

Regulation Outlook



Design and Layout

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The purpose of this report is to gather the main publications with implications for the financial industry issued during the reporting quarter by global, european and local standards providers, regulators and supervisors in the main geographies where Management Solutions operates.

For the purposes of this report the term "regulator" may be used in a broad sense to refer also to standard providers and supervisors.

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Executive Summary

The first quarter of 2024 has been notable for technological advancements with the approval of the AI Act by the EP and the Instant Payments Regulation by the Council. In the realm of Capital, the publication of the ECB's Internal Models Guide and the stress test scenarios for 2024 on the capitalization of large banks in the US stand out. In Chile, the regulation establishing a standardized methodology for calculating expected losses for consumer loans is noteworthy.

European Region

- **[EU] Consultation Paper of Draft Guidelines on the management of ESG risks.** The EBA has published a Consultation Paper of Draft Guidelines on the management of ESG risks. The guidelines set requirements for the internal processes and ESG risks management arrangements that institutions should have in place, to ensure the resilience of the business model and risk profile of institutions in the short (3 years), medium (3-5 years) and long term (at least 10 years). (EBA, January 2024).
- **[EU] Final version of the guide to internal models.** The ECB has published the final version of the guide to internal models. In line with the revised version submitted for consultation, the revised Guidance clarifies how banks should include material climate and environmental risks in their models and provides clarifications for banks wishing to revert to the standardised approach for calculating their risk-weighted assets. The final version does not incorporate major changes with respect to the draft version. (ECB, February 2024).
- **[EU] Regulation on instant payments.** The Council has adopted the Regulation on making instant euro payments more accessible. This regulation amends existing ones regarding instant transfers in euros. The new rules require payment service providers (PSPs) offering transfer services to ensure that their service is instant. Security measures are established to protect against fraud and errors in transfers. (Council, March 2024).
- **[EU] the Artificial Intelligence (AI) Act.** The main objective of the AI Act is to improve the functioning of the internal market by establishing a uniform legal framework for the development, marketing, use and servicing of AI systems in the EU. This is done with the intention of promoting the adoption of human-centered and reliable AI, while ensuring a high level of protection against the harmful effects of AI systems and supporting innovation. (EP, March 2024).

American Region

- **2024 Stress test scenarios on the capitalization of large banks.** The objective of these stress tests is to assess the resilience of large banks by estimating losses, net income and capital levels, which provide a cushion against losses, under hypothetical recession scenarios extending two years into the future. The results of the tests will be used to set capital requirements for large banks. The Board will publish the aggregate results along with the annual stress test results in June 2024. (Fed, February 2024).
- **[US] Enhancement and Standardization of Climate-Related Disclosures for Investors.** The new rules follow TCFD and FSB recommendations but tailored to the needs of investors. The compliance dates for the final rules, which are staggered and vary by company size, range from the fiscal year beginning (FYB) on January 1, 2025 to the FYB of January 1, 2028. (SEC, February 2024).
- **[CH] Regulation that establishes the standardized methodology for calculating provisions for consumer loans.** CMF has published the final text of the regulations of the Standard Model of Provisions for Consumer Loans of Banking Institutions. Important players in the financial sector, such as the Association of Banks and Financial Institutions (ABIF) and the Retail Financial Association (ARF), participated in the preparation of these regulations in order to ensure the adequacy and relevance of the proposed provisions. The publication of these regulations represents a significant advance in credit risk management in the Chilean financial sector. (CMF, March 2024).

Regulatory outlook

In Europe, the final publication of the AI Act is expected, along with new regulations associated with the Fintech Law in Chile, as well as an Open Data decree in Colombia. Regarding sustainability regulation, in Europe, ESMA will issue a consultation on the regulation of green bonds, and in the US, the conclusions of the pilot exercise analyzing climate scenarios conducted by the Fed will be published.

Featured regulatory projections

1. Next quarter

- **(Global) Q2 2024:**
 - IAIS: i) Consultation on changes to certain Insurance Core Principles (ICP) guidance with relation to climate risk, as well as supporting material; ii) final recommendations for the regulation of Decentralised Finance (DeFi).
 - IOSCO: Consultation paper on voluntary carbon markets.
- **(Europe) Q2 2024:**
 - EP/Council: Regulation laying down the requirements for artificial intelligence (AI Act).
 - EBA: i) 2023 benchmarking report on IRB models; ii) Monitoring report on capital treatment of STS synthetics; iii) Monitoring report on collateralisation practices; iv) RTS of extraordinary circumstances to allow continued use of IMA; v) GL stress testing (MiCAR).
 - EIOPA: Review of the digital transformation strategy, integrating it with the data and IT strategy, the SupTech Strategy and partially also the cyber underwriting strategy.
 - ESMA: Consultation on reverse solicitation and classification of crypto assets as financial instruments under MiCA.
 - ESMA: Consultation on European Green Bond Regulation.
 - ESMA: Consultation on the Technical Standards specifying certain requirements of MiCA (third package).
 - EC: Final version CRR III and CRD VI.
- **(UK) Q2 2024:**
 - UK.gov: Consultation on the introduction of requirements for the UK's largest companies to disclose their transition plan to net zero, if they have them.
- **(US) Q2 2024:**
 - Fed: i) Conclusions obtained from the Pilot Climate Scenario Analysis Exercise (CSA); ii) aggregate results alongside the annual stress test results.
- **(Chile) Q2 2024:**
 - CMF: i) Diagnosis and adjustments derived from the assessment of the Core Principles of Banking Supervision (BCP) conducted by the FSAP; ii) regulatory review to promote securitizations; iii) standard method for calculating provisions for individual commercial portfolio of banks; iv) rules associated with risk management of cooperatives; v) rule on outsourcing and contingency plans in insurance companies; vi) rules on standard model of provisions for commercial endorsable mortgage loans (MHE). Modification NCG N°311, on valuation of financial investments; vii) regulation on liquidity information of insurance companies; viii) standards on Disclosure of Environmental and Social Matters in FFAs (adoption/Dissemination of Adherence to Principles of Responsible Investment); ix) Implementation of model for counterparty risk in derivatives called SA-CCR (standardised approach); x) capital requirements for Central Counterparty Institutions (CCPs); xi) standard on information on insurance other than annuities; xii) parametric insurance (Fintec Law) and rules associated with the Fintec Law; xiii) amendment of NCG N°306 on non-pension insurance reserves; xiv) regulation on real estate appraisals, NCG N°316, on valuation of real estate investments.

- **(Colombia) Q2 2024:**
 - URF: (i) Decree on Shared Service Centres; (ii) Decree on Portability; (iii) Decree on Open Data.
 - FOGAFIN: Additional Regulation on the Purchase of Assets and Assumption of Liabilities and the Bridge Bank..
 - **(Peru) Q2 2024:**
 - SBS: Draft Resolution amending the Accounting Manual for Financial System Companies.
- 2. Next year**
- **(Global) Q4 2024:**
 - BCBS: i) Assess the materiality of gaps in the existing Basel framework; ii) final proposal for the document on disclosure of climate-related financial risks.
 - **(Europe) 2024:**
 - EBA: i) Third revision of the SREP guidelines; ii) CP on GL for climate stress testing; iii) greenwashing report; iv) ITS on ESG reporting; v) RTS on assessment of ESG risks; vi) RTS on ESG disclosures for STS securitization; vii) review of RTS on sustainability disclosures PAI indicators; viii) Final report on prudential treatment exposures; ix) Guides on cryptoassets classification; x) RTS on off-balance sheet items.
 - EBA/ESMA: report on minimum haircut floor.
 - ECB: Final guide on effective risk data aggregation and risk reporting (RDARR).
 - EIOPA: i) GL promoting supervisory convergence under SFDR, MiFID II, Taxonomy Regulation, CSRD, the Bench marks 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; vii) RTS on the minimum elements that should be included in a business reorganisation plan; viii) Revision of RTS on securitisation disclosure requirement (CP); ix) Initiate one-off climate change stress test in cooperation with ESRB, ECB, EBA, ESMA.
 - **(Europe) Q3 2024:**
 - EBA: CRR II / CRD V and CRR III / CRD VI / Basel III monitoring report (annual report).
 - **(Europe) Q4 2024:**
 - EBA: i) ITS on mapping Business Indicator components (BIC) to FINREP; ii) RTS establishing a risk taxonomy of OpRisk loss events; iii) Pillar 1 follow-up report (pending CRR III mandate and deadline)..
 - ESMA: Final report under MiCA.
 - **(Europe) December 2024:**
 - EC: Sustainability Due Diligence Directive.
 - EBA: Final guidelines for ESG risk management.
 - EIOPA: Insurance stress test results for 2024.
 - **(Europe) 1Q 2025:**
 - EBA: Climate Risk Scenario Results Fit-for-55
 - **(UK) 2024:**
 - UK.Gov: Consultation on UK Green Taxonomy..
 - **(UK) December 2024:**
 - BoE: Report with the final results of the BoE's Exploratory Scenario Exercise (SWES).
 - **(Chile) Q1 2025:**
 - CMF: i) Amendment of RAN 1-13 to include "Recovery plan development and integration in the management of the recovery plan" as a subject of review. li) Standardised method of computation of provisions for individual commercial portfolio of banks.
 - **(Colombia) Q3 2024:**
 - URF: i) Decree on CIIEF; ii) Decree on SAS as issuer of securities; iii) Decree on the investment regime of the insurance system.
 - **(Colombia) Q4 2024:**
 - URF: i) Decree on the supervision of information operators; ii) Decree on the architecture of the trust business; iii) Decree on the regulatory update of the solidarity sector.

3. More than a year

- **(Europe) 2025:**
 - EIOPA: i) Implementation of a cyber incident reporting system - Centralised data centre.
 - ESAs: Establishment of the EU-wide Oversight Framework of critical ICT third-party service providers.
 - EBA: i) Publication of the first results of the exercise using the final templates for the collection of EBA climate-related data; ii) Adequacy of PD/LGD input floors of credit risk; iii) RTS on Equity positions (TB-BB Boundary); iv) GL CVA risk for supervisors and RTS.
- **(Europe) 2026:**
 - EBA: Report to EC on revised Operational Risk
- **(Brazil) 2025:**
 - Banco Central do Brasil: i) ensure the stability of the purchasing power of the currency, ensure a sound, efficient and competitive financial system, and promote the economic well-being of society; ii) be recognised for promoting inclusion, transparency, sustainability and competitiveness in the financial system and for stimulating the financial education of citizens.
- **(Chile) Q2 2025**
 - CMF: Application of IFRS 17 and 9 to the Chilean insurance market.

Dates of entry into force¹

1. Next quarter

- **(Europe) Q2 2024-Q3 2024:**
 - ESMA stress test exercise for central counterparties (CCPs).
- **(Europe) June 2024:**
 - EBA: First reference date for disclosure of additional information (vs. GAR) of the BTAR.
 - EBA: First reference date for the implementation of the EBA Draft ITS amending Commission Implementing Regulation (EU) 2021/451 as regards reporting on IRRBB.
- **(UK) May 2024:**
 - PRA policy statement (PS 6/23) providing responses to comments to CP6/22 on MRM principles for banks.
 - FCA: Rule against greenwashing.
- **(UK) June 2024:**
 - FCA: Labelling, naming and marketing requirements and initial PS disclosure on sustainability disclosure requirements (SDR) and investment labelling.
- **(Chile) April 2024:**
 - CMF: Changes introduced as a result of the public consultation on adjustments to chapter 21-13 of the Updated Compendium of Banking Standards.
- **(Chile) June 2024:**
 - CMF: Banks' additional capital requirements are increased by 25%.

2. Next year

- **(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.
 - EBA: Risk Based Supervision Guidelines.
 - EP/Council: European Green Bond Regulation.
 - EBA: Guideline on ML/TF Risk Factors to include crypto-asset service providers (CASP).

(1) For the purposes of this section, the concept of "entry into force" will be applied in a broad sense. Thus, the main milestones of application of the most relevant regulatory developments are included in this section

- **(Europe) January 2025:**
 - EP/Council: Member States shall adopt and publish the regulations and administrative provisions necessary to comply with CRD IV amendments.
 - EP/Council: General application of the provisions amending the CRR which introduce revisions to the Basel III framework in Europe (Basel IV).
 - EP/Council: DORA application
 - ESAs: RTS document on the ICT risk management framework.
 - CSRD: Application for large companies not currently subject to the NFRD.
 - BCBS: Implementation of the requirements on the Disclosure of Cryptoasset Exposures.
- **(Europe) March 2025:**
 - EBA: Amendments to the reporting requirements on market risk and the information to be reported on own funds requirements under the alternative approaches.
- **(UK) July 2024:**
 - FCA: Rules and guidance introduced by the Consumer Duty in relation for closed products or services
- **(US) January 2025:**
 - SEC: Final Rule of the Enhancement and Standardization of Climate-Related Disclosures for Investors
- **(BR) January 2025:**
 - BCB: Standard Instruction on accounting items in the Assets Held for Sale group of the List of Accounts of the Accounting Standard for Institutions Regulated by the BCB. ,
- **(CH) January 2025:**
 - CMF: Regulations establishing the standardised methodology for the computation of consumer placements.

3. More than a year

- **(Europe) 2025:**
 - EBA: ITS modifying Pillar 3 and RTS information on BI components and settings and ITS on the allocation of BI components.
- **(Europe) September 2025:**
 - Council: Regulation on harmonised rules for fair Access and use of data.
- **(Europe) January 2026:**
 - CSRD: Implementation for listed SMEs, as well as for small and non-complex credit institutions and captive insurance companies.
- **(Europe) June 2026:**
 - CSRD: Application for certain sectors and for certain third country companies to prepare for sectoral European Sustainability Reporting Standards (ESRS) and for specific standards for large non-EU companies.
- **(Europe) Q3 2026:**
 - End of the validity of Royal Decree 817/2023 on the controlled environment for Artificial Intelligence testing.

Relevant publications

This section is a compilation of the most relevant publications published by the R&D area through the FinRegAlert app. This content covers regulatory publications considered to have a particular impact on the financial sector.

These publications are listed according to the geographic scope of the publication and the date of publication.

In addition, the publications have been labelled for information purposes with the most representative topics of the type of content or nature of the publication:

CL	Capital, liquidity & leverage	D	Reporting & disclosure
P	Provisions & NPL	C	Compliance & conduct
E	Supervisory expectations	S	Sustainability
G	Governance	T	Technology y AI
R	Recovery & resolution	O	Others

Index of this quarter's most important publications

Scope	Regulator	Theme	Title	Date	Page
Global	ITU	T	Technical report on Cyber Security Resilience Assessment toolkit for DFS Critical Infrastructure	15/02/2024	11
EU	EBA	D CL	Amendments to the reporting requirements for market risk	18/01/2024	12
EU	EBA	CL	Consultation paper on the amendments draft RTS on the prudent valuation framework	19/01/2024	13
EU	EBA	C	Final report on amending GL on ML FT risk factors extending the scope to crypto-asset service providers	22/01/2024	15
EU	EBA	D	Amendments to the data collection for the benchmarking exercise in 2025	23/01/2024	16
EU	EBA	S	Consultation Paper of Draft Guidelines on the management of ESG risks	25/01/2024	17
EU	EBA	O	Heatmap following the EBA scrutiny on the Interest Rate Risk in the Banking Book (IRRBB) Standards implementation in the EU	30/01/2024	19
EU	EBA	D	ITS amending Pillar 3 disclosures and RTS on the components and adjustments of the BI and ITS on the mapping of the BI components	27/02/2024	20

Relevant publications

Scope	Regulator	Theme	Title	Date	Page
EU	Council	T	Agreement on more accessible instant payments in euros	21/02/2024	22
EU	ECB	E CL S	Final version of the guide to internal models	20/02/2024	23
EU	EP	T	AI Act approval	14/03/2024	25
EU	ESAs	T	First set of rules under DORA for ICT and third-party risk management and incident classification	22/01/2024	27
EU	ESAs	T	Report on 2023 stocktaking of BigTech direct financial services provision in the EU	12/02/2024	29
EU	ESMA	T	Consultations Papers on guidelines under MiCA	06/02/2024	30
ES	CNMV	O	2024 Business Plan.	01/03/2024	31
US	Fed	CL E	2024 Stress Test Scenarios	19/02/2024	32
US	Fed	O	Shared National Credit Program (SNC) report	05/03/2024	33
US	SEC	S D	Enhancement and Standardization of Climate-Related Disclosures for Investors	06/03/2024	35
AR	BCRA	O	Measures taken in response to the evolution of the economic situation and liquidity conditions	11/03/2024	36
CH	CMF	E CL	Resolution on the regulatory implementation of additional requirements under Pillar 2	01/02/2024	37
CH	CMF	P	Regulation that establishes the standardized methodology for calculating provisions for consumer loans.	14/03/2024	38

Relevant publications

Global



15/02/2024

T ITU - Technical report on Cyber Security Resilience Assessment toolkit for DFS Critical Infrastructure

1. Context

Over the past few decades, Digital Financial Services (DFS) have become among the leading methods for financial transactions for a growing number of world countries. This phenomenon is not exclusive to advanced economies on the contrary, digital transformation, accelerated by the COVID-19 pandemic, has also concerned emerging markets. Studies show that DFS in developing countries can be at the forefront of economic growth. This advantage has encouraged emerging economies to take action toward a more digitalised financial environment. Therefore, the DFS infrastructure is critical and should be assessed in terms of cyber resilience.

In this context, the ITU has published a **technical report on Cyber Security Resilience Assessment toolkit for DFS Critical Infrastructure**. The aim of this report is to support DFS regulators and DFS stakeholders in emerging economies in assessing their critical infrastructure's cyber resilience level.

2. Main points

- **Cyber Resilience Toolkit:**
 - The objective is to facilitate cyber resilience self-assessments and enhance the resiliency of the DFS infrastructure by reinforcing both peripheral and internal defences. By utilising this tool, stakeholders as DFS entities, users and actors can gain a better understanding of how to prepare for potential malicious cyber operations and establish best practices to defend against unauthorized access attempts.
 - This report presents a Critical Entity Identification Matrix to identify the entities relevant to the cyber resilience assessment proposed in the toolkit. The matrix identifies four different categories of entities based on their roles in the DFS ecosystem and the assessed impact on users and the national population in case they are targeted by a cyberattack.
 - In relation to the structure, the tool presents straightforward questions and controls to facilitate self-assessment and the evaluation of mitigation measures in place. This toolkit outlines four levels of cyber resilience maturity, which detail the characteristics needed to be more cyber resilient.
- **Mapping the DFS infrastructure:**
 - DFS actors are defined as all individuals, entities, or organisations directly involved in a digital transaction. Specifically the report recognises four main actors to be critical in any DFS operation: i) the client; ii) mobile network operators; iii) financial institutions; and iv) third parties. Their significance in the system is based on their roles in the DFS infrastructure and their importance in financial operations.
 - Different DFS ecosystems' actors face threats that often share several commonalities. For this reason, ITU proposed a comprehensive framework to categorise and map threats, vulnerabilities, and risks suggesting mitigation procedures. This categorisation effort has been analysed to define a preliminary shared understanding of some risks common to DFS ecosystems, as the account hijacking attacks or credential attacks.
- **Methodology:**
 - The report presents a comprehensive and holistic methodology that created the theoretical foundation to define the Cyber Resilience Toolkit. The methodology focuses on characteristics specific to developing areas to ensure its applicability across all emerging economies.
 - This report refers to pillar 1, Risk Management (RM), as the process related to the efficient implementation of risk assessment and treatment activities. These processes will allow DFS entities and concerned relevant third-parties to structure and update mechanisms to anticipate, evaluate and mitigate risks, ensuring critical resiliency.
 - The report defines the second pillar, Governance, as the framework for DFS entities to achieve strategic and resiliency objectives. Its role is critical to ensure a robust cyber resilience approach implementation to face prevailing and emerging cyber-focused threats.
 - Pillar 3, Testing, encompasses assessing an organisation's cybersecurity capabilities and measures implemented to understand how effective they are in preventing and defending against malicious cyber-threat actors. The complex and diversified nature of the DFS ecosystem includes financial and telecommunication entities, requiring participants to use a wide range of cyber resilience assessment tools.
 - In relation to training and awareness, the document defines the process that provides participants with an overview of strategies, approaches, and procedures in place within a DFS entity. Such processes aim to upskill staff to a pre-determined understanding of a given matter.
 - Finally, the incident response life cycle refers to a series of steps an entity needs to perform when handling a cybersecurity incident. Divided into four main stages, they define the standard procedure that technical teams and other relevant business units need to follow to detect and respond to a cyber event.

Relevant publications

European region



18/01/2024

D EBA - Amendments to the reporting requirements for market risk

CL 1. Context

The Fundamental Review of the Trading Book (FRTB) was implemented by means of Capital Requirement Regulation (CRR2), constituting the first step towards the full implementation of the FRTB in the European Union (EU). CRR mandates the EBA to specify the details of the reporting on the own funds' requirements calculated in accordance with the FRTB. The Implementing Technical Standards (ITS) on specific reporting requirements for market risk have been requiring institutions to submit high-level information on the size of their business subject to market risk and the own funds requirements calculated on the basis of the Alternative Standardised Approach for market risk (ASA) since 2021.

In this context, the EBA has published **amendments to the reporting requirements for market risk**. As the implementation of the FRTB in the EU approaches, the EBA revised the information to be reported on the own funds' requirements under the alternative approaches and adds reporting on reclassifications of instrument between the regulatory books.

2. Main points

- The core of the reporting – the information on the application of the alternative standardised approach (ASA) and alternative internal model approach (AIMA) – **impacts entities whose business subject to market risk exceeds the thresholds stipulated in CRR**. In accordance with the amendments to the CRR that are introduced by the provisionally agreed text of the CRR3, that will also include entities that only apply the ASA to their business subject to foreign exchange of commodities risk, which have been so far exempted from the obligation to report information on the own funds' requirements according to the FRTB framework.
- The **content originally included in the ITS on FRTB reporting**, as well as the new template and instructions presented in the consultation paper, are transferred to the ITS on Supervisory Reporting, so that the ITS on FRTB reporting can be repealed and all obligations on market risk can be found in one and the same legal act. The amendments presented in this report comprise the following two sets of information:
 - Information on the own funds requirement calculated under the ASA and AIMA and accompanying information;
 - Information on the size of the trading book and the business subject to market risk, as well as information on reclassifications of instruments between the trading and non-trading books (banking book).
- In addition to these amendments, this final report also presents selected other amendments linked to the **implementation of the FRTB approaches or the boundary rules revised by the CRR3**.

3. Next Steps

- The draft amending implementing technical standards will be submitted to the Commission for endorsement before being published in the Official Journal of the European Union. The technical standards are expected to apply for the first time for the reporting as of **31 March 2025**. The EBA will also develop the data-point model (DPM), XBRL taxonomy and validation rules based on the final draft ITS.



19/01/2024

CL EBA - Consultation paper on the amendments draft RTS on the prudent valuation framework

1. Context

Commission Delegated Regulation (EU) 2016/101 sets out requirements for the prudent valuation of fair-valued financial instruments. Under the prudent valuation framework institutions are required to calculate additional valuation adjustments of their fair-valued financial instruments, which are intended to set valuations at a level that achieves an appropriate degree of certainty for prudential purposes. The Regulation has been in force since February 2016 and sets a common harmonised methodology for the valuation of fair valued assets for prudential purposes. Given that the prudent valuation framework has been in force for some time, EBA recently reviewed its implementation, noting that differences still exist even though a degree of convergence has been achieved.

In this context, the EBA has published a **consultation paper where it proposes amendments to the draft Regulatory Technical Standards (RTS) on prudent valuation framework**, to address targeted implementation issues. In addition, this document includes a proposal for how to address the mandate introduced by the legislative proposal amending the Capital Requirements Regulation (CRR3).

2. Main points

- **Institutions should calculate additional valuation adjustment (AVAs) with a monthly frequency upon request from their competent authority.** While this provides the supervisor in a targeted manner with access to monthly information on AVAs in particular situations where they require closer monitoring, it does not introduce yet a regular requirement for all institutions to calculate and report the AVAs on a monthly basis. It is expected that this requirement can be met by institutions without significant cost of compliance, in particular in the light of the requirement in CRR.
- In accordance with the Regulation, institutions can use two different methods to aggregate AVAs for market price uncertainty (MPU), close-out costs (CoC), and model risk. EBA identified that the majority of European institutions that use the core approach used the first method. Therefore, draft RTS proposes the **removal of the second method from the Regulation.**
- **Fair-valued back-to-back derivative transactions and securities financing transactions (SFTs) should be included in the threshold computation.** This ensures that valuation risks associated with back-to-back derivative transactions and SFTs that are fair-valued are captured also under the simplified approach and it restores the alignment with the treatment for these transactions under the core approach, which currently already captures those valuation risks.
- The draft RTS amends the **hierarchy of data sources** for the purposes of determining AVAs, moving certain data sources previously considered to be eligible in the context of range-based approaches under the expert-based approaches, as those data sources were observed to be less accurate and reliable. It also includes **additional requirements related to market data and the calibration of pricing models under the core approach.**
- The amending RTS introduces new, more stringent requirements in relation to the **dimensionality reduction of valuation inputs.** These more stringent requirements include setting the aggregation factor 'alpha' at a prudent level of zero for valuation inputs subject to parameter reduction, limiting the scope of application in terms of eligible parameters, requiring institutions to apply a sound qualitative and quantitative rationale when selecting the reduced set of parameters, and ensuring overall that the parameter reduction does not compromise the objective of ensuring an appropriate level of certainty.
- The amending RTS proposes that the **aggregation factor alpha in the Annex of the regulation should be set to zero**, where the amount of fair value adjustments applied for accounting purposes, and reflected in the term 'FV', is not commensurate with the risk other market participants would consider when determining the fair value of the valuation exposure.
- The draft RTS proposes that the **valuation position should be subject to the fall-back approach** when independent pricing sources are not available or pricing sources are more subjective, and the institution is not even able to estimate an adjustment for independent price verification, or to translate the result of the independent price verification (IPV) process into a prudent measure such as a valuation adjustment, to ensure that the AVAs are calculated in a more prudent and standardized manner.
- The consultative document specifies that the **future administrative costs (FAC) AVA category is an incremental AVA to the MPU and CoC AVAs** when: i) the MPU, CoC and concentration position AVAs together do not reliably ensure that the institutions fully exit the valuation exposures; ii) the valuation exposures cannot be mapped to tradable instruments; iii) the valuation exposures require dynamic re-hedging activities; and/or iv) there are obstacles to exiting the valuation exposure.
- The amendment to the RTS introduces a measure to address the concentration of **unearned credit spread (UCS) AVAs** and proposes two ways of identifying concentrations of the UCS AVA, seeking industry's feedback on the preferred one.

- Draft RTS also proposes: i) to **update the requirements for operational risk AVAs** to align them with the upcoming revisions to the CRR; ii) to **revise the calibration of the fall-back approach**, which would reduce the capital deductions deriving from this approach; iii) that AVAs of **unlisted equities** should be determined in accordance with the fall-back approach; to conceptually **align the provisions for the Prudent Valuation framework to those specified to the draft RTS on extraordinary circumstances** for the purposes of the alternative internal model models approach for market risk referred to in CRR, given the interlinkages across the frameworks.

3. Next Steps

- The consultation runs until **16th April 2024**.



22/01/2024

C EBA - Final report on amending GL on ML FT risk factors extending the scope to crypto-asset service providers

1. Context

In 2015, the European Parliament (EP) and the Council published Directive on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (ML/TF). This Directive mandate the EBA to issue Guidelines addressed to both competent authorities (CA) and to credit and financial institutions on the risk factors to be considered and the measures to be taken in situations where simplified customer due diligence and enhanced customer due diligence are appropriate. In this sense, the EBA published the Guidelines on ML/TF risk factors. Furthermore, in 2021 the European Commission (EC) published a legislative package with four proposals to reform the EU legal and institutional AML/CFT framework. One of this proposals mandates the EBA to issue guidelines on the risk variables and risk factors to be taken into account by crypt-asset service providers when entering into business relationship or carrying out transactions in crypto assets. On June 2023, the EBA issued a consultation paper (CP) amending Guidelines on ML/FT risk factors to extend the scope of these Guidelines to crypto-asset service providers (CASPs).

In this context, the EBA has issued the **final report on amending Guidelines on ML FT risk factors**. The new Guidelines highlight ML/TF risk factors and mitigating measures that CASPs need to consider, representing an important step forward in the EU's fight against financial crime.

2. Main points

- The amended Guidelines clarify that the definitions set out in Directive (EU) 2015/849 and Regulation (EU) 2023/1113 also apply to these Guidelines.
- Vulnerabilities in credit and financial institutions' systems and controls framework may expose them to ML/TF risks and specify that firms should carry out a **ML/TF risk assessment** before launching new or making significant changes to the existing practices, products or services.
- Firms should consider whether their **customers' business activities involving crypto-assets** may expose these firms to an increased ML/TF risk.
- CASPs and other firms must **ensure compliance** with the EBA's Guidelines on the use of remote **customer onboarding solutions**.
- Red flag indicators related to CASPs that were highlighted by the Financial Action Task Force in 2020 have been included. The amendments recognise that transactions that are more frequent than usual, transactions involving small amounts that are unusually frequent or transactions without an obvious economic rationale may be **indicators of unusual transactions**. In addition, firms must put in place **suitable transaction monitoring systems** and, in some circumstances, **advanced analytics tools** might be warranted for CASPs due to the level of ML/TF risks.
- Some staff should undergo **training of a more technical nature** to ensure that they are able to interpret the outcomes of the monitoring systems used by the firm, in particular, where advanced analytics tools are used.
- Amended Guidelines recognise that **CASPs will be engaging increasingly with or be customers of credit institutions**. The Guidelines now specify that banks may be exposed to increased risks where they engage in business relationships with those providers of crypto-asset services which are not regulated and supervised under Regulation (EU) 2023/1114.
- The amended Guidelines include a new guideline which clarifies **regulatory expectations for CASPs** when they identify and assess ML/TF risks associated with their overall business and with individual business relationships. Firms should also consider the new Guideline introduced, where they engage in a similar business to that of CASPs or have business relationships with CASPs.

3. Next steps

- The deadline for competent authorities to report whether they comply with the Guidelines will be 2 months after the publication of the translations. The Guidelines will apply from **30 December 2024**.



23/01/2024

D EBA - Amendments to the data collection for the benchmarking exercise in 2025

1. Context

The Capital Requirement Regulation (CRD) requires competent authorities (CAs) to conduct an annual assessment of the quality of internal approaches used for the calculation of own funds requirements. To assist CAs in this assessment, the EBA calculates and distributes benchmark values to CAs that allows a comparison of individual institutions' risk parameters. These benchmark values are based on data submitted by institutions as laid out in Commission Implementing Regulation (EU) 2016/2070 which specifies the benchmarking portfolios, templates and definitions to be used as part of the annual benchmarking exercises.

In this context, the EBA has published a **consultation paper amending the Implementing Regulation on the benchmarking of credit risk and market risk for the 2025 exercise**.

2. Main points

Credit risk benchmarking

- The **mandatory nature** (where applicable) of the reporting of the probability of default and the loss given default risk parameters concerning the Margin of Conservatism (MoC), regulatory add-on, and downturn component is clarified.
- The **use of internal model identifications** (IDs) used with the Cas is clarified.

Market risk benchmarking

- The Implementing Technical Standards (ITS) proposal provides **new templates**, for the collection of information concerning the Fundamental Review of the Trading Book (FRTB) for the Internal Model Approach (IMA).
 - Template 130.01. It splits into two components: risk factor eligibility tests (RFET) and Stress period. The RFET will provide information, at portfolio level, of the number of the risk factors that pass and do not pass the risk factor eligibility test. The Stress Period template (130.01.02), is basically identical of the COREP templates, but since the COREP template is an information based on quarterly relevance, which is not aligned with the benchmarking exercise timing, the competent authorities, with the benchmarking template, will have more specific information of the actual stress period applied during the benchmarking information.
 - Template 130.02. Report on the Expected shortfall (ES) risk measure, Stress scenario risk measure (SSRM) and Default risk charge (DRC).
 - Template 130.03. This captures the Partial Expected Shortfall at portfolio level, a key component of the Expected figures provided in template 130.02.
 - Template 130.4. Requires the Value at Risk (VaR) of the ES,.
 - Template 130.05. It also splits in two. The first one allows for a more aggregated data collection of the component of the total Stress scenario risk measures. The second one, is meant to disaggregate the component of the rescaled SSRM.
- **A new series of portfolio was created.** Historically portfolios were split into Individual and Aggregated. The individual portfolios were made by the aggregation of one or more instruments. The proposal splits the individual portfolio into single instrument portfolio and multi-instruments portfolio. This would allow to better understand the component in the multi-instruments portfolio that generate variability in the risk measures.
- The set of Sensitivities-based method (SBM) validation portfolios for the Delta component of the general interest rate risk class of the Alternative Standardised Approach (ASA) SBM, was adopted in the previous exercise as this risk class is relevant across all participating banks and relevant for most financial instruments. Within this consultation, EBA suggests **extending to all asset classes the same kind of data collection**.

3. Next Steps

- The consultation runs until the **27th March 2024**.



25/01/2024

S EBA - Consultation Paper of Draft Guidelines on the management of ESG risks

1. Context

The EBA, under one of the mandates foreseen in CRD 6 (pending final approval), is required to develop guidance on minimum standards and reference methodologies for the identification, measurement, management and monitoring of environmental, social and governance (ESG) risks by institutions.

In this context, the EBA has published a **Consultation Paper of Draft Guidelines on the management of ESG risks**. The guidelines set requirements for the internal processes and ESG risks management arrangements that institutions should have in place, to ensure the resilience of the business model and risk profile of institutions in the short (3 years), medium (3-5 years) and long term (at least 10 years).

2. Main points

- **Reference methodology for the identification and measurement of ESG risks:**
 - Materiality analysis. Materiality analysis of ESG risks should provide institutions with an insight into the financial materiality of ESG risks to their business model and risk profile. This assessment should be conducted at least annually or, for small and non-complex institutions (SNCIs), every two years or more frequently in case of a material change in their business environment related to ESG factors, such as significant new public policies or changes in the institution's business model, portfolios and operations. This analysis should be comprehensive, assessing the impact on all conventional risks and the entity's main activities, services and products. Institutions should consider as material at least exposures to NACE business sectors A to H, L and I, unless they are able to justify their non-materiality.
 - Data. Institutions should have robust systems for the collection and aggregation of ESG data, as well as procedures for assessing and improving the quality of ESG data. In addition, the EBA provides a list of minimum information requirements for large counterparties on which the information to be collected for other counterparties must also be based.
 - Measurement and assessment principles. Institutions' internal procedures should provide for a combination of methodologies, including exposure-based, portfolio-based, and scenario-based methodologies, allowing to comprehensively assess ESG risks across time horizons.
- **Minimum standards and reference methodology for the management and monitoring of ESG risks:**
 - Institutions should consider the role of ESG risks as potential drivers of all traditional categories of financial risks, including credit, market, operational, reputational, liquidity, business model and concentration risks.
 - Institutions should account for ESG risks when developing, formulating and implementing their overall business and risk strategies.
 - Institutions should ensure that their risk appetite clearly defines and addresses all material ESG risks to which they are exposed.
 - Institutions should develop on an on-going basis their capabilities to identify, assess, mitigate as appropriate and monitor ESG risks. ESG risks should be incorporated into the internal control frameworks of institutions, as a sound and consistent risk culture.
 - Institutions should incorporate material effects of ESG risks into their internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment processes (ILAAP) under both the economic and regulatory perspectives to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquidity that they consider adequate to cover the nature and level of ESG risks.
- **Transition plans:**
 - Key principles: i) institution's transition plan should address and mitigate the portfolios and exposures materially exposed to ESG risks; ii) ensure the objectives at long term with medium-term strategies and short-term metrics and targets are consistent; and iii) they should be properly reflected in risk appetite.
 - In relation to governance, institutions should clearly identify and allocate responsibilities for the development, implementation and monitoring of plans. In addition, they should ensure meaningful and regular interaction and exchanges at all levels of the organization to ensure that insights and feedback from internal stakeholders can be taken into account in the process of formulating, implementing and reviewing plans.
 - The targets set by institutions should serve risk management and strategic steering purposes, cascading down to the sectoral/portfolio exposures levels and at the level of economic activities, at least for the sectors they are materially exposed to and portfolios which they have assessed as being more subject to environmental risks.
 - For target setting, a number of metrics are defined: financed GHG emissions, portfolio alignment metrics, climate-related income, energy efficiency of real estate collateral and % counterparty engagement on sustainable economy.
 - For the purposes of elaborating plans and setting targets, institutions should carefully define and select climate and environmental transition scenarios and pathways.
 - Finally, institutions should clearly lay out the internal processes by which they prepare for a transition to a more sustainable economy and implement their objectives and targets.

3. Next Steps

- The consultation runs until **18th April 2024**.
- It is planned that the guidelines will be finalised by **end 2024**, and the application date will be aligned with the CRD6 application date.



30/01/2024

EBA - Heatmap following the EBA scrutiny on the Interest Rate Risk in the Banking Book (IRRBB) Standards implementation in the EU

1. Context

In October 2022, the EBA published a regulatory package on IRRBB and communicated its scrutiny plans to monitor the impact on institutions from further increases in interest rates and the developments regarding institutions ability to manage the risks. In the first-half of 2023, a roundtable and a series of bilateral technical meetings with selected institutions, were held to better understand the current challenges of IRRBB management. These were aimed at further understanding the implications on business models where changes might be triggered by the increased interest rates. In addition, a series of exchanges with regulators outside the Union were also conducted to understand their implementation of the Basel IRRBB standards. Finally, the work undertaken by the EBA also included the analysis of the data from the Quantitative Impact Studies (QIS) on IRRBB.

In this context, the EBA has published the **Heatmap following the EBA scrutiny on the IRRBB standards implementation in the European Union (EU)**, which discloses policy aspects that will be subject to further scrutiny and corresponding actions in the short to medium and long term.

2. Main points

- **Short and medium term objectives (2024-mid 2025) - more effective supervisory and risk management tools:**
 - The objectives in the short and medium term are: i) analysis of complementary indicators when NII (Net Interest Income) results exceed the supervisory outlier (SOT). ii) analysis of the parameters and risk factors taken into account in the behavioural models and possible development of analytical tools to run these analyses; iii) guidance on and closer scrutiny of provisions of the Regulatory Technical Standards (RTS) on SOTs; iv) continued examination of hedging techniques; and v) continued scrutiny on Pillar 3 disclosure.
- **Medium and long term objectives (beyond mid-2025) - regulatory aspects under review:**
 - The objectives in the medium and long term are: i) continue to analyse the key impacts of the IRRBB regulatory products; ii) monitoring of 5-year maturity cap; iii) possible development of analytical tools to assess IRRBB metrics in the scope of the SREP Guidelines (GL), as continuation of short and medium term objective; iv) contribute to the Dynamic Risk Management (DRM) project of International Accounting Standards Board (IASB); v) credit spread risk in the banking book (CSRBB) aspects related to the wide definition of the perimeter of instruments to be included in the CSRBB assessment.



27/02/2024

EBA - ITS amending Pillar 3 disclosures and RTS on the components and adjustments of the BI and ITS on the mapping of the BI components

1. Context

On 27 June 2023, a political agreement was reached between the Council of the European Union (EU) and the European Parliament (EP) on the proposal presented by the European Commission (EC) on 27 October 2021 on the banking package, the most updated interim version of which was published on 6 December 2023. The banking package includes amendments to the Capital Requirements Regulation (CRR 3) and the Capital Requirements Directive (CRD VI) and will implement the latest Basel III reforms. In addition, on 14 December the EBA published the Roadmap on Strengthening the Prudential Framework, which explains the implementation timeline of the EBA mandates under the banking package clarifying how the EBA will develop the mandates implementing the legislation, and how it expects to finalise the most significant components prior to the application date.

In this context, the EBA has launched a public consultation on two draft **Implementing Technical Standards (ITS) amending Pillar 3 disclosures and supervisory reporting requirements for operational risk**. In addition, EBA has launched a consultation on **two set of draft Regulatory Technical Standards (RTS) and one ITS** aiming to clarify the **composition of the new business indicator (BI) at the heart of the operational risk capital requirements calculation**, mapping the BI items to financial reporting (FINREP) items and highlighting possible adjustments to the BI in case of specific operations.

2. Main points

CP of ITS amending Pillar 3 disclosures and supervisory reporting requirements for operational risk

- CRR 3 replaces all **currently permitted methods** with a single approach, the so-called Business Indicator Component (BIC), the calculation of which is based on the BI. In line with this new prudential framework, this ITS amends the EU OR table on qualitative disclosures on operational risk, deletes the current EU OR 1 template on own funds requirements for operational risk and risk exposure amounts, and introduces three new templates.
- The disclosure requirements will follow the **proportionality principle** implicit in CRR.

CP of the draft ITS on supervisory reporting concerning operational risk

- **Template C 16.00** on operational risk capital requirements is replaced by four new templates that include different levels of information on operational risk requirements.
- The list of items that are part of the **sub-components and components of the BI** are directly linked to or are a subset of the figures reported by FINREP.

CP of the RTS on the components of the BI under CRR and the adjustments to the BI and ITS on the mapping of the BI components

- The **draft RTS on the specification on the BI** items provide a list of typical items developed for each component of the BI in line with the work provided in the EBA Policy Advice on the Basel III Reform. They also include subsequent amendments to accounting standards and clarify the elements to be excluded from the BI.
- When there is correspondence, the **ITS project** assigns the typical BI elements to their corresponding information cells in the FINREP.
- Finally, **three years of actual historical data** or a limited number of alternative methodologies should be used after a transaction. In the context of disposals, the draft RTS specifies the conditions under which permission may be granted to exclude BI items related to the entities or activities sold.

3. Next steps

- The consultations on the ITS on public disclosures by institutions of the information on operational risk runs until **30 April 2024**. The application date of these ITS will be **1 January 2025** and the first disclosure reference date will be **31 March 2025**, in line with the date of application of the CRR 3.
- The RTS consultation of the BI components under CRR and the adjustments to the BI and ITS on the mapping of the BI components is extended until **21 May 2024**.

- **Pillar III: Secure and resilient digital infrastructures for Europe**
 - Scenario 8. The EC will promote the reinforcement of advanced research and innovation activities across the EU in support of new fibre and cable technologies.
 - Scenario 9. The EC may consider establishing a cable projects of European interest (CPEI) list and related labelling system by a Delegated Act under the Connecting Europe Facility.
 - Scenario 10. The Commission may conduct a review of available instruments.
 - Scenario 11. The EC may consider proposing a joint EU governance system on submarine cable infrastructures.
 - Scenario 12. The Commission may consider harmonising security requirements in international fora, which may be recognised through a dedicated EU certification scheme.

3. Next steps

Stakeholders (Member States, civil society, industry, and academics) are required to collect their views on the scenarios outlined in this White Paper before **30th June 2024**.



05/03/2024

T Council - Agreement on more accessible instant payments in euros

1. Context

Regulation (EU) No 260/2012 established technical and business requirements for credit transfers and direct debits in euro. Instant credit transfers in euro are a relatively new category of credit transfers in euro which emerged on the market only after the adoption of that Regulation. It is therefore necessary to establish specific requirements applicable to instant credit transfers in euro, in addition to the general requirements applicable to all credit transfers, to ensure the proper functioning and integration of the internal market. To make instant credit transfers more accessible and to widen their benefits to payment service users (PSUs), Member States whose currency is not the euro should be able to apply equivalent rules to those laid down in this amending Regulation to domestic instant credit transfers in their own currency.

In this context, the EP has reached an agreement on **more accessible instant payments in euros** in order to make sure that retail clients and businesses, especially small and medium enterprises (SMEs), will not have to wait for their money as well as to provide safe transfers. The agreement updates the Single Euro Payments Area (SEPA) legislation: Regulation (EU) 260/2012, on technical and business requirements for credit transfers and direct debits; Regulation (EU) 2021/1230, on cross-border payments; Directive 98/26/EC, on settlement finality in payment and securities settlement systems; Directive (EU) 2015/2366, on payment services in the internal market. According to the future Regulation, payment service providers (PSPs), such as banks, which provide credit transfer services in euro, will be obliged to offer the instant transfer service.

2. Main points

Instant credit transfer

- **The transfer must be executed regardless of the day or hour and immediately processed**, so that the payee's payment account is credited with the amount transferred within 10 seconds after the time of receipt of the payment order. The payer should be also informed within 10 seconds whether or not the funds transferred have been made available to the payee.
- Where a **payment order for an instant credit transfer in euro is submitted from a payment account that is not denominated in euro**, a PSP should convert the amount of transaction from the currency in which the payment account is denominated into euro, immediately upon receiving that payment order.

Customer safety, penalties and sanctions

- Negotiators agreed that PSPs should have in place **robust and up-to-date fraud detection and prevention measures**, designed to prevent a credit transfer being sent to an unintended payee as a result of fraud or error.
- PSPs operating in the EU should **immediately and without any additional charges or fees, provide a service to verify the identity of the payee** to whom the payer intends to send a credit transfer.
- Where a **discrepancy is detected between the payment account identifier of the payee and the name of the payee provided by the payer a client should be notified**, and where such information is not provided, a client should be compensated by a PSP for any financial damage. As an additional safeguard against fraud, PSPs should allow its clients to set a maximum amount for instant credit transfers in euro, which could be easily modified prior to the next transfer.
- PSPs offering instant credit transfers should **verify whether any of their clients are subject to sanctions or other restrictive measures** related to the prevention of money laundering and terrorist financing.

Charges

- **Charges applied by a PSP on payers and payees in respect of instant credit transfer transactions in euro** cannot be higher than the charges applied to credit transfer transactions in euro.

3. Next Steps

- The new rules will enter into force **20 days** after publication in the EU Official Journal.
- PSPs located in the euro area will have **9 months** to be ready to receive instant credit transfers in euro and **18 months** to send them.
- PSPs located outside the euro area will have **33 months** to be ready to receive instant credit transfers in euro and **39 months** to send them.
 - PSPs located in the euro area will have **18 months** to offer the service for the verification of the name of the beneficiary and ownership of the account to be used.
- PSPs located outside the euro area will have **39 months** to offer the service for the verification of the name of the beneficiary and ownership of the account to be used.



E 20/02/2024
CL ECB - Final version of the guide to internal models

S 1. Context

In February 2017, the ECB published the first version of the Guide to the Review of Internal Models, or TRIM Guide. This guide sets out the ECB's view on the supervisory practices it considers appropriate and explains its interpretation of the European Union (EU) regulatory framework in relation to internal models and general aspects of model governance. The TRIM Guide is structured in four main chapters: general aspects, credit risk, market risk and counterparty credit risk (CCR). In June 2023, the ECB published a consultation on the revised Guide to internal models, which reflects updates on the legal framework and builds on the ECB's experience gained over the years in supervising internal models.

In this context, the ECB has published the **final version of the guide to internal models**. In line with the revised version submitted for consultation, the revised Guidance clarifies how banks should include material climate and environmental risks in their models, and provides clarifications for banks wishing to revert to the standardised approach for calculating their risk-weighted assets. The final version does not incorporate major changes with respect to the draft version.

2. Main points

• General topics

- Overarching principles for internal models. An inconsistent implementation of internal model-related tasks within a banking group bears the risk of an inappropriate coverage of the risks measured by internal models at group level. Therefore, institutions should either develop binding group-wide principles and guidelines relating to the life cycle of internal models, or ensure that each relevant entity has appropriate and independently audited principles and guidelines in place with a high degree of consistency between one another. In the revised Guide published in June 2023, two new sections were included as a novelty, related to general principles on climate-related and environmental risks and for the implementation of a changed or extended model.
- Roll-out and permanent partial use, the criteria used to defined the scope of application and sequential implementation of the internal risk-based (IRB) approach should be clearly documented and agreed with the competent authority. The ECB understands that these criteria should include quantitative and qualitative aspects.
- Internal Governance, which its principles have been organised along the following lines: i) the materiality of rating systems; ii) the management body and senior management; and iii) responsibilities of the credit risk control unit (CRCU).
- Internal validation, encompasses a range of processes and activities that contribute to an assessment of whether ratings adequately differentiate risk, and whether estimates of risk parameters appropriately characterise the relevant aspects of risk. In general, internal validation should be performed at all relevant levels. Furthermore, institutions should implement the validation policy, validation process and content.
- Internal audit. The ECB considers that an institution fulfils the requirements of the Capital Requirements Regulation (CRR) if the internal audit carries out, annually and on the basis of up-to-date information, a general risk assessment of all aspects of the rating systems for the purpose of drawing up the appropriate internal audit work plan, and executes this plan.
- Model use. The ECB acknowledges that the degree of use of internal ratings and default and loss estimates in the institution's risk management and decision-making process, and in its credit approval, internal capital allocation and corporate governance functions, is more extensive for PD/internal ratings than for LGD/loss estimates and CCFs.
- Management of changes to the IRB approach. Institutions should establish a policy related to changes to the IRB approach (change policy). This policy should include, detailed criteria to ensure that the classification of changes is consistent and that any arbitrage in that regard is avoided. Institutions are encouraged to share their policy with the competent authority and inform the latter about any implemented modifications to it, in order for both sides to have a common understanding of the classification process.

Third-party involvement. All outsourcing arrangements for IRB-related tasks should be subject to a formal and comprehensive contract or similar documented agreement in accordance with the proportionality principle (in the case of internal outsourcing between different entities within the same group, provisions such as service level agreements (SLAs) or other written agreements may be considered as sufficient, subject to the criticality or importance of the tasks outsourced).

- **Credit risk.** This Draft Guide provides transparency on how the ECB understands a set of topics related to internal models used for the IRB approach, including:
 - Data maintenance for the IRB approach, which covers IT systems (infrastructure and implementation testing); policies roles and responsibilities in data processing and data quality management; and components of the data quality management framework.
 - Data requirements, which covers the use of external data, use of external bureau scores, or the use of human judgement, among others.
 - Definition of default. As a novelty, this point is included in the revised Guid. A default must be considered to have occurred with regard to a particular obligor when either or both of the following have taken place: i) the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security; or ii) the obligor is more than 90 consecutive days past due on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries.
 - Probability of default (PD), which covers the structure of PD-models (including risk differentiation) and PD risk quantification. Certain sections have been completed (e.g., calculation of the default rate or use of PD direct estimates), and other possible treatments have been included (e.g., PD quantification based on mapping to external grades).
 - Loss given default (LGD), which covers the concept of realised LGD, its structure, risk quantification, and the estimation of EL_{BE} and LGD in-default. The structure of the previous version is maintained although the most of sections have been completed.
 - Credit Conversion Factors (CCF), which covers the commitments, unadvised limits and scope of application of the CCFs; the realised CCFs; its structure and risk quantification. The structure and the content of this section have been revised.
 - Other aspects, such as the model-related Margin of Conservatism (MoC), whose framework has been adapted to the European Banking Authority (EBA) Final Guidelines on PD and LGD; the review of estimates; and the calculation of maturity for non-retail exposures.
- **Market risk.** This Draft Guide provides transparency on how the ECB understands a set of topics related to internal models used in the calculation of own funds requirements for market risk, including:
 - Scope of the internal model approach (IMA), which covers the delimitation of the regulatory trading book, treatment of banking book positions, or partial use models, among others.
 - Regulatory back-testing of Value at Risk (VaR) models, which covers, among others, its scope of application; historical period used to perform back-testing, definition of business days, and documentation; calculation of actual profit and losses; or valuation adjustments.
 - Aspects of internal validation of market risk models, which covers those aspects related to the frequency of internal validation, internal back-testing of VaR models, or the tests to be performed in internal back-testing.
 - Methodology for VaR and stressed VaR, which covers, among others, general requirements; data inputs, length of the time series used to calibrate VaR and sVaR, and quantile estimation, or data quality.
 - Methodology for Incremental Default and Migration Risk Charge (IRC) models focusing on default risk, which covers aspects related to data inputs; distributions and correlation assumptions; or ratings, probabilities of default and recovery rate assumptions.
 - Risks not in the model engines (RNIME), which covers its identification, quantification, as well as its management and implementation in an institution.
- **Counterparty credit risk.** This Draft Guide provides transparency on how the ECB understands a set of topics related to the principles defined for the Internal Model Method (IMM), including:
 - Trade coverage, which covers different types of treatment for IMM transactions for which the related exposure is not fully simulated, and the principles for ECB banking supervision.
 - Margin period of risk (MPOR) and cash flows, which covers the treatment of margin call and trade-related cash flows in all currencies, among other aspects.
 - Collateral modelling, which mainly covers the modelling of cash and non-cash collateral.
 - Modelling of Initial Margin (IM), which covers its implementation under the IMM.
 - Maturity, which covers the estimation of the parameter M used in the calculation of the risk weight for counterparties.
 - Granularity, number of time steps and scenarios, which covers, the chosen time grid for the future exposure calculation and the number of scenarios generated.
 - Other aspects, such as the calibration frequency and stress calibration; validation, effective expected positive exposure (EEPE), and the alpha parameter.



T

14/03/2024

EP - AI Act approval

1. Context

The AI Act comes in response to the growing application and potential of artificial intelligence (AI) systems in various sectors, along with the need to address the potential risks and harms that these systems may cause to public interests, health, safety and fundamental rights protected by the European Union (EU). The regulatory proposal was presented by the European Commission (EC) in 2021, followed by opinions from various bodies such as the European Central Bank (ECB) and the European Economic and Social Committee. The legislative process involved a provisional agreement and adoption of the EP position at first reading in 2024.

The main objective of the AI Act is to improve the functioning of the internal market by establishing a uniform legal framework for the development, marketing, use and servicing of AI systems in the EU. This is done with the intention of promoting the adoption of human-centered and reliable AI, while ensuring a high level of protection against the harmful effects of AI systems and supporting innovation.

2. Main points

- **Harmonized legal framework.** It establishes harmonized rules for AI systems with relevance to the European Economic Area (EEA), promoting the free movement of goods and services based on AI and preventing restrictions by Member States that are not explicitly authorized by this regulation. Specifically, this harmonized regulatory framework ensures that the systems used in the EEA are:
 - Safe, avoiding unacceptable harm and risks to individuals and their fundamental rights.
 - Ethical, respecting the EU's fundamental values and rights, such as non-discrimination and privacy.
 - Transparent and traceable, promoting transparency and accountability in the use of AI.
 - Human-centered, ensuring that AI systems are supervised by people to avoid harmful outcomes.
- **Protection of fundamental and public rights.** Ensures that the development and use of AI systems is conducted in accordance with the Union's fundamental values and rights, including human dignity, freedom, democracy, equality, rule of law, and respect for privacy and personal data.
- **Definition of AI systems.** Machine-based system designed to operate with varying levels of autonomy, that may exhibit adaptiveness after deployment and that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments.
- **Risk-based approach.** Classifies AI systems based on the risk they present with specific requirements for each category.
 - The AI Act prohibits unacceptable risk AI systems, meaning AI applications that threaten citizens' rights, such as biometric categorization systems based on sensitive characteristics, non-selective tracking of facial images from the Internet or closed-circuit television (CCTV) recordings for facial recognition databases, cognitive manipulation and social scoring.
 - High-risk uses include critical infrastructure, education and vocational training, employment, essential services, certain law enforcement systems, migration and border management, justice and democratic processes. Citizens will have the right to lodge complaints about AI systems and to receive explanations of decisions based on high-risk AI systems that affect their rights.
 - Classification of AI systems in the financial sector. AI systems that assess creditworthiness should be classified as high-risk systems, as they determine access to financial resources and essential services. However, AI systems for detecting fraud and calculating capital requirements are not considered high-risk. AI systems for risk assessment and pricing in life and health insurance can have a significant impact on people's lives and may infringe on their fundamental rights and are therefore considered high-risk systems.
- **Transparency and data governance.** Requires providers of high-risk AI systems to ensure transparency, traceability and proper management of the data used, promoting trust in AI systems. The AI Act also mandates specific transparency requirements for other systems that are not classified as high-risk based on their application and potential impact on individuals' rights.
- **Oversight and enforcement.** It establishes mechanisms for market oversight and regulatory compliance, including the creation of a European Artificial Intelligence Council to advise and assist the Commission and Member States. Administrative penalties of up to €35 million or 7% of annual turnover, whichever is higher, may be imposed, with exemptions granted for certain time periods.

- **Support for innovation.** Includes provisions to encourage innovation in the field of AI, especially for small and medium-sized enterprises, through experimental regulatory spaces (sandboxes) and the promotion of AI literacy.

3. Next Steps

- The text awaits final Council endorsement, and it will enter into force **20 days** after its publication in the Official Journal European Union.
- The Regulation will be fully applicable **24 months after entry into force**, except bans on prohibited practises, which will apply **6 months after the entry into force**; codes of practise (nine months after entry into force), general-purpose AI rules including governance (12 months after entry into force), and obligations for high-risk systems (36 months).



22/01/2024

ESAs - First set of rules under DORA for ICT and third-party risk management and incident classification

1. Context

The Digital Operational Resilience Act (DORA) published in December 2022 and applicable from 17 January 2025, aims to enhance the digital operational resilience of entities across the European Union (EU) financial sector. This regulation, aimed to assure that financial sector entities are able to stay resilient through a severe operational disruption, promotes the creation of a regulatory framework on digital operational resilience whereby all firms need to make sure they can withstand, respond to and recover from all types of Information Communication Technologies (ICT) related disruptions and threats. DORA has mandated the ESAs to jointly develop draft Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) to further specify some aspects of the regulation. In addition, in June 2023 the ESAs launched a public consultation of RTS and ITS which aim to ensure a consistent and harmonised legal framework in the areas of ICT risk management, major ICT-related incident reporting and ICT third-party risk management.

In this context, ESAs have published the first set of **first set of rules under DORA for ICT and third-party risk management and incident classification**. This final draft technical standards aimed at enhancing the digital operational resilience of the EU financial sector by strengthening financial entities' ICT and third-party risk management and incident reporting frameworks.

2. Main points

RTS on ICT risk management framework

Within the RTS, two parts of Risk Management Framework (RMF) are defined, one detailing specific elements applicable to the financial entities and other designing the simplified ICT risk management framework. The main elements to be included in the Risk Management Framework are the following:

- DORA requires financial entities to design, procure and implement **ICT security policies, procedures, protocols and tools** that aim to ensure the resilience, continuity and availability of ICT systems, in particular those supporting critical or important functions, and to maintain high standards of availability, authenticity, integrity and confidentiality of data, whether at rest, in use or in transit.
- DORA already sets out a requirement to implement **human resources policies** that limit the physical or logical access to information assets and ICT assets to what is required for legitimate and approved functions and activities only, and establish to that end a set of controls that address access rights and ensure a sound administration thereof.
- In relation to **ICT-related incident detection and response**, DORA is intended to complement the requirements already included in the same Regulation, by specifying further the steps by identifying the anomalous activities that can develop into ICT-related incidents.
- In **ICT business continuity management**, ICT systems and services have become essential to the operation of the financial sector, and any disruption to such systems or services can result in a significant impact on business continuity and the provision of critical services to customers and stakeholders. For this reason, DORA emphasises the need to ensure adequate response and recovery of ICT systems, requiring the implementation of a business continuity policy and response and recovery plans, as well as adequate testing of these plans.
- DORA establishes the obligation to **document and report the ICT risk management framework**, and also establishes proportionality mechanisms, limiting the minimum periodicity for such a review for micro-enterprises.
- Finally, **in relation to simplified ICT RMF** is included: i) further elements of systems, protocols, and tools to minimize the impact of ICT risk; ii) ICT business continuity management; and iii) report on the review of the ICT RMF.

RTS on criteria for the classification of ICT-related incidents

- DORA proposes **7 different classification criteria** for ICT-related incidents or, as applicable, operational or security payment-related incidents. In particular, the primary criteria are: i) clients, financial counterparts and transactions affected; ii) data losses; iii) critical services affected; secondary criteria are considered to be: iv) reputational impact; v) duration and service downtime; vi) geographical spread; and vii) economic impact.
- **The ESAs define individual materiality thresholds** for each criterion and propose that financial institutions classify incidents as serious if they exceed these thresholds.

ITS to establish the templates for the register of information

- DORA, as part of their ICT risk management framework, requires financial entities **to maintain a register of information in relation to all contractual arrangements on the use of ICT services** provided by ICT third-party service providers. Financial entities maintaining the register of information either at entity level or at consolidated and sub-consolidated level shall fill-in the templates of the register of information with data using the formats set out.

Part of the **content of these templates** is the following: i) entity maintaining the register of information; ii) list of entities within the scope of consolidation; iii) list of branches; iv) general information of contractual arrangements; v) specific information of contractual arrangements; vi) list of intra-group contractual arrangements; vii) entities signing the contractual arrangements for receiving ICT services or on behalf of the entities making use of the ICT services; viii) CT third-party service providers signing the contractual arrangements for providing ICT services; ix) entities signing the contractual arrangements for providing ICT services to other entities within the scope of consolidation; x) entities making use of the ICT services; xi) ICT third-party service providers; xii) ICT service supply chains; xiii) functions identification; xiv) assessments of ICT services; xv) definitions from entities making use of the ICT services.

RTS to specify the policy on ICT critical or important services performed by ICT third-party providers

- DORA requires from financial entities that they adopt and regularly review, as part of their ICT risk management framework, a **strategy on ICT third-party risk**. The strategy on ICT third-party risk shall include a policy on the use of ICT services supporting critical or important functions provided by ICT third-party service providers and shall apply on an individual basis and, where relevant, on a sub-consolidated and consolidated basis.
- The **policy on the use of ICT services supporting critical or important functions provided by ICT third-party service providers shall take into account at least the following elements** of increased or reduced risk or complexity: i) the type of ICT services included in the contractual arrangement; ii) the location of ICT-third party service provider; iii) location of the provision of these services in a Member State or in a third country; iv) the nature of the data shared; v) membership of the third party in the same group as the financial entity; vi) the use of third party ICT service providers authorised for supervision by a competent authority in a Member State; vii) the use of ICT authorised for supervision by a supervisory authority from a third country; viii) the concentration in the provision of ICT services supporting critical; ix) the transferability to another third party ICT service provider; and x) the potential impact of disruptions on the continuity and availability of the financial entity's activities.
- **Other considerations included in the draft** are the governance arrangements regarding the policy on the use of ICT services supporting critical or important functions and the main phases of the life cycle for the use of ICT services supporting critical or important functions provided by ICT third-party service providers. It is also considered the ex-ante risk assessment, due diligence, conflicts of interests, the contractual clauses for the use of ICT services supporting critical or important functions, or the monitoring of the contractual arrangements for the use of ICT services supporting critical or important functions between others.

3. Next Steps

The European Commission (EC) will work on the review of these final draft technical standards, with the objective to adopt these in the coming months. The expected date of implementation of the RTS document on ICT risk management framework is **17 January 2025**.



T 22/01/2024 ESAs - Report on 2023 stocktaking of BigTech direct financial services provision in the EU

1. Context

In 2023 the European Supervisory Authorities (ESAs) conducted through the European Forum for Innovation Facilitators (EFIF) a cross-sectoral stocktake of BigTech subsidiaries carrying out financial services in the European Union (EU). The stocktake was performed via a survey to the National Competent Authorities (NCAs) represented on the EFIF. Responses were received from 24 NCAs representing 215 Member States of the EU and 36 European Economic Area (EEA) States.

In this context, the ESAs have published the Report on 2023 stocktaking of BigTech direct financial services provision in the EU. As a result of the stocktake, the ESAs have identified that BigTechs have subsidiary companies carrying out financial services in the EU payments, e-money and insurances sectors and, in limited cases, the banking sector. No BigTech subsidiaries were reported as carrying out financial services in the securities and markets sector.

2. Main points

The publication summarises the results obtained in the following blocks:

- **Authorisation or registration of BigTech group companies and home and host presence.** Compared to the results of the data collection that informed the (2022) call for advice (CfA) response, the number of entities carrying out e-money activities and payment services slightly increased, while the subsidiaries licensed as credit institutions remain very limited.
- **Partnerships between BigTech subsidiaries and financial institutions for the provision of financial services.** NCAs reported they are aware of (limited) partnerships between BigTechs and financial institutions and three of them highlighted partnerships in the form of white labelling/ license-as-a-service.

In addition, the document also identifies potential opportunities and risks:

- **Potential opportunities.** BigTech intragroup dependencies arise, among others, from (i) the common use of technological infrastructures (including platform dependency both in the provision of financial services and other non-financial services), (ii) intra-group financial dependencies, (iii) structural dependencies, specifically regarding client data, and (iv) strategy dependencies. These intragroup dependencies can offer potential opportunities:
 - **In relation to technology dependency,** BigTechs can exploit group-wide capabilities to provide technologically superior services through more uniform, user-friendly and easy-to-use client interfaces such as platforms at scale.
 - **In terms of financial dependency,** BigTechs can leverage group financial resources, including to meet liquidity needs and raise funds for expansion or other investments. Thanks to balance sheet scale, they may have enhanced possibilities to reallocate funds internally, where needed.
 - **Wider structural inter-dependencies** may also be leveraged to competitive advantage. NCAs reported, for example, that BigTech groups may share governance and regulatory compliance teams. This may offer opportunities, especially in terms of governance, as it could result in a deeper understanding of the group's activities, economies of scale and network effects, resulting in more holistic approaches to business strategy.
 - **Concerning strategy dependencies,** opportunities may arise as a consequence of coordinated and strategic approach in several countries to the placement of financial and non-financial services.
- **Potential risks.** Although those inherent to intragroup dependencies have been analysed more in detail, NCAs also highlighted potential external ones: i) operational resilience and cybersecurity risks, ii) concentration risk within the group, iii) reputational risk, iv) governance risk, v) data abuse and mishandling of consumer data, vi) risk of financial exclusion, vii) potential sources of systemic risk and viii) risk to strategic autonomy of the EU.

Supervision and regulatory issues. NCAs were invited to identify supervisory and regulatory issues in the context of the market developments and potential opportunities and risks.

- **Supervision issues:** i) some NCAs noted that notification practices regarding cross-border provision of services can be unreliable, ii) NCAs may have poor visibility over intra-group connections and iii) challenges in identifying relevant supervisory counterparts on a cross-disciplinary and cross-border basis.
- **Regulation issues:** the bottom-up approach does not take full account of the aggregated risks that may arise from interdependencies.
- **Discussion, exchange of views and cooperation:** NCAs remarked that they consider communication among financial sector supervisors of BigTech subsidiaries providing financial services could be improved, with a common information exchange system. Some NCAs suggested the EFIF as a potential horizontal structure to promote supervisory dialogue both in cross-sector and the cross-border dimensions.

3. Next steps

- In light of the findings set out in this report, these actions will be taken forward by EFIF as part of its work programme in 2024.
- While no urgent need for regulatory changes in relation to BigTechs direct financial service provision was identified, the recommendations envisaged in the CfA response⁶⁸ are still to be considered valid and fit-for-purpose in light of the current BigTech activities and potential future developments. The EFIF will keep under review the recommendations in light of any market changes.



22/01/2024

ESMA - Consultations Papers on guidelines under MiCA

1. Context

The Regulation on markets in crypto-assets (MiCA) was published on 9 June 2023. The ESMA has been empowered to develop technical standards and guidelines specifying certain provisions. In this context, the ESMA has published for consultation a set of guidelines: i) draft guidelines on reverse solicitation under the MiCA; ii) guidelines on the conditions and criteria for the qualification of crypto-assets as financial instruments. The aim of these consultation papers is to collect opinion from market participants on the appropriate implementation of MiCA and in particular in relation to certain mandates that have to be developed by December 2024.

2. Main points

Draft guidelines on reverse solicitation under MiCA

- The **objective of these guidelines** is to provide more clarity to National Competent Authorities (NCAs) and market participants, especially third-country firms, on the limited situations where the offer or provision of crypto-asset services to clients established or situated in the European Union (EU) would be regarded as initiated at the own exclusive initiative of the relevant clients.
- **Situations in which a third-country firm is deemed to solicit clients established or situated in the EU.**
 - Third-country firms may not solicit clients in the EU as they are not authorised to provide crypto-asset service providers (CASP) services in the EU. There is only one exemption, if the client at its own, exclusive initiative contacted the firm and requested the service, the third-country firm may provide it. The rationale for this exemption is that clients shall not be excluded from using third-country firms if they choose to do so without having been solicited by such firms.
 - Such situations should be understood as very limited and very narrowly framed and, consequently, should not be assumed, nor exploited to circumvent MiCA.
 - In addition, draft guidelines make clear that assessment should be made on a case-by-case basis. Elements to take into account include: i) the type of the crypto-asset or crypto-asset service or activity offered; and (ii) the risks attached to the new crypto-asset or crypto asset service or activity.
- The **supervisory practices to detect and prevent the circumvention of the reverse solicitation exemption**, include the monitoring of marketing activities targeting EU based clients, consumer surveys, cooperation with other authorities and reacting to clients' complaints or whistleblowing.

Guidelines on the conditions and criteria for the qualification of crypto-assets as financial instruments

- The **objective of these guidelines** is to provide more clarity to NCAs and market participants about the delineation between the respective scopes of application of MiCA and Markets in Financial Instruments Directive (MiFID) II, ensuring ultimately consistent approaches at national level regarding which crypto-assets should be considered financial instruments and therefore be subject to the sectoral regulatory frameworks, notably the MiFID II framework.
- **Conditions and criteria for the qualification of crypto-assets as financial instruments:**
 - Financial instruments are defined in MiFID II mainly through a list of instruments that should be regarded as such. These are: i) transferable securities; ii) money-market instruments; iii) units of collective investment undertakings; iv) various derivative contracts; and v) emission allowances.
 - In addition, the categorisation of crypto-assets under MiCA is divided into three sub-categories of crypto-assets each governed by distinct requirements tailored to the associated risks they pose: i) Asset-referenced tokens (ARTs); ii) Electronic money tokens (EMT); and iii) crypto-assets that are not considered ARTs or EMTs.
 - Crypto-assets possessing its own uniqueness are not readily interchangeable. Their value cannot be compared to an existing market or equivalent asset.
 - When crypto-assets are likely to fall under more than one legal classification, they may be structured as hybrids tokens combining, spanning or associating several characteristics, component and purposes and may perform distinct functions after issuance. In each individual case, NCAs should examine hybrid forms of crypto-assets regardless of how the crypto-asset is designated. What should matter are rights, functions and, to a lesser extent, the values that are associated with the crypto-assets.

3. Next steps

- Comments on both consultation papers can be submitted until **29 of April 2024**. ESMA will consider the feedback it receives to the consultation in Q2 2024 and expects to publish a final report in Q4 2024.



01/03/2024

CNMV - 2024 Business Plan.

1. Context

The CNMV has published its 2024 Business Plan, which includes 42 specific initiatives or actions to be developed this year, the main focus of 2024 being the protection of retail investors, centred on ensuring that the marketing of products clearly warns of the associated risks; the correct incorporation of sustainable finance into the financial sector and the new supervisory powers derived from the regulations on crypto-assets and cybersecurity.

In this context, the initiatives planned by the market supervisory area are summarised below.

2. Main points

- Assessment of fair value determinations and associated uncertainties in investment property and financial instruments of listed companies.
- Publication of the report on disclosures required by Article 8 of the Taxonomy Regulation by credit institutions and insurers.
- Preparation for the new regulations on crypto-assets (MiCA) and on cybersecurity (DORA), with initiatives such as the preparation for the supervision of market abuse in the trading of crypto-assets subject to the regulation or the amendment of Circular 1/2022 on advertising crypto-assets or the guidelines to the sector for compliance with DORA by supervised institutions.
- Analysis of the use of artificial intelligence in algorithmic trading with supervisory action on institutions using this type of trading.
- Review of the obligation for institutions to assess money laundering risk.
- Thematic or horizontal reviews on the assessment of clients' sustainability preferences, which is part of an ESMA Joint Supervisory Action, and the analysis - using web scraping techniques - of online marketing communications on sustainability by fund managers.

Relevant publications

American region



CL 19/02/2024

E Fed - 2024 Stress Test Scenarios

1. Context

The Federal Reserve's stress tests help ensure that large banks are able to lend to households and businesses even in a severe recession. The stress tests evaluate the financial resilience of large banks by estimating bank losses, revenues, expenses, and resulting capital levels, which provide a cushion against losses, under hypothetical recession scenarios into the future.

In this context, the Fed has published its 2024 Stress Test Scenarios, in order to use the results of the stress test to set large bank capital requirements. Additionally, for the first time, the Board released four hypothetical elements designed to probe different risks through its exploratory analysis of the banking system.

2. Main points

- The objective of the Board's annual stress test evaluates the resilience of large banks by estimating losses, net revenue, and capital levels, which provide a cushion against losses, under hypothetical recession scenarios that extend two years into the future.
- This year's scope are 32 banks that will be tested against a severe global recession with heightened stress in both commercial and residential real estate markets, as well as in corporate debt markets. The scenarios are not forecasts and should not be interpreted as predictions of future economic conditions.
- The severely adverse scenario is characterized by a severe global recession accompanied by a period of heightened stress in commercial and residential real estate markets and in corporate debt markets.
 - The United States (US) unemployment rate rises 6.3 percentage points from the starting point of the scenario in the fourth quarter of 2023 to its peak of 10 percent in the third quarter of 2025.
 - The sharp decline in economic activity is also accompanied by an increase in market volatility, widening corporate bond spreads, and a collapse in asset prices, including a 36 percent decline in house prices and a 40 percent decline in commercial real estate prices.
 - The international portion of the scenario features recessions in four countries or country blocs, followed by declines in inflation and an appreciation in the value of the US dollar against all countries and country blocs' currencies, except for the Japanese yen.
- In addition, banks with large trading operations will be tested against a global market shock component that primarily stresses their trading and related positions. The global market shock component is a set of hypothetical stresses to a large set of risk factors reflecting market distress and heightened uncertainty.
- This year's exploratory analysis includes four separate hypothetical elements that will assess the resilience of the banking system to a wider range of risks.
 - Two of the hypothetical elements include funding stresses that cause a rapid repricing of a large proportion of deposits at large banks. Each element has a different set of interest rate and economic conditions, including a moderate recession with increasing inflation and rising interest rates, and a severe global recession with high and persistent inflation and rising interest rates.
 - The other two elements of the exploratory analysis include two sets of market shocks that will be applied only to the largest and most complex banks. These shocks hypothesize the failure of five large hedge funds, with each under a different set of financial market conditions. Those conditions include expectations of reduced global economic activity with a negative outlook for long-term inflation, and expectations of severe recessions in the United States and other countries.
- The exploratory analysis is distinct from the stress test and will explore additional hypothetical risks to the broader banking system, rather than focusing on firm-specific results.

3. Next steps

- The Board will publish aggregate results alongside the annual stress test results in June 2024.



05/03/2024

Fed - Shared National Credit Program (SNC) report

1. Context

The Federal Reserve (Fed) has released the 2023 Shared National Credit Program (SNC(1)) report that assesses risk in the largest and most complex credit lines shared by regulated financial entities: US Banks, Foreign Banking Organizations (FBOs) and non-bank entities.

The report highlights downward trends in credit quality resulting from high interest rates and tight spreads in specific sectors. Risks persist in leveraged lending and certain industries, although the sectors affected by the pandemic are improving. The report shows an increase in loans requiring more management, with banks in the United States (US) maintaining a smaller share of non-pass loans (which includes special mention(2) and classified(3)) compared to total SNC commitments.

2. Main points

- SNC credit risk has increased but remains moderate.
- US Banks (46.1%) and FBOs (32.8%) continue to hold the largest share of SNC commitments, while non-banks account for 21.1% of the total.

Table 1: SNC commitments distribution by type of lender (billions)

	2021		2022		2023	
	\$	%	\$	%	\$	%
US Banks	2,318.9	44.8	2,638.0	44.7	2,954.0	46.1
FBOs	1,689.1	32.6	1,906.9	32.3	2,102.2	32.8
Non-bank entities	1,170.8	22.6	1,352.2	22.9	1,352.5	21.1
Total	5,178.8	100.0	5,897.1	100.0	6,408.8	100.0

- Non-banks have the largest share of special mention and classified loans, 27.5% of the total committed by the owner.

Table 2: Distribution of commitments special mention and classified according to lender (billions)

	2023		
	US banks	FBOs	Non-bank entities
Special mention & classified	111.9	88.6	371.8

- SNC commitments increased to \$6.41 billion, 8.7% higher than in 2022. The special mention and classified categories experienced the largest increases (44.4% and 35.8%, respectively) to a total of \$176.6 and \$395.6 billion.

Table 3: SNC type distribution (billions)

	2022	2023	2023 vs. 2022
	\$	\$	%
SNC Total Commitments	5,897.1	6,408.8	+8.7
Special mention & classified	413.6	572.2	+38.3
Special mention	122.3	176.6	+44.4
Classified	291.3	395.6	+38.8

- Non-bank holdings are concentrated in non-investment grade term loans identified and reported as leveraged.
- Leveraged loans represent 46% of total SNC commitments, 86% of the special mention category and 85% of classified. Total leveraged loan commitments increased modestly by USD 78 billion (2.7% over 2022).
- The healthcare and pharmaceuticals, real estate and construction, technology, telecommunications and media, and transport services sectors experienced high rates or increasing trends in special mention and classified commitments.

(1) Any loan or formal commitment, and any asset such as real estate, stocks, notes, bonds and debentures taken as previously contracted debts, extended to borrowers by a federally supervised institution, its subsidiaries and affiliates, which totals \$100 million or more and which is shared by three or more non-affiliated federally supervised institutions or a portion of which is sold to two or more such institutions.

(2) Commitments that have potential weaknesses that merit management's attention. If not corrected, these potential weaknesses could result in a deterioration of the entity's repayment prospects or credit standing in the future. Special mention commitments are not rated negatively and do not expose institutions to sufficient risk to warrant an adverse rating.

(3) Commitments rated substandard, doubtful and loss-making.



S 13/03/2024
D SEC - Enhancement and Standardization of Climate-Related Disclosures for Investors

1. Context

In 2010 the SEC published its latest guidance for issuers of securities or investments companies under the Securities Act and Exchange Act, on how the Commission's existing disclosure rules may require disclosure of the impacts of climate change on a company's business or financial condition. Since that time, as awareness of climate-related risks to businesses and the economy has grown, investors have increased their demand for more detailed information about its effects on a company's business and opportunities when conducting its operations and developing its business strategy and financial plans. However, there is considerable variation in the content, detail, and location of climate-related disclosures. For this reason, in May 2022, the SEC proposed for public comments new rules on the enhancement and standardization of climate-related disclosures for investors.

In this context, in March 2024 the SEC has published its final rules for the Enhancement and Standardisation of Climate-Related Disclosures for Investors, following the publication of a draft for public comment in May 2022. The new rules follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB) and contain substantial modifications to the draft, responding to some of the comments received, aimed at relaxing and limiting the scope of disclosure.

2. Main points

- Companies shall disclose any **climate-related risks that have had a material impact** or are likely to have a material impact on the company, including on its business strategy, results of operations or financial condition. Compared to the draft, the obligation to report negative impacts in the value chain is removed. Companies will also be able to disclose the actual and potential impacts of any climate-related opportunities they are pursuing.
- In relation to **governance and risk management disclosures**, companies should describe the board's oversight of climate-related risks and the role of management in assessing and managing these risks. The climate expertise of board members will not need to be disclosed as originally foreseen. In addition, companies should describe any process the company has in place to identify, assess and manage climate-related risks. This includes the adoption of a transition plan, outlining the company's strategy and implementation plan to reduce climate-related risks, to be updated each fiscal year.
- Companies shall **disclose any climate-related target or goal** if such target or goal has materially affected or is likely to materially affect the registrant's business, results of operations, or financial condition. In addition, companies shall provide any additional information to an understanding of the material impact, including a description of the scope of activities included in the target, the unit of measurement or the defined time horizon by which the target is intended to be achieved.
- Disclosure of **greenhouse gases (GHG) emissions** metrics is also limited in the final version, applying materiality and proportionality criteria. Thus, the final rule requires disclosure of Scope 1 and 2 emissions only by large accelerated filers (LAFs) and accelerated filers (AFs) that are not small reporting companies (SRCs) or emerging growth companies (EGCs), on a phased-in basis, if such emissions are material. Reporting will be on a per Scope type basis where it is material on a gross basis at the aggregate level, and on a constituent gas basis where it is individually material. In addition, the final rule will require the company to describe the methodology, significant input data and significant assumptions used to calculate its GHG emissions. Finally, companies will not be required to disclose their GHG emissions in terms of intensity, unlike the rule proposal.

3. Next steps

The compliance dates for the final rules are staggered and vary depending on the size of the registrant. However, the dates range from the fiscal year beginning (FYB) on **1 2025 to the FYB on 1 January 2028**



13/03/2024

BCRA - Measures taken in response to the evolution of the economic situation and liquidity conditions.

1. Context

Since 10 December 2023, certain changes have been observed in Argentina's macroeconomic situation. This change has been reflected in various aspects of the economy and financial liquidity.

In this context, the BCRA has published the measures implemented to address the evolving economic environment and liquidity conditions

2. Main points

In response to the evolution of the economic situation and financial liquidity conditions, the BCRA authorities have determined the following measures:

- Since March 12, there has been a **reduction in the monetary policy rate**. As a result, the interest rate of the deposit liabilities is fixed at 80% TNA.
- As of March 18, **liquidity management by means of deposits has been normalized**. Access to the deposit window will again be exclusively for financial institutions regulated by the BCRA (see [Communication A7977](#)).
- Since March 12, **minimum interest rates have been deregulated** by eliminating the minimum fixed term rate (see [Communication A7978](#)).
- Since December 10, there has been a real reduction in monetary issuance and an improvement in the Central Bank's balance sheet, as a consequence of the **normalization of the Domestic Payments System**, mainly due to the elimination of the monetization of the fiscal deficit and the voluntary acceptance of Bonds for the Reconstruction of a Free Argentina (BOPREAL).
- As of December 20 23, there has been a **normalization of the External Payments System**. The BCRA has been buying in a sustained manner in the free foreign exchange market, reversing the previous trend of decreasing net international reserves. Likewise, there is stability in the gap between the official dollar rate and the parallel rates, in any of their versions, as well as a downward correction in the quotation of future dollar contracts over the official exchange rate.

E 01/02/2024
CL **CMF - Resolution on the regulatory implementation of additional requirements under Pillar 2.**



1. Context

The CMF of Chile has the power to impose capital requirements in addition to those established in the General Banking Law and the Updated Compilation of Rules for banks. These requirements are intended to cover specific risks not covered by the minimum Pillar 1 requirements, such as Credit Concentration Risk and Banking Book Market Risk.

In this context, the CMF has published the resolution on the regulatory application of the additional capital requirements under Pillar 2. The objective is to inform about the institutions to which the additional requirements will be applied, as a result of the supervisory process that includes the assessment of the business models of each banking institution.

2. Main points

- **Entities affected:** The CMF has decided to apply additional capital requirements to the following entities: (i) Banco Bice; (ii) Banco BTG Pactual Chile; (iii) Banco Consorcio; (iv) Banco Internacional; (v) HSBC Bank; (vi) Banco Security; (vii) Banco de Chile; (viii) Banco del Estado de Chile; (ix) Scotiabank Chile.
- **Implementation process:** The implementation process will be gradual, and will last four years.
- **Capital requirements:** Banks must comply with a minimum of 56.3% of capital requirements using their core capital in relation to their net risk-weighted assets, which is equivalent to 4.5% of their total assets. The remaining percentage to reach 100% can be covered using financial instruments specified by law. These requirements are part of the minimum regulatory standards and must be applied both locally and globally, as appropriate.

3. Next steps

- The additional capital requirements are to be built up by banks to 25% by **30 June 2024**.
- The remaining amount must be built up over the following three years, in accordance with the outcome of the Capital Adequacy Assessment conducted each year by the CMF. This should take into account any changes to the total additional charge applicable to each bank.

14/03/2024

P **CMF - Regulation that establishes the standardized methodology for calculating provisions for consumer loans.**

1. Context

In 2022, the process to develop a regulation for the Standard Model of Provisions for Consumer Loans of Banking Institutions began, with the objective of establishing a solid and coherent regulatory framework in provisions for consumer loans, which would promote the stability and soundness of financial institutions and ensure adequate management of the risks associated with consumer loans. The process began with an initial version in consultation during 2022 and then a second version in October 2023, in which challenges and necessary adjustments were addressed.

In this context, the CMF has published the final text of the regulations of the Standard Model of Provisions for Consumer Loans of Banking Institutions. Important players in the financial sector, such as the Association of Banks and Financial Institutions (ABIF) and the Retail Financial Association (ARF), participated in the preparation of these regulations in order to ensure the adequacy and relevance of the proposed provisions. The publication of these regulations represents a significant advance in credit risk management in the Chilean financial sector.

2. Main points

- The regulations are based on an **expected loss approach**, which implies that provisions are set up considering the expected loss on loans. The parameters used to calibrate these provisions are based on general criteria for estimating capital requirements, thus ensuring adequate credit risk management.
- **Matrices are established to determine the 12-month Probability of Default (PD) and Loss Given Default (LGD) parameters** based on various risk factors. This methodology allows a more accurate and detailed assessment of the risks associated with consumer placements, contributing to a more effective management of provisions.
- The regulations seek to balance three fundamental principles in **risk management**: risk sensitivity, simplicity of implementation, and prudence. These principles seek to encourage financial institutions to strengthen their internal risk management systems, thus promoting greater soundness and stability in the banking sector.
- The need to **develop a standard methodology** for consumer loans was identified, in order to close an existing gap in current regulations. This initiative seeks to ensure coherence and consistency in credit risk management in the area of consumer loans, thus strengthening the soundness of the financial system.

3. Next steps

- This regulation is expected to come into force in 2025.

Other publications of interest

This section is a compilation of the summaries published weekly by our R&D department through the FinRegAlert app. This content includes other regulatory publications considered to be of lower impact than those that received the alert label.

These publications are listed according to the geographic scope of the publication and the date of publication (from oldest to most recent).

In addition, the publications have been labelled for information purposes with the most representative topics of the type of content or nature of the publication:

CL Capital, liquidity & leverage	D Reporting & disclosure
P Provisions & NPL	P Compliance & conduct
E Supervisory expectations	S Sustainability
G Governance	T Technology y AI
R Recovery & resolution	O Others

Global

40

European region

42

American region

52

Other publications of interest

Global

INITIAL MARGIN IN CENTRALLY CLEARED ECOSYSTEM D E

[\(16/01/2024\) BIS - Transparency and responsiveness of initial margin in centrally cleared markets: review and policy proposals](#)

The Basel Committee on Banking Supervision (BCBS), the Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) jointly published a consultative report on the transparency and responsiveness of initial margin in centrally cleared markets. This consultative report includes ten policy proposals which aim to increase the resilience of the centrally cleared ecosystem by improving participants' understanding of central counterparty (CCPs') initial margin calculations and potential future margin requirements. The proposal covers: i) CCP simulation tools; ii) CCP disclosures; iii) measurement of initial margin responsiveness; iv) governance frameworks and margin model overrides; and v) clearing member transparency. The consultation runs until 16 April 2024.

MARGIN MODELS IN NON-CENTRALLY CLEARED MARKETS E

[\(17/01/2024\) BIS - Streamlining VM processes and IM responsiveness of margin models in non-centrally cleared markets](#)

The Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) have published a report on streamlining variation margin (VM) processes and initial margin (IM) responsiveness of margin models in non-centrally cleared markets, which sets out recommendations for good market practices to enhance market functioning. The consultative report sets out eight recommendations to encourage the widespread implementation of good market practices but does not propose any policy changes to the BCBS-IOSCO frameworks. The first four recommendations aim to address challenges that could inhibit a seamless exchange of variation margin during a period of stress. The other four highlight good practices for market participants to smoothly implement initiatives to ensure the calculation of initial margin is consistently adequate for contemporaneous market conditions and proposes that supervisors should monitor whether these developments are sufficient to make this model responsive enough to extreme market shocks. Consultation runs until 17 April 2024.

RESOURCE ON EMISSIONS REPORTING D S

[\(18/01/2024\) IFRS - New resource on emissions reporting using GRI and ISSB Standards](#)

The Global Reporting Initiative (GRI) and the International Financial Reporting Standards (IFRS) Foundation have jointly published a new analysis and mapping resource: Interoperability considerations for GHG emissions when applying GRI Standards and ISSB Standards. The publication illustrates the areas of interoperability a company should consider when measuring and disclosing Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions in accordance with both GRI 305: Emissions and IFRS S2 Climate-related Disclosures.

FSB 2024 WORK PROGRAMME O

[\(24/01/2024\) FSB - FSB sets out 2024 work programme](#)

The Financial Stability Board (FSB) has published its 2024 work programme. One focus of FSB work in 2024 will be to promote the full implementation of the key attributes of effective resolution regimes for financial institutions across all sectors work on resolution, including addressing the lessons learned from the March 2023 banking turmoil. The FSB will take forward implementation of its global regulatory and supervisory framework for crypto-asset activities and continue to monitor the financial stability implications of other digital innovations, including tokenisation and artificial intelligence (AI).

POST TRADE RISK REDUCTION SERVICES E

[\(26/01/2024\) IOSCO - IOSCO seeks feedback on Post Trade Risk Reduction Services](#)

The Board of the International Organization of Securities Commissions (IOSCO) has published a consultation report on Post Trade Risk Reduction Services (PTRRS), which identifies potential policy considerations and risks associated with the use and offering of PTRRS associated with over-the-counter (OTC) derivatives trades, and presents sound practices as guidance to IOSCO members and regulated users of PTRRS. IOSCO is seeking to better assess the risks associated with the increased use of PTRRS and concentration of PTRRS providers, particularly in the areas of portfolio compression and counterparty risk optimization input from market participants on the discussion question in the report as well as the proposed sound practices. Comments on the consultation report should be sent before 1 April 2024.

STREAMLINING VARIATION MARGIN 

[\(14/02/2024\) IOSCO - CPMI-IOSCO publish discussion paper and call for comments on streamlining variation margin in centrally cleared markets](#)

The Bank for International Settlements (BIS) Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) has published the report with examples of effective practices of the Streamlining variation margin in centrally cleared markets. This report sets out for consultation eight effective practices addressing variation margin (VM) processes and transparency between Central Counterparties (CCPs), clearing members and their clients. The eight effective practices aim to provide examples of how standards set out in the Principles for Financial Market Infrastructures (PFMI) and CCP resilience guidance can be met. They are intended to inform CCPs in designing their VM call and collection processes. The deadline for comments is 14 April 2024.

BASEL III MONITORING REPORT

[\(05/03/2024\) BIS - Basel III Monitoring Report](#)

The Quantitative Impact Study Group of the Basel Committee on Banking Supervision (BCBS) has released the semi-annual report on the impact of the Basel III framework using data as of 30 June 2023, including the December 2017 finalization of the Basel III reforms and the January 2019 finalization of the market risk framework. This monitoring report captures the evolution of the estimated impacts on the risk-based capital ratio, the leverage ratio and liquidity metrics, using data collected by national supervisors on a representative sample of institutions in each country.

Other publications of interest

European Region

CYBER RESILIENCE STRESS TEST E T

[\(03/01/2024\) ECB - ECB to stress test banks' ability to recover from cyberattack](#)

The European Central Bank (ECB) is set to conduct a cyber resilience stress test on 109 banks under its supervision in 2024. The scenario assumes a cyberattack that disrupts daily operations, testing banks' emergency procedures, contingency plans, and their capability to restore normal operations. A subset of 28 banks will undergo an enhanced assessment, submitting additional information on their response to the cyberattack. The insights gained will inform the wider supervisory assessment in 2024, with findings discussed during the Supervisory Review and Evaluation Process. The results are expected to be communicated in the summer of 2024.

HARMONISING AND SIMPLIFYING FEES R

[\(03/01/2024\) EC – European Securities and Markets Authority – harmonising and simplifying fees \(Doc 1\) / \(Doc 2\) / \(Doc 3\) / \(Doc 4\) / \(Doc 5\)](#)

In its 2018 review, the Internal Audit Service of the European Commission (IAS) and the European Court of Auditors (ECA) observed that the complexity of the European Securities and Markets Authority's (ESMA) fee funding system creates risks for the correct calculation of fees. Following these observations, the European Commission (EC) asked the ESMA for technical advice on harmonisation and simplification of delegated acts on fees charged by ESMA. Based on the recommendations from the IAS, the ECA and the technical advice provided by ESMA, the EC aims to align technical aspects of the fee collection process across ESMA's supervisory mandates. This requires amending five out of seven delegated regulations. The amendments to Delegated Regulation (EU) No 1003/2013, together with four other delegated acts on fees charged by ESMA, will ensure consistency with regard to the notion of applicable turnover, payment modalities and the general budgetary approach and thus reduce the complexity of ESMA's fees management. The five draft acts are open for feedback for 4 weeks.

DRAFT DOCUMENTS ON THE IMPLEMENTATION OF ESRS D S

[\(09/01/2024\) EFRAG - Publication of the 3 draft EFRAG ESRS IG documents \(EGRAF IG 1 to 3\)](#)

The European Financial Reporting Advisory Group (EFRAG) has published for consultation three documents with guidelines for the implementation of the European Sustainability Reporting Standards (ESRS) relating to the following aspects: 1) dual materiality; 2) value chain; 3) detailed reporting requirements (datapoints). Stakeholders can provide feedback by accessing the relevant surveys by 2 February 2024.

COMPETITION IN GENERATIVE AI T

[\(09/01/2024\) EC - Commission launches calls for contributions on competition in virtual worlds and generative AI](#)

The European Commission (EC) has launched two calls for contributions on competition in virtual worlds and generative artificial intelligence (AI) and requested information to several large digital players. Additionally, the Commission is investigating agreements between large digital players and generative AI developers, assessing their impact on market dynamics. Furthermore, there is scrutiny over whether Microsoft's investment in OpenAI is subject to review under the European Union (EU) Merger Regulation. The calls align with the EU's commitment to enforcing competition rules and addressing challenges posed by disruptive technologies, such as virtual worlds and generative AI. Stakeholders can submit responses until March 11, 2024.

CONSULTATION ON DRAFT IMPLEMENTING STANDARDS O D

[\(09/01/2024\) ESAs - ESAs consult on draft implementing technical standards specifying certain tasks of collection bodies and certain functionalities of the European Single Access Point](#)

The European Supervisory Authorities (ESAs) have published a Consultation Paper on the draft Implementing Technical Standards (ITS) regarding the tasks of the collection bodies and the functionalities of the European Single Access Point (ESAP). These ITS and the requirements they set out are designed to enable future users to be able to effectively harness the comprehensive financial and sustainability information centralized on the ESAP. Interested parties can submit comments until 8 March 2024 and ESAs should publish a Final Report and submit the draft ITS by 10 September 2024.

RISK EXPOSURES IN REAL ESTATE O

[\(10/01/2024\) ESMA - ESMA explores risk exposures to real estate in EU securities markets and investment funds](#)

The European Securities and Markets Authority (ESMA) has published its first analysis of the exposures the European Union (EU) securities and markets and asset management sector have to real estate. The analysis suggests that i) debt levels in the real estate sector are elevated with wider risk implications from non-bank financial market players and that ii) interlinkages with the banking system are important and arise through entity exposures and activities, the impacts of which on the sector can be transmitted throughout the EU financial system.

STRATEGIC TECHNOLOGIES PLATFORM AGREEMENT T

[\(10/01/2024\) Council - Strategic Technologies for Europe Platform: The Council agrees on its partial negotiating mandate](#)

The permanent representatives of the Member States to the European Union (EU) have agreed on the Council's partial negotiating mandate on the proposal for the Strategic Technologies for Europe (STEP) Platform. The platform will support investments in critical technologies in the areas of digital and deep technology, clean technology, and biotechnology in the EU. It will reduce the EU's strategic dependencies and enhance its long-term competitiveness. The agreed partial mandate will serve as a basis for the STEP negotiations in the European Parliament (EP).

SUPERVISORY ACTIVITIES ON MiFID II E C

[\(11/01/2024\) ESMA - ESMA and NCAs to coordinate supervisory activities on MiFID II pre-trade controls](#)

The European Securities and Markets Authority (ESMA) has launched a Common Supervisory Action (CSA) with National Competent Authorities (NCAs), with the objective of assessing the implementation of pre-trade controls (PTCs) by European Union (EU) investment firms using algorithmic trading techniques. PTCs are used by investment firms to carry out checks at order entry to limit and prevent sending erroneous orders for execution to trading venues. Following the May 2022 flash crash, ESMA and NCAs have focused their attention on the implementation of PTCs in the EU, gathering evidence through questionnaires submitted to a sample of EU investment firms.

IMPLEMENTATION OF THE IDD O C

[\(15/01/2024\) EIOPA - EIOPA publishes second Report on the application of the Insurance Distribution Directive \(IDD\)](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published the second Report on the application of the Insurance Distribution Directive (IDD), which examines the key developments regarding the distribution of insurance products in Europe in 2022/2023. Among others, the report examines changes in the market structure of insurance intermediaries, shifts in cross-border activity patterns, any improvements in the quality of advice and selling methods as well as the overall impact of the IDD on small and medium-sized enterprises operating as insurance intermediaries. Additionally, the report looks at whether competent authorities are sufficiently empowered and equipped with adequate resources to carry out their tasks.

IMPROVEMENTS IN MACROPRUDENTIAL GUIDANCE O

[\(16/01/2024\) ESRB - Improvements to the ESRB macroprudential stance framework](#)

The European Systemic Risk Board (ESRB) has published a report describing the progress made in the way it assesses macroprudential guidance. The assessment of macroprudential guidance is a conceptual framework for comparing systemic risks with the policy measures taken to address them. This assessment helps the ESRB determine whether the financial system has sufficient resilience and whether a country's macroprudential policy guidance is neutral, lenient, or strict in relation to the risks it seeks to address.

ASPECTS OF THE NSFR CL

[\(17/01/2024\) EBA - The EBA publishes an analysis of specific aspects of the net stable funding ratio framework](#)

The European Banking Authority (EBA) has published its Report about some specific aspects of the net stable funding ratio (NSFR) framework. The Report provides an evaluation of the materiality of the specific items analysed as well as an assessment of the impact of possible changes to the current prudential treatment. The EBA conducted mostly a qualitative analysis based on expert judgement, as well as some sensitivity analysis. The items analysed are derivative contracts, securities financing transactions and unsecured transactions with a residual maturity of less than six months with financial customers, holding of securities to hedge derivative contracts. For the items for which data is available, the report provides an evaluation of the materiality of the phenomena as well as an assessment of the impact of possible changes to the current prudential treatment.

AI INNOVATION PACKAGE **T**

(24/01/2024) EC - [Commission launches AI innovation package to support Artificial Intelligence startups and SMEs](#)

The European Commission (EC) has launched a package of measures to support European startups and small and medium-sized enterprises (SMEs) in the development of trustworthy Artificial Intelligence (AI) that respects European values and rules. It contains: i) an amendment of the EuroHPC Regulation to set up AI Factories, ii) a decision to establish an AI Office within the Commission; iii) an EU AI Start-Up and Innovation Communication outlining additional key activities. The Commission is also establishing, with a number of Member States, two European Digital Infrastructure Consortiums (EDICs).

COMPENDIUM OF MARKET PRACTICES **O S**

(29/01/2024) EC - [Platform on Sustainable Finance report on a compendium of market practices](#)

The Platform on Sustainable Finance (PSF) has published its report on a compendium of market practices. The report focuses on seven stakeholder groups (corporates, credit institutions, investors, insurers, auditors and consultants, small- and medium-sized enterprises, and the public sector), showing that the EU taxonomy and the other sustainable finance tools (e.g., the European Green Bond Standard (EUGBS)) is being used for setting transition strategies, structuring financial transactions, and reporting on sustainability efforts.

EXPOSURES TO ESG **O S**

(29/01/2024) EBA - [The EBA seeks inputs from credit institutions on the classification methodologies for exposures to ESG risks](#)

The European Banking Authority (EBA) has launched an industry survey to receive input from credit institutions on their methodologies to classify exposures to environmental, social and governance (ESG) risks, as well as on the accessibility and availability of ESG data for this purpose. The objective of the survey is to collect qualitative information on credit institutions' current practices to inform the EBA's work on the feasibility of introducing a standardized methodology to identify and qualify exposures to ESG risks. The deadline to respond to the industry survey is 29 March 2024.

EU ALTERNATIVE INVESTMENT FUNDS **O C**

(30/01/2024) ESMA - [ESMA steps up its monitoring of EU alternative investment funds and sees potential risks in funds exposed to leverage and liquidity mismatches](#)

The European Securities and Markets Authority (ESMA) has published a report on the European Union (EU) alternative investment funds (AIFs)' market and an article on the risks posed by leveraged AIFs in the EU. ESMA confirms the risks posed by real estate (RE) funds, in a context of declining volumes of transactions and falling prices in several jurisdictions. Existing liquidity mismatches in AIFs are particularly heightened by the high share of open-ended RE funds, some of which offer daily liquidity. This vulnerability could be systemically relevant in jurisdictions where RE funds own a large share of the RE market.

NEW ECB FOCUS AREAS **E S**

(30/01/2024) ECB - [ECB steps up climate work with focus on green transition, climate and nature-related risks](#)

The European Central Bank (ECB) has decided to expand its work on climate change, identifying three focus areas that will guide its activities in 2024 and 2025: (i) the impact and risks of the transition to a green economy, especially the associated transition costs and investment needs; (ii) the increasing physical impact of climate change, and how measures to adapt to a hotter world affect the economy and (iii) the risks stemming from nature loss and degradation, how they interact with climate-related risks and how they could affect the ECB's work through their impact on the economy and financial system.

RTS ON RESIDUAL RISK **CL**

(01/02/2024) EBA - [The EBA consults on draft technical standards on residual risk add-on hedges under the Fundamental Review of the Trading Book](#)

The European Banking Authority (EBA) consults on draft technical standards on residual risk add-on hedges under the Fundamental Review of the Trading Book (FRTB). The EBA launched a public consultation on its draft Regulatory Technical Standards (RTS) on the conditions for determining whether an instrument attracting residual risk acts as a hedge. These RTS are part of the Phase 1 deliverables of the EBA roadmap on the implementation of the EU banking package in market risk. The consultation runs until 3 May 2024.

TRANSITION RISKS E S

[\(01/02/2024\) ECB - Risks from misalignment of banks' financing with the EU climate objectives](#)

The European Central Bank (ECB) has published a report which focuses on the transition risks stemming from banks' credit portfolios. Banks that fall within the scope of European Banking Authority (EBA) Implementing Technical Standards (ITS) on Pillar 3 disclosures on environmental, social and governance (ESG) risks will have to disclose the alignment of their credit portfolios by the end of 2024 at the latest, including their degree of deviation from a decarbonization pathway. The methods set out in this report provide a concrete approach for banks to follow in meeting this requirement.

VULNERABILITIES IN THE RESIDENTIAL REAL ESTATE O

[\(01/02/2024\) ESRB - ESRB publishes follow-up report on residential real estate sector vulnerabilities](#)

The European Systemic Risk Board (ESRB) has published a follow-up report on vulnerabilities in the residential real estate (RRE) sectors of European Economic Area (EEA) countries. The ESRB assesses vulnerabilities in the RRE sectors regularly because of their importance for financial and macroeconomic stability. In 2016, 2019 and 2021, the ESRB conducted systematic, forward-looking assessments of such vulnerabilities in the EEA. The most recent assessment focuses on changes in financial stability risks related to RRE markets and macroprudential policy responses adopted since the last assessment at the end of 2021.

REGULATION ON ESG RATING ACTIVITIES S

[\(05/02/2024\) EP/Council - Environmental, social and governance \(ESG\) ratings. Council and Parliament reach agreement](#)

The European Council and Parliament have reached a provisional agreement on regulation for ESG ratings to enhance investor confidence in sustainable products. This regulation aims to strengthen transparency and integrity among ESG rating providers and mitigate conflicts of interest. Under the new rules, ESG rating providers will be authorized and supervised by the European Securities and Markets Authority (ESMA), and a lighter registration regime will be introduced for small businesses. The provisional agreement is pending final approval from the Council and Parliament, with the regulation set to take effect 18 months after approval.

TECHNICAL PACKAGE FOR REPORTING FRAMEWORK D

[\(06/02/2024\) EBA - The EBA releases technical package for its 3.4 reporting framework](#)

The European Banking Authority (EBA) has published a technical package for version 3.4 of its reporting framework. This package provides the standard specifications that include the validation rules, the Data Point Model (DPM) and the XBRL taxonomies to support the amendments to the reporting and disclosure technical standards on minimum requirement for own funds and eligible liabilities and total loss absorbing capacity (MREL/TLAC), as well as some minor corrections to the technical package on the interest rate risk in the banking book (IRRBB). The DPM Query Tool has also been updated to reflect the current release.

REQUIREMENTS WHEN PUBLISHING INVESTMENT RECOMMENDATIONS ON SOCIAL MEDIA C

[\(06/02/2024\) ESMA - Requirements when posting investments recommendations on social media](#)

When posting on social media, transparency and accuracy are key to mitigate the risk of market manipulation, especially when making investment recommendations. That's why, if you're a financial influencer, a technical expert, or someone with an interest in financial investments, it's necessary to know the rules established under the Market Abuse Regulation (MAR) and to be able to recognize when you're making an investment recommendation in order to comply with the rules established in the MAR. Failure to do so may result in National Competent Authorities imposing administrative or criminal sanctions that may vary according to the member state for certain types of infringements.

THIRD COUNTRY INSURERS CL

[\(06/02/2024\) EC - Prolongation of US provisional equivalence decision \(Solvency II\)](#)

The European Commission (EC) has published a draft act that pertains to the renewal of the provisional equivalence determination for the solvency regime in the United States (US) under Solvency II. It highlights that the factual statements regarding the US solvency regime have not changed since the initial decision in 2015, and regular dialogues between US and EU authorities confirm that the criteria for equivalence continue to be met. The decision proposes a renewal of the provisional equivalence from 2026 to 2035, emphasizing the need for regular monitoring and potential reviews based on relevant developments. Additionally, it mentions the EC's intention to renew provisional equivalence decisions for other third countries after receiving assessments from European Insurance and Occupational Pensions Authority (EIOPA). This draft act is open for feedback until the 5th of March.

DELAY IN UPCOMING CSRD RELATED STANDARDS D S

[\(07/02/2024\) EP/Council - Council and Parliament agree to delay sustainability reporting for certain sectors and third-country companies by two years.](#)

The Council and the European Parliament have reached a provisional deal on a directive on the time limits for the adoption of sustainability reporting standards for certain sectors and for certain third-country undertakings amending the Corporate Sustainability Reporting Directive (CSRD). This agreement will give more time for companies to prepare for the sectorial European Sustainability Reporting Standards (ESRS) and for specific standards for large non-EU companies, which will be adopted in June 2026, two years later than the originally scheduled date.

REPORTING REQUIREMENTS UNDER RTS 28 C

[\(13/02/2024\) ESMA - ESMA clarifies certain best execution reporting requirements under MiFID II](#)

The European Securities and Markets Authority (ESMA) has issued a statement addressing the removal of the obligation for investment firms to publish regulatory technical standards (RTS28) on the quality of execution of client orders. ESMA expects National Competent National Competent Authorities (NCAs) not to prioritise supervisory actions towards investment firms relating to the periodic RTS 28 reporting obligation, from 13 February 2024 until the forthcoming transposition into national legislation in all Member States of the MiFID II review.

FINANCIAL STABILITY REPORTING D

[\(20/02/2024\) EIOPA - Risk-free interest rate term structures](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published its first shocked risk-free interest rate term structures (RFR). These term structures are used to calculate the Option-adjusted duration of technical provisions to be reported in the context of the Guidelines for reporting for financial stability purposes. The shocked RFR aims to ensure consistent calculation of the Option-adjusted duration. EIOPA will update the term structures and publish them twice a year on its website. The next update is coming in July 2024.

MARKET DATA TRANSPARENCY C

[\(20/02/2024\) Council - MiFIR and MiFID II: Council adopts new rules to strengthen market data transparency](#)

The Council has approved amendments to EU trading regulations (MiFIR and MiFID II) to enhance market data transparency, enabling easier access to crucial financial information for investors and boosting the European Union's (EU) capital markets competitiveness. The changes introduce consolidated market data feeds, aiming to provide real-time transaction information across the EU. Additionally, the regulations ban payment for order flow practices, with some exceptions until 2026, and include provisions on commodity derivatives. Once published in the EU's Official Journal, member states have 18 months to comply.

ANNUAL TRANSPARENCY CALCULATIONS D E

[\(01/03/2024\) 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, which will apply from 1 April 2024 until 6 April 2025. The calculations made available 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.

EURIBOR'S HYBRID METHODOLOGY G D

[\(01/03/2024\) EMMI - Final results: Euribor Consultation Paper on Enhancements to Euribor's Hybrid Methodology](#)

The European Money Markets Institute (EMMI) has concluded its public consultation on proposed enhancements to the Euribor benchmark's methodology with support from industry participants, including market participants, trade associations, infrastructure providers, and others. The proposed modifications to the Euribor Hybrid methodology resulted in a material change in the methodology which led EMMI to release a Public Consultation as per EMMI's internal policy. The consultation, which aimed to refine the Euribor hybrid methodology, garnered positive responses and provided insights into the future of this critical benchmark.

RTS UNDER CRR3 C

[\(04/03/2024\) EBA - RTS under the CRR3 regarding off-balance sheet items under the standardized approach of credit risk](#)

The European Banking Authority (EBA) has released a public consultation on its draft Regulatory Technical Standards (RTS) under the Capital Requirements Regulation (CRR3), focusing on off-balance sheet items under the standardized approach of credit risk. These RTS delineate the criteria for classifying off-balance sheet items and identify factors that could restrict institutions' ability to cancel unconditionally cancellable commitments. These RTS are placed in the context of the EBA's roadmap on the implementation of the European Union (EU) banking package. Additionally, the document outlines the conversion process from off-balance sheet to on-balance sheet equivalent amounts under the Standardized Approach for Credit Risk, detailing various bucket allocations and providing examples of specific off-balance sheet items and their respective categorizations. The consultation period for feedback extends until June 4, 2024.

FINAL GUIDELINES ON REGISTERS OF CREDIT SERVICERS D C

[\(05/03/2024\) EBA - The EBA publishes its final Guidelines on national lists or registers of credit servicers](#)

The European Banking Authority (EBA) published its final Guidelines on national lists or registers of credit servicers. The Guidelines are addressed to Competent Authorities managing the lists or registers and specify the content of the lists or registers, how they should be made accessible, and the deadlines for updating them. Furthermore, the lists or registers should facilitate borrowers' access to information on complaint-handling procedures offered by competent authorities. The Guidelines specify that the lists or registers should be accessible 24 hours a day, 7 days a week, on the website of the competent authority or another electronic tool; that they should not require the user's prior registration as a precondition for access; and that they should be free of charge.

CONSULTATION ON THE MINIMUM BAIL-IN DATA TEMPLATE R

[\(13/03/2024\) SRB - Consultation on the minimum bail-in data template | Single Resolution Board](#)

The Single Resolution Board (SRB) has launched a public consultation on the minimum bail-in data template (MBDT). The template collects bail-in data in the event of a bank failure or for dry-runs and testing exercises while being flexible enough to accommodate aspects related to national law. The package provides an integrated approach for implementing the SRB Bail-in Data Set Instructions and Explanatory Note published in 2020 and updated in 2022, by enhancing definitions and providing a template to ensure structured and standardized data collection across banks under the SRB's remit.

JOINT BANK REPORTING COMMITTEE O

[\(18/03/2024\) ECB - ECB and EBA step up efforts to make banking industry data reporting more efficient](#)

The European Central Bank (ECB) and the European Banking Authority (EBA) have established the Joint Bank Reporting Committee (JBRC), which is tasked with helping to develop common definitions and standards for the data that banks are required to report for statistical, supervisory and resolution purposes. One key tangible deliverable of the JBRC will be a common data dictionary for the reporting of statistical, supervisory and resolution data by banks. In this regard, the JBRC will work on establishing common concepts and definitions used in new and existing reporting..

CORPORATE SUSTAINABILITY DUE DILIGENCE S

[\(19/03/2024\) MEP - Proposal for a Corporate Sustainability Due Diligence](#)

Members of the European Parliament (MEPs) have approved the proposed Corporate Sustainability Due Diligence (CSDD) Directive, pending approval by the European Parliament (EP) for its entry into force. The Directive aims to establish a comprehensive framework for companies to respect human rights and environmental standards throughout their operations and supply chains and will apply to EU and non-EU companies and parent companies with more than 1,000 employees and a turnover of more than €450 million, as well as franchises with a turnover of more than €80 million if at least €22.5 million has been generated by royalties.

2024 SUPERVISORY BENCHMARKING EXERCISE **D** **C**

[\(20/03/2024\) EBA - EBA updates list of institutions involved in the 2024 supervisory benchmarking exercise](#)

The European Banking Authority (EBA) has published an updated list of institutions, which have a reporting obligation for the purpose of the 2024 European Union (EU) supervisory benchmarking exercise. The EBA will be conducting the 2024 benchmarking exercise on a sample of 110 institutions from 16 countries across the EU and the European Economic Area. The EBA runs this exercise leveraging on established data collection procedures and formats of regular supervisory reporting and assists Competent Authorities in assessing the quality of internal approaches used to calculate risk weighted exposure amounts.

SHORTENING THE SETTLEMENT CYCLE **E**

[\(21/03/2024\) ESMA - Feedback statement of the Call for evidence on shortening the settlement cycle](#)

The European Securities and Markets Authority (ESMA) has published feedback received to its Call for Evidence on shortening the settlement cycle. In the report ESMA summarises the feedback from market participants during the consultation, focused on four areas: i) many operational impacts beyond adaptations of post-trade processes are identified as resulting from a reduction of the securities settlement cycle in the EU; ii) identification of both potential costs and benefits of a shortened cycle; iii) suggestions on how and when a shorter settlement cycle could be achieved, with a strong demand for a clear signal from the regulatory front at the start of the work and clear coordination between regulators and the industry; and iv) need for a proactive approach to adapt their own processes to the transition to T+1 in other jurisdictions. ESMA intends to deliver its final assessment to the European Parliament and to the Council before 17 January 2025.

ITS ON SUPERVISORY REPORTING **T**

[\(22/03/2024\) EBA - Revised list of validation rules in ITS on supervisory reporting](#)

The European Banking Authority (EBA) has issued a revised list of validation rules in its Implementing Technical Standards (ITS) on supervisory reporting, highlighting those, which have been deactivated either for incorrectness or for triggering technological problems.

TREATMENT OF INTERNAL MREL **R**

[\(26/03/2024\) Council - Daisy Chains: Council adopts directive on indirect subscription chains](#)

The Council has adopted a directive that amends the Bank Recovery and Resolution Directive or (BRRD) and the Single Resolution Mechanism Regulation or (SRMR) to include targeted proportionality requirements to the treatment of internal minimum requirement for own funds and eligible liabilities (MREL) in bank resolution groups. The Daisy Chains directive sets out the concept and scope of liquidation entities and provides the conditions for the application of the consolidated treatment of internal MREL. The new rules aim to give the resolution authorities the power of setting internal MREL on a consolidated basis subject to certain conditions as well as they introduce a specific MREL treatment for liquidation entities. This is the last step of the adoption procedure. The text enters into force 20 days after its publication in the Official Journal.

EXTERNAL REVIEWERS OF EU GREEN BONDS **D** **S**

[\(26/03/2024\) ESMA - ESMA consults on rules for External Reviewers of EU Green Bonds](#)

The European Securities and Markets Authority (ESMA) has launched a consultation on Draft Regulatory Technical Standards (RTS) related to the registration and supervision of external reviewers under the EU Green Bond Regulation (EuGB). ESMA's proposals relate to the registration and supervision of entities interested in becoming external reviewers of EU Green Bonds and aim to clarify the criteria used for assessing an application for registration by an external reviewer. In its proposals, ESMA aims to standardise registration requirements and contribute to developing a level playing field through lower entry costs for applicants. ESMA will consider the feedback received to this consultation and expects to publish a final report in Q4.

Spain

CAPITAL STRUCTURE O

[\(01/02/2024\) BdE - Circular 1/2024, on capital structure reporting, addressed to banks, credit unions and other supervised institutions](#)

The Bank of Spain (BdE) has issued a circular comprising five rules, one transitory provision, one repealing provision, and two final provisions, with two appendices. Chapter I establishes the objectives and scope, focusing on information requirements regarding stakes in entities and their capital, applicable to banks, cooperatives, etc. Chapter II regulates the submission of information on these stakes and capital structure. Chapter III sets out rules for presenting this information to the BdE.

CHANGE IN COMPANY SIZE CRITERIO D

[\(12/02/2024\) MINECO - Preliminary draft law amending the criteria for determining the size of companies or groups in the field of corporate reporting](#)

The Ministerio de Economía, Comercio y Empresa (MINECO) has published for consultation the draft bill modifying the criteria for determining the size of companies or groups in corporate reporting. This preliminary draft aims to transpose the European Union (EU) Delegated Directive 2023/2775 to adjust the criteria for the size of a company or group of companies in order to take into account the impact of inflation. This takes the form of the following: i) adjusting the thresholds for considering an entity as a micro enterprise (balance sheet total amount is adjusted from 350 thousand to 450 thousand euros and net turnover from 700 thousand to 900 thousand euros); ii) adjusting the thresholds for considering an entity as a small entity (balance sheet total is adjusted from 4 million to 5 million euros and net turnover from 8 million to 10 million); and iii) adjusting the amounts to consider an institution as medium or large (adjusting the balance sheet total from 20 million to 25 million euros and the net turnover from 40 million to 50 million). The deadline for comments is 23 February 2024.

CAPITAL AND LIQUIDITY SELF-ASSESSMENT E CL

[\(19/02/2024\) BdE - Modification of the Guide for Capital \(PAC\) and Liquidity \(PAL\) Self-Assessment Processes of Credit Institutions, regarding the treatment of interest rate and credit spread risks of activities other than trading](#)

The Bank of Spain (BdE) has published modifications to the Guide for Capital (PAC) and Liquidity (PAL) Self-Assessment Processes of Credit Institutions, with the aim of aligning them with the guidelines EBA/GL/2022/14 adopted on April 24, 2023. These amendments seek to ensure consistency with supervisory expectations and Directive (EU) 2019/878. These modifications include the explicit assessment of credit spread risk (CSRBB) in capital self-assessment reports, alignment with macroeconomic stress tests, and new rules for calculating structural interest rate risk. The modifications will be applicable to supervised entities regarding their Capital and Liquidity Self-Assessment Reports as of December 31, 2023.

STANDARDIZED MODELS OF COMMISSIONS AND EXPENSES ATTRIBUTABLE TO PENSIONS PLANS C D

[\(13/03/2024\) MINECO - Draft Circular on the use of standardized forms of fees and other expenses attributable to pension plans to comply with the reporting obligations of pension fund management entities](#)

The Ministry of Economy, Trade and Enterprise (MINECO) has published a prior public consultation for the drafting of a circular that will regulate the use of standardized models of commissions and other expenses attributable to pension plans to comply with the reporting obligations of pension fund management companies. The purpose of this circular is to standardize the information provided to potential participants, members or beneficiaries, so as to allow adequate comparability of the totality of these costs between pension plans integrated in funds of the same investment category. The consultation period ends on March 21, 2024.

COUNTERCYCLICAL CAPITAL BUFFER CL

[\(21/03/2024\) BdE - The Bank of Spain maintains the countercyclical capital buffer at 0%](#)

The Bank of Spain (BdE) has communicated the maintenance of the countercyclical capital buffer at 0%. The evolution of the relevant indicators continues to show an absence of accumulation of new systemic vulnerabilities in the Spanish financial system, so the BdE has decided to leave unchanged at 0% the regulatory percentage of the countercyclical capital buffer (CCB) required in the second quarter of 2024 to banks for their credit exposures in Spain.

UK

ENHANCING SPECIAL RESOLUTION REGIME R

[\(11/01/2024\) Gov UK - Enhancing the Special Resolution Regime](#)

The UK Government has published a consultation outlining the UK government's intention to enhance and update the Special Resolution to effectively manage the failure of small banks and minimize risks to public funds. In light of the collapse of Silicon Valley Bank UK in 2023, the Government considers the existing regime to be robust but warns of the need for greater flexibility. The proposal suggests introducing a new mechanism that could transfer a failing small bank to a Bridge Bank or a willing buyer, reducing the reliance on insolvency. The mechanism aims to utilize funds from the banking sector, administered by the Financial Services Compensation Scheme (FSCS), to cover resolution costs, thereby safeguarding taxpayers. The government emphasizes that this enhancement would complement existing resolution powers and depositor protection measures, without imposing upfront financial burdens on banks. The consultation period concludes on March 7, 2024.

CMA'S APPROACH TO IMPLEMENT COMPETITION REGIME T C

[\(11/01/2024\) Gov UK - Overview of the CMA's provisional approach to implement the new Digital Markets competition regime](#)

The Competition and Markets Authority (CMA) has published an overview of how it intends to operate the new digital markets competition regime as currently proposed by the Digital Markets, Competition and Consumers (DMCC) Bill. The document, which comes in response to a request from UK government ministers, details the principles that will guide the CMA's approach to its new role. This will include i) tailoring the CMA's actions to the specific problems that are identified; focusing on where it can have the most impact for people, businesses, and the UK economy; ii) engaging with a wide range of stakeholders; and operating with transparency. The parliamentary process will conclude in the spring of 2024, and the new responsibilities will commence in the fall of the same year.

DIGITAL POUND T

[\(25/01/2024\) BoE - Bank of England and HM Treasury respond to digital pound consultation](#)

The Bank of England (BoE) and HM Treasury have published their response to the consultation on a digital pound that was launched in February 2023. Response confirms that neither the Bank nor the Government would have access to users' personal data. Authorities committed to maintaining access to cash for those who prefer it.

APPROACH TO ENFORCEMENT C

[\(30/01/2024\) BoE - PS1/24 – The Bank of England's approach to enforcement](#)

The Bank of England's (BoE) has published a policy statement (PS) provides feedback on responses to consultation paper CP 9/23 and outlines final policies, including amendments to the Prudential Regulation Authority's (PRA) enforcement approach and procedures relevant to financial market infrastructures (FMIs). It also includes changes to decision-making allocation, supervisory approaches, and Enforcement Decision Making Committee (EDMC) Procedures. Applicable to PRA-authorized entities, senior employees under the Senior Managers and Certification Regime (SM&CR), credit unions, and professional advisers, these policies impact firms, and individuals subject to potential enforcement actions by the Bank and/or the PRA.

GUIDANCE FOR INSOLVENCY PRACTITIONERS C

[\(19/03/2024\) FCA - Guidance for insolvency practitioners on how to approach regulated firms](#)

The Financial Conduct Authority (FCA) has released a guidance for insolvency practitioners on how to approach regulated firms. Since the last Guidance, published in 2021 there have been changes in the legal framework affecting firm failure, changes in the regulatory framework and changes in the UK economic climate. The Guidance is mainly aimed at insolvency practitioners (IPs) appointed over firms solely authorized or registered by the FCA, although it may also be relevant for IPs appointed over firms that are dual regulated by the FCA and Prudential Regulation Authority (PRA). The deadline to submit any views on the consultation is April 30th 2024.

RETIREMENT INCOME ADVICE **R** **E**

(20/03/2024) FCA - [Thematic Review TR24/1 Retirement income advice thematic review](#)

The Financial Conduct Authority (FCA) has issued a thematic review on the retirement income advice in order to: i) gain detailed insights into how the retirement income advice market is functioning; ii) understand whether firms' advice models consider the specific needs of consumers in decumulation; iii) consider whether consumers are being provided with suitable retirement income advice when accessing benefits built up through pension savings, and take appropriate action to tackle any harms identified; and iv) inform our future areas of focus. All firms that provide retirement income advice should consider and use this information to review and update how they work.

NON-SYSTEMIC BANKS AND BUILDING SOCIETIES **O**

(12/03/2024) BoE - PS5/24 – [Solvent exit planning for non-systemic banks and building societies](#)

The Bank of England (BoE) has submitted the Policy Statement (PS) on the solvent exit planning for non-systemic banks and building societies that provides feedback to responses to the prior consultation paper (CP). Respondents have generally supported the solvent exit policy to minimize the risks of a disorderly wind-down of PRA-regulated activities, as well as the distinction between the level of preparations to be made by firms in a normal situation versus firms with a reasonable prospect of solvent exit and the requirement for solvent exit planning commensurate with the nature, scale and complexity of the firms. This standard applies to UK banks and building societies that are not, and are not part of a group that is, a global systemically important entity (G-SII) or other systemically important entity (O-SII), nor subject to the Business Continuity Part of the PRA Regulations.

Other publications of interest

American region

US

RESOLUTION PLAN FOR SOME LARGE FINANCIAL INSTITUTIONS

R

(17/01/2024) FED - [Agencies extend resolution plan submission deadline for some large financial institutions](#)

The Federal Reserve Board and the Federal Deposit Insurance Corporation have announced that they are extending the resolution plan submission deadline for certain large financial institutions. These companies will be required to submit their resolution plans by March 31, 2025, instead of July 1, 2024. By law, certain large financial institutions must periodically submit resolution plans to the agencies. These resolution plans, also known as living wills, must describe a company's strategy for orderly resolution in the event of material financial distress or failure of the company.

INVESTOR PROTECTION IN SPACs

C

(24/01/2024) SEC - [Special Purpose Acquisition Companies, Shell Companies, and Projections](#)

The Securities and Exchange Commission (SEC) has adopted rules to enhance investor protections in initial public offerings by special purpose acquisition companies (SPACs) and in subsequent business combination transactions between SPACs and private operating companies. These rules include disclosure requirements for compensation paid to sponsors, conflicts of interest, dilution, and board of directors' determinations. The rule adopted deems any business combination transactions involving reporting shell companies, provides guidance on underwriter status, and updates guidance on using projections in filings, with additional disclosure requirements for SPAC-related transactions.

SHARED NATIONAL CREDIT REPORT

P

(16/02/2024) Fed - [Agencies issue 2023 Shared National Credit Program report](#)

The Federal Reserve (Fed) has published the 2023 Shared National Credit (SNC) report. It indicates moderate credit quality in large, syndicated bank loans but highlights declining trends due to higher interest rates and squeezed margins in specific sectors. Risks persist in leveraged loans and certain industries, while pandemic-affected sectors are improving. The report shows an increase in loans needing management's attention, with United States (US) banks holding a smaller share of risky loans compared to total commitments.

ORDER EXECUTION INFORMATION

D

(06/03/2024) SEC - [Disclosure of Order Execution Information](#)

The Securities and Exchange Commission (SEC) has adopted amendments to a rule under the Securities Exchange Act that requires disclosures for order executions in national market system (NMS) stocks. First, the amendments expand the scope of reporting entities subject to the preexisting rule that requires market centers to make available to the public monthly execution quality reports to encompass broker-dealers with a larger number of customers. The amendments also modify the definition of covered order to include certain orders submitted outside of regular trading hours and certain orders submitted with stop prices. In addition, the amendments modify the information required to be reported under the rule, including changing how orders are categorized by order size as well as how they are categorized by order type. The final rules will become effective 60 days after the date of publication in the Federal Register.

RISK MANAGEMENT REQUIREMENTS FOR FMUS

D

(08/03/2024) Federal Reserve Board - [Final rule that updates risk management requirements for certain systemically important financial market utilities \(FMUs\)](#)

The Federal Reserve Board (Fed) has announced a final rule updating risk management requirements for certain systemically important marketplace financial services firms (FMUs) supervised by the Fed. The updates bring more clarity and specificity to existing requirements in four key areas of operational risk management: incident management and reporting; business continuity management and planning; third-party risk management; and review and testing of operational risk management measures. FMUs subject to the rule must comply with certain updates within 90 days and all updates within 180 days of publication in the Federal Register.

EDGAR FILER MANUAL **C**

(18/03/2024) SEC - [Adoption of Updated EDGAR Filer Manual](#)

The Securities and Exchange Commission (SEC) has implemented amendments to Volume II of the Electronic Data Gathering, Analysis, and Retrieval system Filer Manual (EDGAR Filer Manual) and associated rules and forms. The Filer Manual contains essential information for filers to make submissions on EDGAR, and compliance with its provisions is necessary to ensure the timely acceptance and processing of filings made in electronic format. Filers must consult the Filer Manual alongside SEC rules governing mandated electronic filings when preparing documents for electronic submission. These changes, known as EDGAR Release 24.1, will be integrated into the EDGAR system on March 18th.

SHARE REPURCHASE DISCLOSURE MODERNIZATION **D**

(19/03/2024) SEC - [Share Repurchase Disclosure Modernization](#)

The Securities and Exchange Commission (SEC) has adopted amendments to modernize and improve disclosure about repurchases of an issuer's equity securities that are registered under the Securities Exchange Act of 1934. The amendments require additional detail regarding the structure of an issuer's repurchase program and its share repurchases, require the filing of daily quantitative repurchase data either quarterly or semi-annually, and eliminate the requirement to file monthly repurchase data in an issuer's periodic reports. The amendments also revise and expand the existing periodic disclosure requirements about these repurchases. Finally, the amendments add new quarterly disclosure in certain periodic reports related to an issuer's adoption and termination of certain trading arrangements.

COMMUNITY REINVESTMENT ACT FINAL RULE **D**

(21/03/2024) FED - [Agencies extend applicability date of certain provisions of their Community Reinvestment Act final rule](#)

Federal bank regulatory agencies have jointly issued an interim final rule that extends the applicability date of certain provisions in their Community Reinvestment Act (CRA) final rule issued in October 2023. To promote clarity and consistency, the agencies extended the applicability date of the facility-based assessment areas and public file provisions from April 1, 2024, to January 1, 2026. Therefore, banks will not have to make changes to their assessment areas or their public files as a result of the 2023 CRA final rule until January 1, 2026. In addition, the agencies also issued technical, non-substantive amendments to the CRA final rule and related agency regulations that reference it.

BANK MERGER TRANSACTIONS **R**

(21/03/2024) FDIC - [FDIC Seeks Public Comment on Proposed Revisions to its Statement of Policy on Bank Merger Transactions](#)

The Federal Deposit Insurance Corporation (FDIC) Board of Directors has approved a Federal Register notice seeking public comment on proposed revisions to the agency's Statement of Policy (SOP) on Bank Merger Transactions. The revised SOP reflects legislative and other developments that have occurred since it was last amended in 2008, including the establishment of the statutory factor regarding the risk to the stability of the United States (US) banking or financial system. The revised SOP is principles based; i) describes the types of applications subject to FDIC approval; ii) addresses each statutory factor separately; and iii) highlights other relevant matters and considerations, such as related statutes pertaining to interstate mergers, and applications from non-banks or banks that are not traditional community banks.

Argentina

BUSINESS PLAN, PROJECTIONS AND CAPITAL SELF-ASSESSMENT REPORT

D **CL**

[\(01/02/2024\) BCRA - Extension of the deadline for submitting the Business Plan and Projections and Capital Self-Assessment Report](#)

The Central Bank of the Argentine Republic (BCRA) has issued a circular addressed to financial entities informing about the extension of the deadline for submitting the Business Plan and Projections Information Regime and Capital Self-Assessment Report for the period 2024/2025. This extension of the deadline allows financial entities to have more time to complete and submit sections I and II until March 18, 2024, and sections IV and V until April 18, 2024. The measure seeks to provide flexibility and facilitate compliance with the regulatory obligations established by the BCRA, thus ensuring an adequate management and evaluation of capital in the Argentine financial sector.

MINIMUM GUIDELINES FOR INSURANCE CONTRACTS

O

[\(15/03/2024\) - SSN - Minimum Guidelines for Insurance Contracts entered into in Foreign Currency](#)

The Argentine Superintendence of Insurance (SSN) has revoked the general clauses for contracts in foreign currency. Instead, it has approved the Minimum Guidelines for Insurance Contracts entered into in Foreign Currency, in accordance with the amendments to the National Civil and Commercial Code, in order to provide clarity and certainty to the industry. This allows insurance companies to present insurance contract clauses in foreign currency in accordance with these guidelines.

BUSINESS PLAN AND PROJECTIONS AND CAPITAL SELF-ASSESSMENT REPORT

CL

[\(18/03/2024\) - SSN - Historical deadlines for the presentation of Financial Statements are reestablished and the process for the publication of Balance Sheets is simplified.](#)

The Argentine Superintendence of Insurance (SSN) has reinstated the 45-day deadline for the submission of financial statements of insurance companies and 60 days for reinsurance companies. This decision is based on the importance of a timely and effective evaluation of the financial statements to understand the financial situation and solvency of the supervised entities. In addition, the requirement of publication of these statements is simplified, allowing their disclosure on the web pages of the entities themselves and on that of the SSN, thus eliminating an additional information requirement.

Brazil

BCB NORMATIVE INSTRUCTION N° 448 OF 04/01/2024

D

[\(04/01/2024\) BCB – BCB Normative Instruction n° 448 of 4/1/2024](#)

The Central Bank of Brazil (BCB) published BCB Normative Instruction No. 448, issued on January 4, 2024, amending BCB Normative Instruction No. 374 of April 26, 2023. The latter establishes the procedures, deadlines, documents and information required to submit authorization requests related to the operation of Financial Market Systems (SMF) within the scope of the Brazilian Payment System (SPB). The amendment addresses the independence of the independent qualified company hired to carry out assessments, detailing the absence of links between members of the statutory bodies of the requesting institution and the company hired. In addition, the requirements for submitting information in the case of requests from already authorized institutions are adjusted. The regulation comes into force on January 8, 2024.

BCB NORMATIVE INSTRUCTION N° 447 OF 04/01/2024

O

[\(04/01/2024\) BCB - Normative Instruction BCB n° 447 of 4/1/2024](#)

The Central Bank of Brazil (BCB) published Normative Instruction BCB No. 447, issued on January 4, 2024, introducing changes to Normative Instruction BCB No. 268, of April 1, 2022, with the aim of creating accounting headings in the list of accounts in the Accounting Standard for Institutions Regulated by the Central Bank of Brazil (Cosif). The document presents adjustments to Article 53-A of the aforementioned instruction, detailing new codes and attributes related to credit rights in the process of being enforced. These changes apply to accounting documents from January 2024. In addition, item V of Article 53-A of BCB Normative Instruction No. 268 of 2022 is repealed. The regulation comes into force on the date of its publication. BCB/DENOR note 7/2024 justifies the proposal to issue the normative instruction, detailing the necessary corrections and highlighting the exemption from preparing a Regulatory Impact Analysis (RIA) in accordance with the legal provisions.

THE CVM EXTENDS THE ADAPTATION DEADLINES FOR INVESTMENT FUNDS.

(12/03/2024) CVM - [CVM extends deadlines for adapting to new fund regulations](#)

The Board of the Brazilian Securities and Exchange Commission (CVM) approved CVM Resolution 200, which extends the deadlines set out in CVM Resolution 175 on the new regulatory framework for investment funds. The decision was made in response to requests submitted to the CVM by associations representing the investment fund industry, due to operational challenges related to tax reform and the complexity of the new regulations. The new deadlines are as follows: the adjustment of the stock of funds in operation until the publication of the Resolution is postponed to June 30, 2025, while the adjustment of the stock of Credit Rights Investment Funds (FIDC) is postponed to November 29, 2024. In addition, specific amendments have been made to incorporate changes in the legislation for Real Estate Investment Funds (FII) and Investment Funds in Agro-Industrial Chains (Fiagro). CVM Resolution 200 comes into force on March 12, 2024.

Chile

INCLUSION OF NEW C64 FILE

(05/01/2024) CMF – [New accounting file to capture information on recoveries, expenses and renegotiations of non-performing loans](#)

The Financial Market Commission (CMF) has announced the inclusion of the new C64 file in its Information Systems Manual, designed to collect data on recoveries, expenses and renegotiations of non-performing loans in all banking institutions in Chile. This measure seeks to provide an accurate characterization of the value of losses due to non-payment of loans, in order to improve regulation and prevent situations of financial stress that may affect the resilience of the banking system. The file will become effective in 2025, and its implementation could imply additional costs for financial institutions.

RELATED PARTY TRANSACTIONS STANDARDS

(08/01/2024) CMF – [Publication of Regulatory Report on Related Party Transactions Standards](#)

The Financial Market Commission (CMF) has published the regulatory report on related party transaction (RPO) standards. The purpose of the regulation is to raise the standards for related party transactions. That is, to improve the criteria that entities will take into consideration for the purpose of considering certain operations as usual and proper to the ordinary course of business and, in addition, to make transparent which operations have been carried out within the framework of the usual policy and which are outside it.

REGULATION OF FINANCIAL SERVICE PROVIDERS

(12/01/2024) CMF - [CMF issues rules to regulate financial service providers under the Fintec Law](#)

The Financial Market Commission (CMF) has issued general regulation n°502 to regulate financial service providers under the Fintec Law. This regulation establishes requirements for the registration and authorization of financial services, risk management, corporate governance, capital, guarantees and disclosure of information to clients and the public. For its preparation, public consultations and working groups were held, with the participation of more than 200 people and 129 entities. The regulations cover services such as crowdfunding platforms, intermediation of financial instruments and credit counseling, among others. A deadline has been established for service providers to register and request authorization, with sanctions for those who do not comply. The regulations in question come into force on February 3, 2024.

INICIATIVE ON ECO-LAUNDRING

(15/01/2024) House of Representatives - [Initiative on eco-laundering, which will sanction the greenwashing of companies' image](#)

The House of Representatives has reported on the Eco-laundering initiative, approved in particular by the Chamber and sent to the Senate. The objective of the initiative is to sanction the greenwashing of the image of companies, demanding transparency in environmental information, limiting its publicity and establishing fines of up to 4,500 UTM for violators. It also prohibits sustainability advertising for companies convicted of environmental damage or serious infractions, in addition to imposing sanctions on the media that contravene these rules. Finally, changes are added to the Consumer Law to prevent the induction to error in environmental issues. The bill in question generates debate, with supporters who value truth in advertising and critics who question the amount of the fines and the possible restrictions to the advertising freedom of companies, in addition to raising reservations of constitutionality.

STRESS TESTING GUIDELINES**E** **CL**

[\(29/01/2024\) CMF - CMF publishes final version of policy paper with guidelines on stress testing in banks](#)

The Financial Market Commission (CMF) has published a policy paper of Guidelines on Stress Testing in Banking Institutions. Specifically, it provides guidelines on the processes and methodologies for stress testing in banking in Chile, as part of the risk management and capital and liquidity adequacy self-assessment process. This guide complements the provisions of Chapters 1-13, 12-20, 21-13 and 21-14 of the CMF's Updated Compilation of Standards (RAN), although it does not constitute a regulatory instruction in itself. Banking institutions are expected to incorporate them, in accordance with the principles of proportionality and the particularities of each institution. It is up to each one of them to establish the specific aspects applicable to them.

REGULATORY REPORT AMENDMENT NCG N°200**CL**

[\(08/02/2024\) CMF – Regulatory Report Modification NCG N°200](#)

The Financial Market Commission (CMF) has published a regulatory report which includes the modification of the general rule (NCG) No. 200, where it is proposed to modify the calculation formula and limits of credit risk exposure per counterparty in derivative transactions, moving from an approach based on the size of the contract to a risk-based approach, through the credit equivalent. Likewise, the prohibition of the use of local currency hedging, Chilean pesos (CLP)/unidad de fomento (UF), for its use in the estimation of matching according to Circular No. 1512 is eliminated, incorporating in the latter, the domestic fixed income instruments with CLP/UF hedging for such purpose. Finally, it is proposed to require in the plan for the use of derivatives, established in NCG No. 200, a hedge effectiveness test to demonstrate the extent to which the changes in the fair value or flows of the contract offset the changes in the fair value or flows of the hedged item.

ADJUSTMENT OF INSTRUCTIONS CHAPTER 21-20**D**

[\(09/02/2024\) CMF - Adjustment of instructions to Chapter 21-20 of the Updated Compilation of Rules for banks](#)

The Financial Market Commission (CMF) has published Circular No. 2344, which amends Chapter 21-20 of the Updated Compilation of Rules for Banks (RAN), with the aim of promoting market discipline and transparency through the disclosure of information requirements from banks (Pillar 3). Specifically, the references to the scope of application and the counterparty credit risk (CCR) gloss are modified. In addition, corrections and adjustments are included in the investments in subsidiaries and in the explanations of other assets. The changes will apply from the Pillar 3 report to be published with information referring to the 1st quarter of 2024, so it is not necessary to rectify previous reports.

REGULATION ON CORPORATE GROUPS**D**

[\(12/02/2024\) CMF - Regulatory report on the implementation of the agreement on the general rule regulating information on corporate groups](#)

The Financial Market Commission (CMF) has issued a report stating that financial institutions must send and keep updated information on the business groups to which they belong. This implies that the audited entities must identify their corporate group and provide this information to the CMF according to the established procedure. If an entity is a parent or controlling company, it must create its own corporate group and identify the entities that comprise it. In addition, each entity is responsible for maintaining an updated list of the entities that are part of its corporate group. This regulation will come into force on May 1, 2024.

REGULATION FOR THE DETERMINATION OF SYSTEMIC BANKS**D** **CL**

[\(12/02/2024\) CMF - CMF publishes Circular adjusting the rules for the determination of systemic banks Circular que ajusta la normativa para la determinación de bancos sistémicos](#)

The Financial Market Commission (CMF) has modified the information requirements used in the determination of systemically important banks and their respective capital charges with the objective of advancing in the continuous improvement of the quality of the information used for the determination of systemically important banks and their respective capital charges. The regulation also contemplates adjusting the lower threshold for determining the first group of systemically important banks from 1,000 basis points to 750.

REPORT ON THE AMENDMENT OF NCG No. 325 **E**

[\(16/02/2024\) CMF - Report on the modification of the General Character Norm \(NCG\) n° 325, which provides instructions on the risk management system and solvency assessment of insurance companies](#)

The Financial Market Commission (CMF) has issued the regulation introducing amendments to General Rule (NCG) No. 325, which provides instructions on the risk management system of insurance companies and the evaluation of solvency of insurance companies by the CMF. Specifically, modifications are included in the following aspects of the NCG: i) the evaluation of the risk of Money Laundering, Financing of Terrorism and Proliferation of Weapons of Mass Destruction is incorporated within the Legal risk; ii) the regulation of risk management and solvency evaluation of insurance companies is adjusted, to give more consistency to the supervisory work performed and to the better application of the CMF's risk-based supervisory approach. In addition, adjustments are made to the regulations to harmonize them with the CMF's Prudential Supervision Model, which contemplates an integrated, prospective model based on the risks of the different supervised entities.

ADVISORY BOARD ON THE OPEN FINANCE SYSTEM MODEL **O** **T**

[\(06/03/2024\) CMF - CMF informs on the new advisory board on the Open Finance System Model in the framework of the implementation of the Fintec Law](#)

The Financial Market Commission (CMF) has held a consultative roundtable on the design of the Open Finance System Model, including flows and services. The purpose of this public, participatory and transparent instance is to receive the opinions of stakeholders on the most relevant aspects related to the Open Finance System and thus learn more details of the implementation process of the Fintec Law. Specifically, the meetings were held on March 11 and 12, 2024.

Colombia**SUSTAINABLE FINANCE STRATEGY** **S**

[\(12/03/2024\) SFC - Sustainable finance strategy in relation to biodiversity](#)

The Financial Superintendence of Colombia (SFC) has participated in the Technical Working Group on the Biodiversity Action Plan Financing Strategy. The SFC's sustainable finance strategy has been explained, which seeks to promote a more resilient financial system by integrating climate change risks and opportunities, as well as environmental and social aspects. In this context, the need to increase capacities in territories and communities to understand the benefits and risks of nature has been emphasized, highlighting the importance of financial inclusion to reduce financing gaps, foster innovation, and conserve nature while promoting sustainable communities.

Mexico**ACCOUNTING STANDARDS ON TREATMENT OF ITEMS** **D**

[\(07/02/2024\) DOF - Resolution on adjustment of accounting standards for credit institutions](#)

The Official Gazette of the Federation (DOF) has published the Resolution of the National Banking and Securities Commission (CNBV), which adjusts the accounting standards for credit institutions to clarify the treatment of items differentiating costs or expenses in their equity. Specifically, it specifies that expenses whose recognition in equity is deferred over time must have a remaining impact on results equal to or less than one year. This change, aligned with established accounting criteria, seeks greater consistency in the financial management of entities. The resolution entered into force the day following its publication in the DOF.

REQUIREMENTS ON MINIMUM REQUIRED CAPITAL **CL**

[\(09/02/2024\) DOF - Resolution on provisions regarding minimum required capital for multiple banking institutions](#)

The Official Gazette of the Federation (DOF) has published the resolution of the National Banking and Securities Commission (CNBV), which adjusts the provisions applicable to credit institutions regarding the minimum required capital for multiple banking institutions. Additionally, certain articles are reformed and repealed to expand the catalog of permitted operations based on subscribed and paid-up capital. Institutions may carry out additional operations according to the amount of capital they possess, provided they comply with the established requirements. The resolution entered into force the day following its publication in the DOF.

CIRCULAR TO MULTIPLE BANKING INSTITUTIONS**CL**(12/02/2024) DOF - [Circular on permanent liquidity facility](#)

The Official Gazette of the Federation (DOF) has published Circular 1/2024 from the Bank of Mexico, which resolves to issue new rules applicable to the exercise of financing that can be granted to multiple banking institutions presenting liquidity needs and meeting the established requirements, under terms reflecting the new operational circumstances of multiple banking institutions, given technological advances, the speed at which information is exchanged, and consequently, the high degree of coordination of financial agents' reactions. Therefore, the new terms must streamline the granting of resources; consider a broad set of guarantees; provide flexibility in terms of covering various liquidity needs, while also promoting an appropriate risk management scheme and keeping the risk for the Bank of Mexico contained. The Circular entered into force the day following its publication in the DOF.

G AND MS BONDS.**S**(15/02/2024) DOF - [Circular on inclusion of G and MS Bonds](#)

The Official Gazette of the Federation (DOF) has published Circular 2/2024 issued by the Bank of Mexico, which introduces modifications to the rules for the exchange of government securities, incorporating G and MS Bonds issued by the Federal Government. These bonds, aligned with environmental, social, and corporate governance criteria, may be subject to swap operations according to the new provisions. The goal is to promote sustainable investment in the country and comply with the Sustainable Development Goals (SDGs) of the United Nations (UN). The Circular entered into force the day following its publication in the DOF.

SERVICE COMPANIES AND REAL ESTATE SOCIETIES**D****C**(27/02/2024) DOF - [Resolution on service companies and real estate societies](#)

The Official Gazette of the Federation (DOF) has published a Resolution amending Article 354 Bis 5 of the General Provisions applicable to credit institutions. According to this reform, Service Companies and Real Estate Societies must present their basic financial statements with figures corresponding to March, June, and September within the following month of their issuance. Additionally, they must present audited basic financial statements with figures as of December of each year, along with notes and the opinion of the Independent External Auditor, all submitted within 90 calendar days following the end of the fiscal year. In case of requirement, they must also provide copies of service provision contracts with the institutions they serve. This Resolution entered into force the day following its publication in the DOF.

ADJUDICATED ASSETS(27/02/2024) DOF - [Resolution on adjudicated assets](#)**P****D**

The Official Gazette of the Federation (DOF) has issued a Resolution aimed at simplifying regulatory procedures for credit institutions. Regarding the reporting of provisions that these institutions must submit for holding and disposal, reforms have been made to Article 1, section XX, and 133, third paragraph, as well as Annex 36 Regulatory Reports, Series R06 Adjudicated Assets. Additionally, Article 218 and Annex 32 of the "General Provisions applicable to credit institutions" have been repealed, which were published in the Official Gazette of the Federation on December 2, 2005, and last amended by a resolution published on February 9, 2024. This Resolution entered into force the day following its publication in the DOF.

Panama**PANAMA'S SUSTAINABLE FINANCE TAXONOMY****S**(27/03/2024) - SBP - [Panama takes a crucial step with the launch of its Sustainable Finance Taxonomy](#)

The launch of Panama's Taxonomy of Sustainable Finance marks a crucial milestone, making it the first country in Central America and the third in Latin America to adopt this instrument. This step will facilitate the flow of capital towards environmentally sustainable investments, thus contributing to a resilient and inclusive national economy. With more than 350 representatives from various entities involved in its development, the taxonomy promises to align the financial sector with the country's environmental objectives, in addition to positioning Panama as an attractive destination for international investors, thanks to its interoperability with other taxonomies.

Peru

MODIFICATION OF REGULATIONS IN PERU **CL** **D**

(28/12/2023) SBS - [Draft modifying several Regulations](#)

The Superintendency of Banking, Insurance and AFP (SBS) has pre-published a draft Resolution that contemplates modifications to several Regulations. First of all, changes are proposed for the Regulation for the Credit Risk Cash Equity Requirement. Adjustments are also proposed to the Regulation for the Consolidated Supervision of Financial and Mixed Conglomerates. Finally, amendments are made to Chapter V on supplementary information of the Accounting Manual for Financial System Companies. Specifically, Report 2-A1, related to the standard method of assets and contingencies weighted by credit risk, as well as Report 3, related to effective equity, are altered. Interested parties may submit comments on the draft until February 29, 2024, through the timely submission process.

RESOLUTION SBS N° 274-2024 **CL**

(24/01/2024) SBS - [Resolution n° 274-2024](#)

The Superintendency of Banking, Insurance and AFP (SBS) has published Resolution No. 274-2024, which introduces adjustments to the financial regulatory framework in Peru, in line with Basel III standards. It establishes deadlines and gradual percentages for the adequacy of deductions from common equity tier 1 and assets related to acquired loan portfolios. It also modifies the minimum solvency requirements, providing a timeline for their implementation. An additional term is granted for financial institutions to execute capital strengthening plans, considering economic and climate challenges. In addition, the Annexes of the Regulation are adjusted to improve the consistency of the information reported. The resolution becomes effective as of its publication in the Official Gazette El Peruano. Service companies and real estate companies

Annex: glossary

ABIF	Association of Banks and Financial Institutions
AI	Artificial Intelligence
ARF	Retail Financial Association
Banrep	Bank of the Republic
BCRA	Central Bank of the Argentine Republic
BdE	Bank of Spain
BI	Business Intelligence
BoE	Bank of England
CMF	Commission for the Financial Market
CNMV	National Securities Market Commission
CONAMER	National Commission for Regulatory Improvement
DFS	Digital Financial Services
DORA	Digital Operational Resilience Act
EBA	European Banking Authority
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
EP	European Parliament
ESG	Environmental, Social, and Governance
ESMA	European Securities and Markets Authority
FCA	Financial Conduct Authority
FDIC	Federal Deposit Insurance Corporation
Fed	Federal Reserve System
FSB	Financial Stability Board
FT	Financial Times
FYB	Fiscal Year Beginning
GL	Guidelines

ICT	Information and Communication Technology
IFRS 9	International Financial Reporting Standard 9
IRRBB	Interest Rate Risk in the Banking Book
ITS	Implementing Technical Standards
ITU	International Telecommunication Union
ML	Machine Learning
MS	Management Solutions
OCC	Office of the Comptroller of the Currency
PRA	Prudential Regulation Authority
PSPs	Payment Service Providers
RM	Regulatory Technical Standards
RTS	Superintendency of Banking, Insurance and Private Pension Fund Administrators
SBS	Securities and Exchange Commission
SEC	Regulatory Technical Standards
SFC	Financial Superintendence of Colombia
SMV	Superintendency of Securities Market
SNC	Shared National Credit
SRB	Single Resolution Board
TCFD	Single Resolution Board

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UK } BoE, PRA, FCA

Spain } BdE, Gobierno, Cortes Generales, CNMV

American region ⁽¹⁾

US } Fed, SEC, OCC, FDIC

Mexico } CONAMER, DOF, SHCP, CNBV, CNSF

Brazil } BCB, Susep, CVM

Argentina } BCRA

Peru } SBS, Diario Oficial, SMV

Colombia } SFC, Banrep

Chile } CMF, Diario Oficial, BCC

1) At the moment the publication of alerts in *FinRegAlerts* concerning the American region is limited to US publications.



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