II Directive

The European Insurance and Occupational Pensions Authority (EIOPA) has launched a public consultation on draft technical advice for the review of the IORP II Directive in response to a request from the European Commission. The EIOPA will provide its final advice in October 2023. The consultation covers the following areas: i) governance and prudential standards; ii) cross-border activities and transfers; iii) information to members and beneficiaries and other business conduct requirements; iv) shift from defined benefit to defined contributions and v) sustainability, diversity and inclusion.

ACCOUNTING FOR VARIABLE CONSIDERATION

(09/03/2023) EFRAG – EFRAG extends the deadline to respond to its Discussion Paper – Accounting for variable consideration – From a purchaser´s perspective

The European Financial Reporting Advisory Group (EFRAG) has allowed more time for interested stakeholders to provide their views on the Discussion Paper on Accounting for Variable Consideration on September 2022. The Paper identifies the accounting issues about variable consideration faced by purchaser entities. These are: i) when to recognize a liability for variable consideration; and ii) whether/when subsequent changes in the estimate of variable consideration should be reflected in the cost of the acquired asset. It also presents alternatives for accounting requirements for the two issues and outlines the qualitative characteristics of useful information for each of these alternatives, meanwhile it assesses the general International Financial Reporting Standards (IFRS) requirements for variable consideration. The deadline for responses is by November 30, 2023.

SECURITIES MARKETS AND INVESTMENT

(09/03/2023) Congreso de los Diputados – El Congreso aprueba la Ley Orgánica del Sistema Universitario y la Ley de los Mercados de Valores y de los Servicios de Inversión

The Spanish Congress of Deputies has approved the Securities Markets and Investment Services Act, after incorporating the Senate's amendments, which involved minor modifications to provide homogeneity and clarity to the legal text without entailing substantial changes to the content. After concluding its parliamentary processing, the law is ready for publication in the Official State Gazette (BOE) and subsequent entry into force.

SUPPORT TO MORTGAGE BORROWERS

(10/03/2023) FCA – FG23/2: Guidance for firms supporting existing mortgage borrowers impacted by rising living costs

The Financial Conduct Authority (FCA) has published Final Guidance for firms supporting their mortgage borrowers affected by the rising cost of living. This document explains how firms can support their customers, including through automated processes and digital channels. It sets out the flexibility firms have to grant moratoriums to those who need them, as well as the scope that firms have to vary contract terms for other borrowers who want to reduce their monthly payments.

SAFEGUARDING OF BANK DEPOSITS

(12/03/2023) FED - Federal Reserve Board announces it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors

The Federal Reserve (FED) has announced it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors. This action will bolster the capacity of the banking system to safeguard deposits and ensure the ongoing provision of money and credit to the economy. The additional funding will be made available through the creation of a new Bank Term Funding Program (BTFP), offering loans of up to one year in length to banks, savings associations, credit unions, and other eligible depository institutions pledging U.S. Treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral.

Inside information

(20/03/2023) ESMA – ESMA raises concerns with the proposed changes to the insider list regimen

The European Securities and Markets Authority (ESMA) has sent a letter to the European Parliament and Council raising concerns with proposed changes to the insider list regime in the Markets Abuse Regulation. The proposed changes, which were put forward by the European Commission in December 2022 as part of the Listings Act proposal, mean that insider lists would only include persons who have regular access to inside information, and not those who may have access to such information on a case by case basis. The letter outlines how the proposed changes may lead to detrimental effects for national supervisors and their ability to enforce against market abuse, as well as for issuers, who use insider lists to manage the flow and access to inside information.

Annual insurance review

(27/03/2023) IAIS - IAIS releases Year in Review 2022, sharing highlights from the past year

The International Association of Insurance Supervisors (IAIS) has published its Review 2022 report highlighting the progress made by this association over the past year in: i) assessing and responding to global market trends; ii) standard setting; iii) supervisory practices and information exchange; iv) assessing and promoting observance of IAIS supervisory material; and v) social responsibility. Finally, the report outlines the 2023-2024 projects and activities that form the work program for IAIS to keep responding to global issues and trends facing the insurance sector.

Derivatives on fractions of shares

(28/03/2023) ESMA - ESMA publishes guidance on fractional shares

The European Securities and Markets Authority (ESMA) has issued a Public Statement addressing investor protection concerns raised by derivatives on fractions of shares. The statement highlights that derivatives on fractions of shares are not corporate shares, and therefore firms should not use the term fractional shares when referring to these instruments. It also reminds that: i) all information provided to clients on these instruments shall be fair, clear, and not misleading being all direct and indirect costs and charges relating to them clearly disclosed; ii) it is expected to result in a narrow target market of clients; and iii) an appropriateness assessment needs to be carried out where non-advised services are provided.

• SUSTAINABILITY

Green Deal Industrial Plan

(01/02/2023) EC - The Green Deal Industrial Plan: putting Europe's net-zero industry in the lead

The European Commission (EC) has presented a Green Deal Industrial Plan to enhance the competitiveness of Europe's net-zero industry and support the fast transition to climate neutrality. The Plan aims to provide a more supportive environment for the scaling up of the EU's manufacturing capacity for the net-zero technologies and products required to meet Europe's ambitious climate targets. The Plan builds on previous initiatives and relies on the strengths of the EU Single Market, complementing ongoing efforts under the European Green Deal and REPowerEU. It is based on four pillars: a predictable and simplified regulatory environment, speeding up access to finance, enhancing skills, and open trade for resilient supply chains.

Greenhouse Gas Reduction

(15/02/2023) EPA - EPA Announces Initial Program Design of Greenhouse Gas Reduction Fund

The Environmental Protection Agency (EPA) has announced initial guidance on the design of the Greenhouse Gas Reduction Fund (GGRF) program, created by the Inflation Reduction Act. The EPA published two Federal Assistance Listings outlining key parameters of the grant competitions that will ultimately award nearly $27 billion to leverage private capital for clean energy and clean air investments across the country. These listings comprise a $20 billion General and Low-Income Assistance Competition and a $7 billion Zero-Emissions Technology Fund Competition.

Other publications of interest

Others

GREEN BONDS

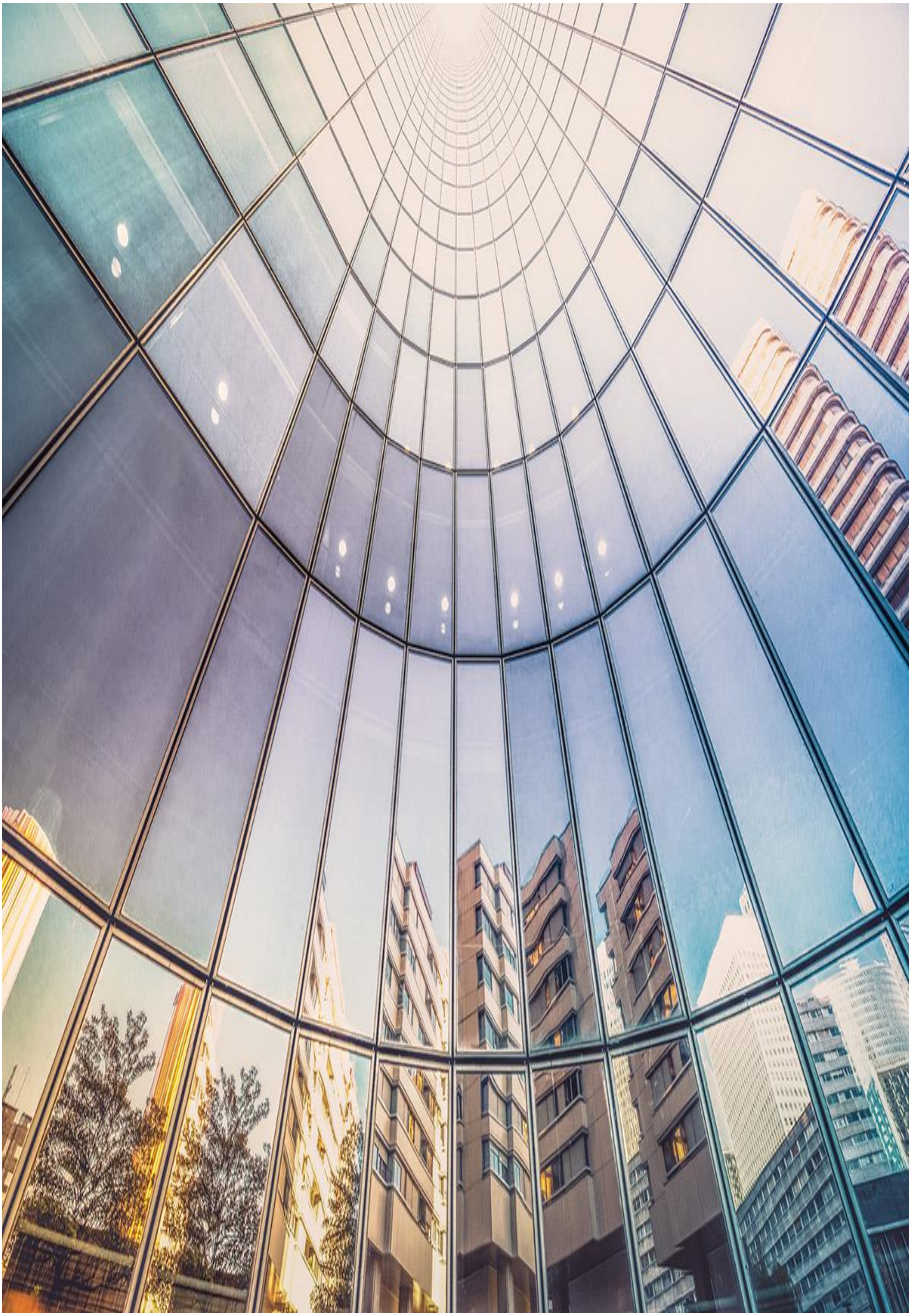
(01/03/2023) EP - Legislators strike deal on a new standard to fight greenwashing in the bond markets

The European Commission (EC) has reached a tentative agreement on the creation of European Green Bonds (EuGBs) stating that at least 85% of EuGBs will need to be invested in economic activities that are aligned with the EU taxonomy, provided the sectors concerned are already covered by it. Thus, for sectors not yet covered by the EU taxonomy and for certain very specific activities, there will be a flexibility margin for investment of 15%. As regards supervision, the national competent authorities of the home member state designated shall supervise that issuers comply with their obligations under the new standard. On the other hand, all companies choosing to use the standard when marketing a green bond will be required to disclose much information about how the bond's proceeds will be used but are also obliged to show how those investments feed into the transition plans of the company as a whole. The agreement is provisional as it still needs to be confirmed by the Council and the European Parliament, and adopted by both institutions before it is final. It will start applying 12 months after its entry into force.

CLIMATE CHANGE WITHIN THE INSURANCE SECTOR

(15/03/2023) IAIS - Public Consultation on Climate risk. Supervisory guidance – part one

The International Association of Insurance Supervisors (IAIS) has published a consultation document, which provides an update on the overall work programme of the IAIS in promoting a globally consistent supervisory response to climate change within the insurance sector. The current consultation also outlines proposed changes to the Insurance Core Principles (ICP) Introduction, which positions climate risk within the global framework for insurance supervision. Finally, the consultation includes questions seeking stakeholder feedback on the overall climate-related work as it relates to supervisory guidance.



Management Solutions' Alert System on Regulation

Management Solutions promotes immediate knowledge of regulatory developments among its professionals and customers through FinRegAlerts App

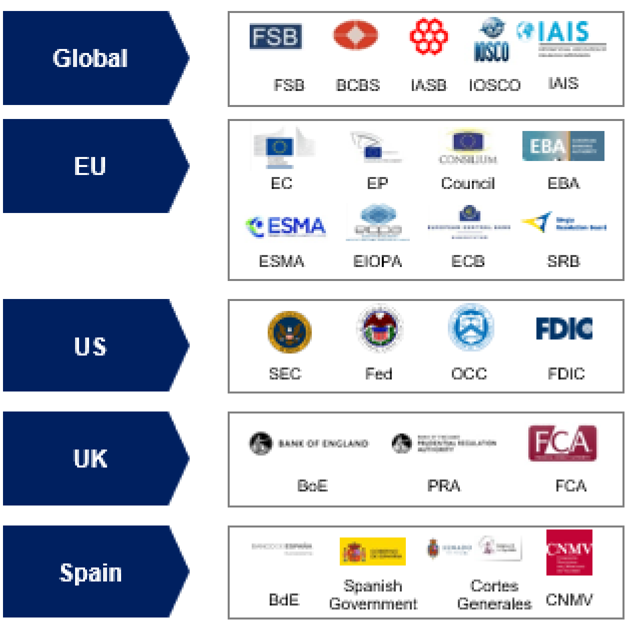
Alert System on Regulation

- The R&D department in Management Solutions monitors on a daily basis the regulatory publications from more than 20 financial regulators and supervisors.
- For those publications which are more likely to give rise to significant effects upon MS clients, the R&D department has been sending out publication alerts since the beginning of 2013.
- Alerts are published in Spanish and English within 48 hours since the publication by the regulatory body.
- Moreover, quarterly MS publishes the Regulation Outlook, a report that collects the alerts of the period and anticipates the main upcoming regulatory changes.
- Management Solutions' service on financial regulatory alerts is provided through the FinRegAlerts App for mobile devices, which is available for free download in the main app stores:

Download on the App Store

ANDROID APP ON Google play

Regulators



Our goal is to exceed client expectations, becoming their trusted partners

Management Solutions is an international consultancy firm focusing on providing business, risk, financial, organizational and process-related advice, both in respect of functional components and in the implementation of related technologies.

With a cross-functional team of 3.300 professionals, Management Solutions operates through 43 offices (18 in Europe, 20 in the America, 2 in Asia, 1 in Africa, 1 in Oceania).

To meet these requirements, Management Solutions structures its activities by industry (Financial Institutions, Energy, Telecommunications, Consumer Products and Industry, Government and Construction), grouping together a wide range of areas of specialization, including Strategy, Sales and Marketing Management, Organization and Processes, Risk Management and Control, Management and Financial Reporting and New Technologies.

Manuel Ángel Guzmán Caba
Partner in Management Solutions
manuel.guzman@managementsolutions.com

Marta Hierro Triviño
Director in Management Solutions
marta.hierro@managementsolutions.com

Management Solutions
Tel. (+34) 91 183 08 00
www.managementsolutions.com

Confidentiality clause

The information contained on this publication is of a general nature and does not constitute a professional opinion or an advisory service. The data used in this publication come from public sources. GMS Management Solutions, SL assumes no liability for the veracity or accuracy of such data.

Management Solutions, Professional Consulting Services

Management Solutions is an international consulting firm whose core mission is to deliver business, risk, financial, organisation, technology and process-related advisory services.

For further information please visit **www.managementsolutions.com**

Follow us at:

www.managementsolutions.com

Madrid Barcelona Bilbao Coruña London Frankfurt Düsseldorf Paris Amsterdam Copenhagen Oslo Warszawa Wrocław Zürich Milano Roma Bologna Lisboa Beijing İstanbul Johannesburg Sydney Toronto New York New Jersey Boston Pittsburgh Atlanta Birmingham Houston San Juan de Puerto Rico San José Ciudad de México Monterrey Querétaro Medellín Bogotá Quito São Paulo Lima Santiago de Chile Buenos Aires