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1Q25
Regulation Outlook

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Index

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.

Executive Summary

In the first quarter of 2025, the ISSB issued guidance on how to make climate-related disclosures in line with its standards. Europe has intensified its regulatory agenda on sustainability, artificial intelligence and risk management. Among the most significant developments at the local level, Spain has begun transposing the Recovery and Resolution and Solvency II directives, while the UK has delayed the implementation of Basel 3.1 until January 2027

- **[Global] Guide to help companies report climate-related information in line with IFRS Standards S1 and S2**. Its objective is to provide practical guidance on the effective application of these standards, facilitating the integration of climate information into corporate reports in a clear and comparable manner. In response to the concerns raised by investors, the ISSB incorporated transitional relief measures into its standards, including the "climate-first" approach, allowing companies to initially focus on climate-related disclosures before expanding to other sustainability aspects. (ISSB, February 2025).

- **[EU] Final guidelines on the management of ESG risks.** These 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, medium and long term. The final version takes into account the feedback received during the consultation period and includes some significant changes from the draft version. (EBA, January 2025).

- **[EU] Public consultation on draft Guidelines on ESG scenario analysis.** Through these guidelines, the EBA sets out expectations for institutions to adopt forward-looking approaches and incorporate the use of scenario analysis as part of their management framework in order to test their financial and business model resilience to the negative impacts of ESG factors. These guidelines complement the EBA's guidelines on ESG risk management by providing specific criteria for including physical and transitional risks arising from climate change in the scenarios used for internal credit risk stress testing. (EBA, January 2025).

- **[EU] Omnibus amendments to CSRD, CSDDD, EU Taxonomy, CBAM, and Investment Programs.** The EC has published a simplification Omnibus package, containing amending proposal on the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the Taxonomy Disclosures and the Taxonomy Climate and Environment Delegated Acts, the Regulation on the Carbon Border Adjustment Mechanism (CBAM) and the InvestEU Regulation. (EC, February 2025).

- **[EU] Guidelines on the definition of an AI system under the AI Act and Guidelines on prohibited AI practices under Article 5 of the AI Act.** The objective of this publication is to assist providers and other interested parties in determining whether a system constitutes an AI system as defined in the IA Act, thereby facilitating effective implementation and enforcement of the AI Act. It is also intended to increase legal clarity and provide interpretations of the prohibitions in section 5 of the AI Act. (EC, February 2025).

- **[EU] Consultation on the opinion on AI governance and risk management in the insurance sector,** with the aim of ensuring that the use of these technologies is aligned with the principles of the AI Act and existing industry regulations. As the AI Act sets out strict requirements for high-risk AI systems and certain transparency obligations for those of limited and minimal risk, EIOPA seeks to clarify how these provisions should be applied in the insurance sector. (EIOPA, February 2025).

- **[EU] Public consultation on resolvability testing for banks.** The objective of this consultation is to provide a harmonized framework for the planning, execution and monitoring of these exercises. The initiative seeks to reinforce the preparedness of entities, incorporating lessons learned from previous crises and best practices, and to ensure that operational resolution capabilities can be effectively activated when needed. (SRB, March 2025).

- **[SP] Transposition of the Solvency II and IRR Directives.** The purpose of these consultations is to gather input from interested parties in order to guarantee effective implementation of the new regulatory requirements, while ensuring the protection of policyholders, market stability and minimising the impact of possible crises on public funds. (MINECO, March 2025).

- **[UK] Delay to the implementation of Basel 3.1.** The PRA, in consultation with HM Treasury, has decided to delay the implementation of Basel 3.1 in the UK by one year until 1 January 2027. This allows more time for greater clarity to emerge regarding plans for its implementation in the United States. (PRA, January 2025).

Executive Summary

In the US, the PROTECT USA bill aims to prevent key national companies from having to comply with foreign sustainability regulations. In Peru, the SBS was particularly active, issuing several regulatory initiatives on issues such as the adoption of IFRS 9 and the prevention of money laundering and terrorist financing

- **[US] The Prevent Regulatory Overreach from Turning Essential Companies into Targets Act of 2025 (PROTECT USA).** The aim of this publication is to ensure that these institutions can continue to lend to households and businesses even in a severe recession scenario, as well as to explore additional risks to the banking system through a complementary analysis that will not affect banks' capital requirements. (US Senate, March 2025).

- **[PE] Draft regulation approving the new Regulation for the Classification and Valuation of Investments of Financial System Companies.** The purpose of this regulation is to establish a uniform framework for the classification, measurement, and recording of investments, aligned with IFRS and aimed at strengthening financial stability and the quality of financial reporting by supervised entities. (SBS, January 2025).

- **[PE] Draft regulation that approves the regulation for the prevention of ML/FT.** The regulation applies to legal entities that operate remote games and remote sports betting, under the supervision of the Ministry of Foreign Trade and Tourism (MINCETUR). The document establishes a comprehensive framework of obligations regarding prevention, detection and reporting of suspicious operations, as well as guidelines for the implementation of compliance systems adequate to the risk level of these activities. (SBS, March 2025).

- **[PE] Resolution which introduces relevant modifications to the Financial System Market Conduct Management Regulations and the Insurance System Market Conduct Management Regulations.** The measures adopted seek to improve the conditions for marketing credit protection insurance, ensure greater transparency regarding the associated costs and promote a more inclusive offer that is better suited to the needs of users. (SBS, March 2025).

- **[PE] Resolution amending the basic accounts Regulation and the electronic money transactions Regulation.** These changes seek to strengthen customer identification and verification procedures, ensuring greater clarity and consistency in the requirements demanded by financial institutions. The main objective of this regulatory update is to continue promoting secure and simplified access to the financial system, in line with the guidelines established in the PNIF and with a vision aimed at expanding the population's participation in formal financial services. (SBS, March 2025).

- **[PE] Public consultation on the draft amendment of the Regulation for the Consolidated Supervision of Financial and Mixed Conglomerates.** The main objective of this publication is to specify the accounting treatment applied in the consolidation of financial statements, to harmonize accounting policies within supervised groups and to strengthen the methodology for determining effective equity, thus ensuring more coherent and transparent supervision that is aligned with prudential standards. (SBS, March 2025).

Regulatory Outlook

During the second quarter of 2025, highlights at the European level include the publication by the EBA of various guides and technical standards related to capital and sustainability, as well as the Commission's new Omnibus III package in the context of the Competitive Compass. In addition, relevant reforms are foreseen in Chile and Colombia, with rules on risk, insurance, open finance and sustainability

Featured regulatory projections

1. Next quarter

- **(Global) Q2 2025:**
  - IAIS: Public consultation on the triennial review of the GME methodology.
  - BCBS: Final proposal for the document on disclosure of climate-related financial risks.
  - IFRS: Publication of the Accounting Taxonomy.
- **(Europe) Q2 2025:**
  - EBA: i) Publication of the first results of the exercise Fit-for-55 using the final templates for the collection of EBA climate-related data; ii) Adequacy of PD/LGD input floors of credit risk; iii) GL CVA risk for supervisors and RTS; iv) review of RTS on sustainability disclosures PAI indicators; v) Guidelines specifying the terms substantial cash deposits, appropriate amount of obligor-contributed equity and significant portion of total contracts; vi) RTS on Equity positions (TB-BB Boundary); vii) RTS on mapping Business Indicator components (BIC) to FINREP; viii) Pillar 1 follow-up report (pending CRR III mandate and deadline); ix) Third revision of the SREP guidelines.
  - ESMA: i) GL promoting supervisory convergence under SFDR, MiFID II, Taxonomy Regulation, CSRD, the Benchmarks Regulation; ii) Revision of RTS on securitisation disclosure requirement (CP).
  - ECB: Final guidance on Governance and Risk Culture.
  - EC: Publication of the Omnibus III package in the context of the Competitive Compass, an initiative to boost competitiveness through regulatory simplification.
- **(Chile) Q2 2025:**
  - CMF: i) Regulation for the identification of impaired and renegotiated loans; ii) Amendment to RAN 1-13, incorporating recovery plan management as a subject of review; iii) Regulation on the disclosure of insurance products other than annuities; iv) Requirements for the recognition of foreign Central Counterparties (CCPs); v) Amendments to the operating rules of CCPs under the Financial Resilience Law; vi) Minimum credit card payment regulations; vii) Regulation governing the sale and transfer of ownership of insurance companies; viii) Exceptions or less burdensome compliance mechanisms under Law 18.876 (DCV); ix) Open Finance System regulation (Level 3).

2. Next year

- **(Europe) 2025:**
  - EIOPA: Revision and expansion of the content on stochastic valuation of EIOPA's Supervisory Review Process (SRP) Manual.
  - EBA: i) Final report on prudential treatment exposures; ii) Retail Diversification Guidelines and Methods Final Document.
  - ENISA: Revised version of the technical guide on cybersecurity measures under the NIS 2 Directive Implementing Act.
- **(Europe) Q3 2025:**
  - EBA: i) Publication of EU-wide stress test results, ii) ITS on ESG reporting, iii) Submission of the response about the consultation of four draft RTS for the AML/CFT framework.
  - ESMA: Final report and publication of draft technical standards on ESEF defining labelling standards for sustainability reporting and labelling standards for Notes to Consolidated Financial Statements under International Financial Reporting Standards (IFRS).
  - ESAs: Establishment of the EU-wide Oversight Framework of critical ICT third-party service providers.
- **(Europe) Q4 2025:**
  - EC: i) Revision of the Sustainable Finance Disclosure Regulation (SFDR); ii) Review of the Securitisation Framework; iii) Targeted revision of the REACH Regulation.

- **(UK) Q4 2025:**
  - BoE: The results of the 2025 Stress Test.
- **(USA) June 2025:**
  - FRB: Final results of the annual stress test 2025.
- **(Chile) Q4 2025**
  - CMF: i) Regulations on the calculation of risk-weighted assets for savings and credit cooperatives supervised by the Commission; ii) Regulations on the reporting of statistics and supervision of securities entities (Exchanges and Infrastructures); iii) Regulation on complementary activities for entities registered in the RPSF; iv) Reference documents with models for risks not covered by Pillar 1 standards.
- **(Colombia) 2025:**
  - 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; iv) Draft Decree on Solvency II.

3. More than a year

- **(Peru) 2026:**
  - SBS: Final publication of the standard adopting IFRS 17.

Entry into force dates

1. Next quarter

- **(Europe) Q2 2025:**
  - EP/Council: Implementation by Member States of the Directive on accessibility requirements for products and services.
  - EC: Adoption of the Taxonomy delegated acts.

2. Next year

- **(Global) Q3 2025:**
  - UNPRI: PRI signatories that do not have a public report or have not met the minimum requirements will be required to report on the full framework.
- **(Europe) July 2025:**
  - EP/Council: Regulation establishing a new EU AML and CFT Authority.
- **(Europe) September 2025:**
  - Council: Regulation on harmonized rules for fair Access and use of data.
- **(Europa) December 2025:**
  - EBA: Guidelines on internal policies, procedures and controls to ensure the implementation of Union and national sanctions.
- **(Europe) Q4 2025:**
  - EBA: Guidelines on internal policies, procedures and controls to ensure the implementation of Union and national sanctions.
  - EC: Transposition of the Omnibus package I & II on the 31 December 2025
- **(Europe) January 2026:**
  - EP/Council: Member States shall adopt and publish the regulations and administrative provisions necessary to comply with CRD VI amendments (for exercises beginning on January 1, 2026).
  - EBA: i) RTS on the calculation and aggregation of crypto exposure values; ii) General application of final guidelines on ESG risk management; iii) General application of guidelines for ESG scenario analysis.
- **(Europe) Q1 2026:**
  - Council: Regulation on the establishment of a framework for access to financial data.
- **(UK) July 2025:**
  - FCA: Rules and guidelines introduced by the Consumer Duty with regard to closed products or services.

3. More than a year

- **(Global) 2026:**
  - BCBS: Implementation of FRTB.
- **(Global) January 2027:**

  - IASB: i) IFRS 18 for annual accounting periods beginning on or after this date; ii) Update to the IFRS for SMEs accounting standard.
- **(Europe) 2026:**
  - SRB: Paragraphs 18 and 25 from operational guidance on OCIR.
- **(Europe) January 2027:**
  - EBA: i) Final Guidelines on the management of ESG risks for SNCIs; ii) Guidelines on ESG scenario analysis for SNCIs.
  - EP/Council: CSRD application planned for large companies not previously subject to the NFRD (wave 2) for exercises beginning on January 1, 2027[1].
  - EIOPA: Application of the amendments to the Solvency II Directive.
- **(Europe) July 2027:**
  - EP/Council: i) Transposition of CSDDD[2]; ii) Regulation on the prevention of the use of the financial system for the purposes of money laundering of AML and CFT.
- **(Chile) December 2026:**
  - CMF: Regulation No. 519 amends NCGs No. 30 and No. 461. The new regulation enhances the guidelines on sustainability and corporate governance reporting, ensuring that the amendments align.
- **(Peru) January 2027:**
  - SBS: IFRS 17 comes into force on January 1, 2027, the date on which all insurance companies must apply the standard in the preparation of their financial statements.
- **(Colombia) January 2027:**
  - URF: IFRS 17 comes into force on January 1, 2027.

[1] Dates updated in accordance with the EC Omnibus package.

[2] Dates updated in accordance with the EC Omnibus package.

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

Index of this quarter's most important publications

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Global	IAIS	O	Issues Paper on Structural Shifts in the Life Insurance Sector	21/03/2025	16
Global	IASB	C D	Major update to the IFRS for SMEs accounting standard	28/02/2025	17
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EU	EBA	CL R	Consultation on the amendment of ITS on benchmarking of internal models	28/02/2025	25
EU	EBA	C	Consultation on four draft RTS for the AML/CFT framework	10/03/2025	26
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EU	EC	S	Omnibus amendments to CSRD, CSDDD, EU Taxonomy, CBAM, and Investment Programs	27/02/2025	29
EU	EC	S	Report on the Streamlining Sustainable Finance for SMEs	21/03/2025	31
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EU	EIOPA	CL	Supervisory statement on the deduction of foreseeable dividends from own funds under the Solvency II Directive	24/02/2025	36

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US	FRB	CL	Hypothetical scenarios for annual stress test	11/02/2025	49
US	US Senate	S	The Prevent Regulatory Overreach from Turning Essential Companies into Targets Act of 2025 (PROTECT USA)	19/02/2025	50
Chile	CMF	CL	Public Consultation on Chapter 21-10 and Adjustments to the RAN and Compendium of Accounting Standard	08/01/2025	51
Chile	CMF	E	Second time application of Pillar 2 capital requirement regulations	23/01/2025	52
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Relevant Publications

Global

07/02/2025

CL BCBS - Public consultation on a limited update of the Credit Risk Principles

1. Context

In 2000, the BCBS published the Credit Risk Principles to guide banking supervisors in assessing credit risk management across four key areas: risk environment, credit granting, administration and monitoring, and controls. In 2023, a review of the BCBS reaffirmed their importance but identified certain sections as outdated or not fully aligned with the Basel Framework.

In this context, the BCBS has launched a **public consultation on a limited update of the Credit Risk Principles**. The purpose of this initiative is to align them with the current Basel Framework and the latest Committee guidelines, without altering their core content or introducing new topics.

2. Main points

- **Principle 1**. The board of directors should have responsibility for approving and periodically (at least annually) reviewing the credit risk strategy and significant credit risk policies of the bank. The strategy should reflect the bank's tolerance for risk and the level of sustainable returns the bank expects to achieve for incurring various credit risks, taking into account market conditions, macroeconomic factors and forward-looking information. As a novelty, the Principle now includes references to established international standards and supervisory practices, specifically the Basel Core Principles (BCP).
- **Principle 2**. Senior management should have responsibility for implementing the credit risk strategy approved by the board of directors and for developing policies and procedures for identifying, measuring, evaluating, monitoring, reporting and controlling or mitigating credit risk (including counterparty credit risk). Such policies and procedures should address credit risk in all of the bank's activities and at both the individual credit and portfolio levels. In this Principle, the wording has been aligned with the revised BCP, and references to the BCP definitions of country and transfer risk have been added.
- **Principle 3**. Banks should identify and manage credit risk inherent in all products and activities. Banks should ensure that the risks of products and activities new to them are subject to adequate risk management procedures and controls before being introduced or undertaken and approved in advance by the board of directors or its appropriate committee. The wording has been aligned with the revised BCP, and one paragraph has been deleted as it is not directly related to credit risk management.
- **Principle 4**. Banks must operate within sound, well-defined credit-granting criteria. These criteria should include a clear indication of the bank's target market and a thorough understanding of the risk profile and characteristics of the borrower or counterparty, as well as the purpose and structure of the credit, and its source of repayment. The wording has been aligned with the revised BCP, a reference to the BCP definition of connected counterparties has been added, and references have been updated.
- **Principle 5**. Banks should establish overall credit limits at the level of individual borrowers and counterparties, and groups of connected counterparties that aggregate in a comparable and meaningful manner different types of exposures, both in the banking and trading book and on and off the balance sheet. The references have been updated, and the wording has been aligned with the Guidelines for counterparty credit risk management.
- **Principle 6**. Banks should have a clearly established process in place for approving new credits as well as amending, renewing, and refinancing existing credits and ensuring a thorough understanding of the risk profile and characteristics of the borrowers or counterparties. The wording has been aligned with the revised BCP.
- **Principle 7**. All extensions of credit must be made on an arm's-length basis. In particular, credits to related companies and individuals must be authorized on an exception basis and monitored with particular care, and other steps to control or mitigate the risks of non-arm's length lending must be taken as appropriate. There is no changes in this Principle.
- **Principle 8**. Banks should have in place a system for the ongoing administration of their various credit risk-bearing portfolios. The wording has been aligned with the revised BCP and relevant standards published since 2000.
- **Principle 9**. Banks must have in place policies, processes, and methodologies for grading, classifying, and monitoring all credit exposures (including off-balance sheet and forborne exposures), including

establishing provisions and ensuring appropriate and robust provisioning levels. The wording has been aligned with the revised BCP, and references have been updated.

- **Principle 10**. Banks are encouraged to develop and utilize an internal risk rating system in managing credit risk. The rating system should be consistent with the nature, size, and complexity of a bank's activities. Some wording has been aligned with the revised BCP, and references have been updated.
- **Principle 11**. Banks must have information systems and analytical techniques that enable management to measure the credit risk inherent in all on- and off-balance sheet activities. The management information system should provide adequate information on the composition of the credit portfolio, including identification of any concentrations of risk. The wording of one paragraph 64 has been aligned with BCP and Supervisory Review Process (SRP).
- **Principle 12**. Banks should take into consideration current and forward-looking market and macroeconomic factors when assessing individual credits and their credit portfolios, and they should assess their credit risk exposures under stressful conditions. This principle has been deleted due to overlap with Principle 11 and BCP.
- **Principle 13**. Banks must establish a system of independent, ongoing assessment of the bank's credit risk management processes, and the results of such reviews should be communicated directly to the board of directors and senior management. The wording has been aligned with the revised BCP; paragraph 70 has been deleted as it is beyond the scope of the Credit Risk Principles; one paragraph has been streamlined to focus on credit risk; and other paragraph has been aligned with the stress testing principles.
- **Principle 14**. Banks must ensure that the credit-granting function is being properly managed and that credit exposures are within levels consistent with prudential standards and internal limits. Banks should establish and enforce internal controls and other practices to ensure that exceptions to policies, procedures, and limits are reported in a timely manner to the appropriate level of management for action. Some wording has been aligned with the revised BCP.
- **Principle 15**. Banks must have a system in place for early remedial action on deteriorating credits, managing problem exposures, and similar workout situations. The wording of this Principle has been aligned with the revised BCP.
- **Principle 16**. Supervisors require that banks have an effective system in place to identify, measure, evaluate, monitor, report, and control or mitigate credit risk (including counterparty credit risk) as part of an overall approach to risk management. Supervisors should conduct an independent evaluation of a bank's strategies, policies, procedures, and practices related to the granting of credit and the ongoing management of the portfolio. Supervisors set prudential limits to restrict bank exposures to single counterparties or groups of connected counterparties. The wording has been aligned with the revised BCP.
- **Principle 17**. Supervisors should evaluate the quality of credit risk management systems and ensure that banks take appropriate actions to improve their credit risk management processes. The wording has been aligned with the revised BCP, and one paragraph has been updated to reflect the requirements in BCP and supervisory reporting.

3. Next steps

- Comments should be submitted by **21 March 2025**.

29/01/2025

E **IAIS - Roadmap 2025-2026**

1. Context

In recent years, the IAIS has worked to strengthen the regulation of the insurance sector in the face of challenges such as digitalization, climate change and structural changes. In 2024, it completed a key phase with the adoption of the Insurance Capital Standard (ICS), giving way to a new approach focused on the global implementation of standards, the assessment of emerging risks and support for supervisors, and defining new strategic priorities for the coming years, aligned with its Strategic Plan 2025-2029.

In this context, the IAIS has published its **roadmap for 2025-2026**, which details the priorities and activities that will guide its work over the next two years. Its objective is to ensure the consistent implementation of international supervisory standards, strengthen the resilience of the insurance sector and address emerging risks such as climate change, digitalization and protection gaps. In addition, the roadmap sets out initiatives to improve cooperation between supervisors, encourage the sharing of good practices and monitor key trends that may affect global financial stability.

2. Main points

The roadmap focuses on the following aspects:

- **Monitoring and responding to the main risks and trends in the insurance** sector. The IAIS uses its annual global monitoring exercise (GME) assessment to identify and address key risks and trends in the global insurance sector, with the main findings published in the global insurance market report (GIMAR). In 2025, it will conduct a triennial review of the GME methodology to improve the assessment and mitigation of systemic risks. In addition, in line with its Strategic Plan, it will develop a special report on the financial stability implications of natural catastrophe (NatCat) protection gaps. The IAIS will also work on monitoring vulnerabilities in the sector, such as structural changes in life insurance, the impact of digitalization and the growth of the reallocation of assets to alternatives outside the traditional sector.
- **Establishing and maintaining globally recognized standards for effective and proportionate supervision**. The IAIS continues its work to establish effective global supervisory standards with the adoption of the ICS at the end of 2024, providing a comparable measure of capital adequacy for international insurance groups (IAIGs). As a next step, it will work on developing complementary standards related to the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), focusing on group supervision, reporting and public disclosure, to ensure consistent implementation of the ICS. In 2025, it will focus on consolidating the standard, providing support to supervisors and developing its assessment methodology.
- **Supporting members by sharing good supervisory practices, promoting understanding of regulatory issues and strengthening capacities**. The IAIS will continue to help its members address key risks and trends in insurance supervision, including emerging issues such as climate change, cybersecurity, diversity and inclusion (DEI) and digital innovation, as well as traditional areas such as solvency governance, operational resilience and financial inclusion. To this end, it will review and strengthen its set of support materials, foster collaboration with other organizations and facilitate the sharing of experiences. In addition, it will promote the training of supervisors by publishing guides on climate risks, digital innovation and operational resilience, and will develop tools for risk-based supervision and the implementation of the ICS.
- **Assess the comprehensive and consistent global implementation of international standards**. The IAIS is committed to strengthening its framework for evaluating the implementation of global standards, using various tools to ensure their effective and consistent application in all jurisdictions. In 2025-2026, it will focus on developing the ICS assessment methodology, completing the second phase of the Holistic Framework Implementation Assessments, and continuing with the Member Assessment Program (MAP). In addition, it will prepare reports on reinsurance and risk transfer, as well as evaluations of the implementation of the qualitative elements of ComFrame, with a view to starting these evaluations in 2026.

3. Next steps

- In the **Q2 2025**, a public consultation on the triennial review of the GME methodology will be launched, and the IAIS Year in Review 2024 report will be issued.
- In the **Q3 2025**, the GIMAR 2025 Mid-Year Update will be published with information on risks and trends in the sector.
- In the **Q4 2025**, the GIMAR 2025 report will be published.

21/03/2025

O **IAIS - Issues Paper on Structural Shifts in the Life Insurance Sector**

1. **Context**

The increasing complexity of global financial markets has led regulatory bodies to closely monitor structural changes in key sectors, including life insurance. The sector has faced significant transformations in recent years, driven by evolving investment strategies, new risk transfer mechanisms, and macroeconomic shifts. As insurers seek higher returns and greater portfolio diversification, their growing reliance on alternative assets and cross-border reinsurance transactions has raised new supervisory and financial stability challenges. Against this backdrop, international standard-setting bodies have sought to assess the implications of these trends and explore potential regulatory responses.

In this context, the IAIS has published the **issues paper on structural shifts in the life insurance sector**. This document aims to analyze emerging industry trends, providing a framework for understanding their implications and identifying potential areas for enhancement in IAIS supervisory material. The publication focuses on two key developments: the increased allocation to alternative assets in life insurers' portfolios and the rising adoption of Asset-Intensive Reinsurance (AIR) agreements.

2. **Main points**

The paper introduces the following aspects:

- **Increased allocation to alternative assets in life insurers' portfolios**. Life insurers have traditionally relied on high-quality bonds and equities to meet their long-term liabilities. However, in response to prolonged low interest rates and the need for higher returns, insurers have increasingly invested in alternative assets such as private equity, real estate, infrastructure, hedge funds, and private credit. These assets provide benefits such as diversification, higher yields, and inflation protection. However, they also introduce significant risks, including valuation uncertainty, illiquidity, and hidden leverage. The IAIS underscores the importance of a principles-based classification of alternative assets and highlights the need for enhanced risk management and supervisory oversight to address these challenges.
- **Rising adoption of AIR in the life insurance sector**. The use of AIR has grown as insurers seek capital relief and investment flexibility. AIR transactions typically involve transferring capital-intensive liabilities, such as annuities and long-term life insurance products, to reinsurers (many of which are affiliated with asset managers or private equity firms). These transactions can provide risk diversification benefits but also introduce supervisory concerns, including regulatory arbitrage, recapture risk, and the concentration of risks in certain jurisdictions. The IAIS warns that differences in reserving practices, capital requirements, and investment rules across jurisdictions could create financial stability risks and require closer cross-border supervisory coordination.
- **Macroprudential and financial stability considerations arising from structural shifts life insurance**. The IAIS highlights potential systemic risks arising from structural shifts in the life insurance sector. The growing allocation to alternative assets and AIR transactions could amplify financial market vulnerabilities, especially during periods of economic stress. Risks include forced asset liquidations, capital outflows, and disruptions in key investment and lending markets. While the global insurance sector's exposure to these risks remains moderate, the rapid expansion of these activities requires close supervisory monitoring. The IAIS stresses the need for improved data collection, transparency, and risk assessment to mitigate potential financial stability threats.
- **Review of IAIS supervisory material**. The IAIS has assessed whether its existing supervisory frameworks, particularly the Insurance Core Principles (ICPs) and the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), adequately address the risks associated with alternative assets and AIR transactions. While these frameworks provide a solid foundation, the IAIS has identified areas for potential enhancement, including risk assessment methodologies, supervisory coordination on cross-border transactions, and the governance of investment strategies involving alternative assets.
- **Conclusion**. The IAIS acknowledges that structural shifts in the life insurance sector, particularly the increased reliance on alternative assets and AIR transactions, are reshaping risk dynamics within the industry. While these developments offer potential benefits, such as improved portfolio diversification and capital efficiency, they also introduce new complexities that require careful regulatory oversight. The IAIS emphasizes the need for continued monitoring, data collection, and cross-border cooperation to ensure that these trends do not create unintended financial stability risks. Supervisors are encouraged to remain proactive in adapting their regulatory approaches to address emerging risks effectively.

3. **Next steps**

- The public consultation period closes on **May 19, 2025**.
- The final version of the paper is expected in **Q4 2025**

28/02/2025

C D

IASB - Major update to the IFRS for SMEs accounting standard

1. Context

In September 2022, the IASB issued a draft regulation proposing amendments to the International Financial Reporting Standard (IFRS) for small and medium-sized enterprises (SMEs), aligning it with the full IFRS standards in effect until January 1, 2020. Subsequently, in September 2023, the IASB expanded the scope of the revision to include recent changes related to vendor financing arrangements and the absence of currency convertibility. After a period of deliberation and public consultation, these proposals were refined and finally adopted in the update published in February 2025.

In this context, the IASB has published a **major update of the IFRS for SMEs accounting standard**. The objective of this publication is to improve the quality and comparability of SME financial reporting by aligning the standard with full IFRS in key respects and providing greater clarity on the accounting treatment of certain elements, such as vendor financing arrangements and the absence of currency convertibility.

2. Main points

The update includes the following main modifications:

- **Section 2: General Concepts and Principles**. It has been updated to align with the 2018 Conceptual framework for Financial Reporting. New concepts on measurement, presentation and disclosure have been introduced, and principles such as prudence, responsible management, measurement uncertainty and substance over form have been clarified.
- **Section 9: Consolidated Financial Statements**. The control model of IFRS 10 Consolidated Financial Statements has been adopted, improving the definition of control and establishing that companies that lose control over a subsidiary must measure their shareholding at fair value at the time of losing the majority shareholding. The rebuttable presumption of control when an entity holds a majority of voting rights has been maintained.
- **Section 11: Financial Instruments**. The sections on financial instruments (Section 11: Basic Financial Instruments and Section 12: Other Financial Instrument Issues) have been combined into a single section under a new approach aligned with IFRS 9 Financial Instruments. New requirements for the classification and measurement of financial assets and liabilities have been added, along with a clearer definition of financial guaranteed contracts.
- **New Section 12: Fair Value Measurement**. The fair value measurement requirements of other parts of the standard were consolidated into a single section. The definition of fair value was updated, and the principles were aligned with the hierarchy established in IFRS 13 Fair Value Measurement.
- **Section 19: Business Combinations and Goodwill**. It was modified to align with IFRS 3 Business Combinations. The concept of a business was redefined, the identification of the acquirer in mergers was clarified and new criteria for measuring goodwill were introduced, considering its amortisation and recognition of acquisition costs in the income statement, with special emphasis on improving the measurement and recognition of acquired assets and assumed liabilities.
- **Section 23: Revenue from Contracts with Customers**. It was revised to align it with IFRS 15 Revenue from Contracts with Customers. A recognition model based on five steps was incorporated, simplified to facilitate its application by SMEs. Accounting judgment requirements were reduced, and flexibility was maintained in the treatment of guarantees and contract procurement costs.

3. Next steps

- The updated standard will come into effect in **January 2027**, with the possibility of early application.

17/03/25

E **IOSCO - 2025 Work Program**

1. Context

Through a process of international coordination among securities regulators from more than 130 jurisdictions, IOSCO is defining its strategic priorities to address emerging challenges in global financial markets. This process is developed through the joint work of its Council, composed of 35 regulatory authorities, and in collaboration with organizations such as the Financial Stability Board (FSB), the Committee on Payments and Market Infrastructures (CPMI) or the World Bank. The aim is to strengthen financial resilience, promote fair market practices and protect investors by aligning regulatory actions with international standards. These priorities are structured around key issues such as liquidity management in open-end funds, risks in digital finance, the use of artificial intelligence (AI) in markets and financial sustainability, among others.

In this context, IOSCO has published its **2025 work program**, setting out its strategic priorities to strengthen financial resilience, improve market efficiency and protect investors in an increasingly complex global environment. The objective of this publication is to provide a clear and coordinated roadmap to address emerging risks in financial markets by promoting consistent and aligned regulatory practices across jurisdictions internationally.

2. Main points

The Work Program establishes the priorities for 2025:

- **Strengthening financial resilience**. IOSCO will continue to prioritize issues related to non-bank financial intermediation (NBFI), in close collaboration with the FSB. This includes IOSCO's ongoing contribution to the FSB's work on leverage in NBFI and addressing issues related to non-bank data availability, use and quality. Additionally, IOSCO will finalize its Revised Recommendations and the accompanying Implementation Guidance on openended funds liquidity management, ensuring they reflect evolving market dynamics and contribute to greater resilience in the asset management industry.
- **Supporting market effectiveness**. To support market integrity and efficiency, IOSCO will address risks associated with pre-hedging practices employed by market intermediaries, with the aim of identifying potential vulnerabilities and ensuring fair market practices. IOSCO will also review its Principles for the Valuation of Collective Investment Schemes, taking into account the growing significance of private assets in the asset management industry.
- **Protecting investors**. Following the publication of its Roadmap to Retail Investor Online Safety, IOSCO will take targeted actions to tackle risks posed by imitative and copy trading, poor digital engagement practices, potential conflicts of interest by neo-brokers and the activities of finfluencers. IOSCO and its members will also actively engage with social media companies and search engines to combat online financial harm against retail investors, including through the launch of IOSCO's IOSCO Investor Alerts Portal (I-SCAN).
- **Addressing risks in sustainable finance and fintech**. IOSCO will launch a pilot crypto and digital assets (CDA) implementation monitoring initiative, closely cooperating with the FSB. IOSCO will further develop its work on the use of AI in financial markets and continue monitoring the evolution of asset tokenization in securities markets. Lastly, working with the CPMI, IOSCO will seek to strengthen the operational resilience of financialmarket nfrastructures (FMIs). IOSCO will work alongside the World Bank to support interested jurisdictions in developing carbon markets. IOSCO will also expand its analysis of the sustainable bond markets and ESG indices and conduct an assessment of the implementation of its sustainability-related recommendations for asset management.
- **Promoting regulatory cooperation and effectiveness**. IOSCO will continue its outreach and technical assistance efforts to help jurisdictions meet the requirements of the IOSCO Multilateral Memorandum of Understanding (MMoU). IOSCO will expand its Nurturing Excellence Through Growth, Education, and Networking (NEXTGEN) program, with plans to offer over 40 capacity-building initiatives in 2025.

03/02/2025

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ISSB - Guide to help companies report climate-related information in line with IFRS Standards S1 and S2

1. Context

In June 2023, the ISSB published the IFRS S1 and S2 standards with the aim of establishing a global framework for the disclosure of sustainability- and climate-related information. During their development, investors expressed an urgent need for climate-related information to support decision-making, while some stakeholders raised concerns about data availability and companies' readiness to disclose information on other sustainability-related risks and opportunities.

In this context, the ISSB has published a **guide to help companies report climate-related information in line with IFRS Standards S1 and S2**. Its objective is to provide practical guidance on the effective application of these standards, facilitating the integration of climate information into corporate reports in a clear and comparable manner. In response to the concerns raised by investors, the ISSB incorporated transitional relief measures into its standards, including the "climate-first" approach, allowing companies to initially focus on climate-related disclosures before expanding to other sustainability aspects.

2. Main points

The guide covers the following main aspects:

- **Climate-first approach**. The document introduces the climate-first approach, a transitional relief measure that allows companies, in their first year of applying the ISSB Standards, to disclose only information on climate-related risks and opportunities, in accordance with IFRS S2. This approach helps companies become familiar with the concepts and requirements of the ISSB Standards before expanding their reporting to cover other sustainability risks and opportunities.
- **Application of IFRS S1 in the climate-first** context. When adopting the climate-first approach, companies should apply the requirements of IFRS S1 to the extent that they relate to the disclosure of information on climate-related risks and opportunities, in accordance with IFRS S2. This involves complying with the relevant provisions of IFRS S1 to ensure full and accurate disclosure of climate-related information.
- **Jurisdictional and voluntary considerations**. The ISSB Standards are designed to provide globally comparable information on sustainability risks and opportunities, including climate, for capital markets. Their application becomes mandatory when regulators in jurisdictions integrate them into financial reporting frameworks and regulatory requirements. In addition, companies may choose to voluntarily apply the ISSB Standards to improve transparency and meet investor expectations.
- **Applicable requirements of IFRS S1 under the climate-first approach**. The document provides a detailed table describing the applicable IFRS S1 requirements when adopting the 'climate-first' approach. This table helps companies identify and apply the relevant IFRS S1 provisions to ensure adequate disclosure of climate-related information.

Relevant Publications

Europe

10/01/2025

CL **EBA - Consultation Paper on draft RTS on the prudential treatment of crypto assets exposures under CRR**

1. Context

The development of crypto assets markets and activities has been marked by significant market innovation and advancements. Institutions have shown increasing interest in getting involved in crypto assets activities. This interest is driven by the potential for new revenue streams and the need to stay competitive in a rapidly evolving financial landscape. Institutions are exploring various roles, including acting as custodians of crypto assets, issuing crypto assets, and providing related services such as trading and lending on behalf of their clients. However, this involvement also comes with challenges, including regulatory compliance, risk management, and the need for a robust technological infrastructure.

In this context, the EBA has published a **consultation on a draft Regulatory Technical Standards (RTS) on the prudential treatment of crypto assets exposures under the Capital Requirements Regulation (CRR),** aligning its treatment with the Basel framework.

2. Main aspects

The draft includes the following main aspects:

- **Capital treatment of exposures to crypto-assets**. The draft RTS clarify the capital treatment of credit risk, counterparty risk, market risk and credit valuation adjustment risk for (ARTs) and other crypto-assets linked to traditional tokenised assets whose value depends on other crypto-assets. They also include all relevant technical elements on the use of netting, the aggregation of long and short positions, the criteria for allowing hedge recognition for other crypto-assets, and the relevant underlying formulae for calculating the exposure value of crypto-assets for counterparty and market risk treatment.

- **Valuation and accounting challenges for crypto-assets**. These draft RTS propose that all fair valued crypto-assets within the scope of MiCAR under the applicable accounting framework are subject to the prudent valuation requirements under CRR 3. The transitional provisions of CRR 3 together with the rules set out in these draft RTS allow institutions to appropriately calculate the capital requirement on their crypto-asset exposures until a permanent prudential treatment comes into force.

3. Next Steps

- The deadline for the submission of comments is **8 April 2025**.
- The BCBS standard on prudential treatment of crypto-asset exposures should be implemented by **1 January 2026.**

13/01/2025

S **EBA - Final Guidelines on the management of ESG risks**

1. Context

The EBA, under one of the mandates foreseen in the Capital Requirements Directive (CRD 6), 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 January 2024, the EBA published a consultative document on guidelines for ESG risk management.

In this context, the EBA has published **final guidelines on the management of ESG risks**. These 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, medium and long term. The final version takes into account the feedback received during the consultation period and includes some significant changes from the draft version.

2. Main aspects

The guidelines include the following main aspects:

Reference methodology for the identification and measurement of ESG risks

- <u>Materiality assessment</u>. Institutions must perform a materiality assessment of ESG risks at least annually, or biennially for small and non-complex institutions (SNCIs). The final version only requires SNCIs to update their assessment more frequently in case of material changes (under draft version it was required for all kind of institutions). These assessments should evaluate the financial materiality of ESG risks to the business model and risk profile, mapping ESG factors to traditional financial risk categories, and integrating with the internal capital adequacy assessment process (ICAAP) materiality assessment. Risk management, measurement methods, and transition planning processes must align with these assessments. SNCIs can adopt simpler arrangements if proportionate to their assessment outcomes, while ESG risk metrics should guide updates to the materiality assessment. On the other hand, the draft version included materiality presumptions sector-based an EU taxonomy alignment-based, while the final version removes them.
- <u>Identification and measurement of ESG risks</u>. Institutions' internal procedures should include tools and methodologies to assess ESG risk drivers and their transmission channels into the different prudential risk categories and financial risk metrics affecting the institution's exposures, including with a forward-looking perspective. Furthermore, institutions based on regular and comprehensive materiality assessments of ESG risks, should ensure that they are able to properly identify and measure these risks through sound data processes and a combination of methodologies, including exposure-, portfolio-, sector-, and scenario-based methodologies. The draft guidelines specified the International Energy Agency (IEA) sectors to be measured for portfolio alignment purposes, while the final version allows institutions to use other science-based scenarios.

Minimum standards and reference methodology for the management and monitoring of ESG risks

- <u>ESG risk management principles</u>. Institutions should consider the role of ESG risks as potential drivers of all traditional categories of financial risks, including credit, market, operational (including litigation risk), reputational, liquidity, business model, and concentration risks. Institutions should develop a robust and sound approach to managing and mitigating ESG risks over the short and medium term and over a long-term horizon of at least 10 years, and should apply a range of risk management tools including engagement with counterparties. The final Guidelines clarify that SMEs may be included in the scope of counterparties to engage with, depending on institutions' nature of activities.
- <u>Strategies and business models</u>. Institutions should integrate ESG risks into their business and risk strategies by assessing their operating environment and exposure to structural changes driven by ESG factors over the short, medium, and long term. They must evaluate how ESG risks, particularly environmental risks such as transition and physical risks, could impact the viability of their business model, sustainability of their strategy, profitability, and revenue sources. Additionally, institutions should consider how these risks might affect their ability to achieve strategic objectives within their risk appetite and should formulate, implement, and monitor plans and targets accordingly.
- <u>Risk appetite, internal controls and ICAAP/ILAAP</u>. Institutions should embed ESG risks in their regular processes including in the risk appetite, internal controls and ICAAP/ILAAP. The final Guidelines have clarified that institutions should determine their KRIs based on their business model. Also, the three lines

of defence functions have been further aligned with EBA Corporate Governance Guidelines. Additionally, the final Guidelines have separated the requirements on ICAAP and on ILAAP to focus the latter on E and on appropriate time horizons within the scope of ILAAP coverage.

- Monitoring. Institutions should monitor ESG risks through effective internal reporting frameworks and a range of backward- and forward-looking ESG risk metrics and indicators.

Plans in accordance with CRD 6

- Transition plans. The final version expands the definition of transition planning to include preparing for risks and potential changes in business models, as well as implementing objectives for monitoring and addressing ESG risks. Institutions should develop specific plans to address the risks arising from the transition and process of adjustment of the economy towards the regulatory objectives related to ESG factors of the jurisdictions they operate in. To this end, institutions should assess and embed forward-looking ESG risk considerations in their strategies, policies and risk management processes through transition planning considering short-, medium- and long-term time horizons. CRD-based plans take a risk-based view and contribute to the overall resilience of institutions towards ESG risks and should be consistent with transition plans prepared or disclosed by institutions under other pieces of European Union (EU) legislation. The final guideline includes an annex to support institutions in developing these plans, providing for each key requirement some examples, references (to Pillar 3 ESG and CSRD) and potential metrics that institutions can consider when structuring and formalising their plans.
- Key contents of the plans. Institutions should ensure that their plans include at least the following aspects: i) strategic objectives and roadmap of the plans; ii) targets and metrics; iii) governance; vi) implementation strategy; and v) engagement strategy.

3. **Next Steps**

- The Guidelines will apply from **11 January 2026** and one year later for SNCIs.

20/01/2025

S

EBA - Public consultation on its draft Guidelines on ESG scenario analysis

1. Context

Climate change, environmental degradation, biodiversity loss, and other environmental, social and governance (ESG) factors are driving significant economic and financial sector transformations, necessitating a shift towards sustainable and forward-looking management practices. Institutions need to strengthen their capacity for anticipation and the forward-looking dimension of their management systems. Scenario analysis is one of the key tools to support this change. On the 9 January 2025, the EBA published its Guidelines on the management of ESG risks.

In this context, the EBA has published for **consultation its draft Guidelines on ESG scenario analysis**. Through these guidelines, the EBA sets out expectations for institutions to adopt forward-looking approaches and incorporate the use of scenario analysis as part of their management framework in order to test their financial and business model resilience to the negative impacts of ESG factors. These guidelines complement the EBA's guidelines on ESG risk management by providing specific criteria for including physical and transitional risks arising from climate change in the scenarios used for internal credit risk stress testing.

2. Main aspects

The draft includes the following main aspects:

- **Scenario analysis an integral part of risk management and the strategic process**. These guidelines highlight scenario analysis to improve resilience with regard to environmental risks, in particular climate risks, distinguishing between its use to test financial resilience in the short and medium term (capital adequacy and liquidity) and to question the resilience of the business model in the long term to cope with future uncertainties.
- **Steps for scenario analysis**. The EBA elaborates in detail on the factors and elements to be taken into account in the design of the scenarios and encourages institutions to refine and customise them to take their own risk characteristics, portfolio and business model. Furthermore, it also specifies that both physical and transition risk should be taken into account even if this leads to the definition of two different scenarios. Finally, it also specifies the different transition pathways to be considered, ranging from rapid and coordinated global action to delays and divergent approaches.
- **Scenario analysis development processes and use in decision making**. Institutions should develop climate stress tests in accordance with the EBA guidelines on stress testing and the requirements of the internal capital adequacy assessment process (ICAAP) and the internal liquidity assessment process (ILAAP). When incorporating climate variables into existing stress testing frameworks, institutions should carry out a gap analysis of their internal models to identify whether improvements need to be made to them. To facilitate a smooth integration of climate variables, a two-step approach is allowed for both technical and decision-making aspects. Finally, the EBA also specifies how to challenge the calibration of its climate stress test (CST) model through comparison with external observations, internal reviews of the model design and if third party information is used, verifying that it complies with the EBA guidelines on outsourcing arrangements.

3. Next Steps

- The consultation runs until **16 April 2025**.
- The final Guidelines will be published on the second half of **2025**.
- The Guidelines will apply from **11 January 2026** and one year later for small and non-complex institutions (SNCI).

21/01/2025

CL **EBA - Peer review on the application of proportionality under SREP**

1. Context

For years, the EBA has been promoting the application of the proportionality principle within the Supervisory Review and Evaluation Process (SREP) to ensure an appropriate approach to banking supervision in the European Union (EU). This principle seeks to enable national competent authorities (NCAs) to adapt their supervisory requirements and methodologies according to the size, complexity, and risk profile of the supervised entities, avoiding uniform approaches that could impose disproportionate burdens on smaller or less complex institutions. Prior to this peer review, the EBA had already issued guidelines and technical documents, such as the Guidelines (EBA/GL/2014/13), which set out a common framework for banking supervision in the EU, but the need arose to assess how national authorities were implementing the proportionality principle in practice.

In this context, the EBA has published its **peer review on the application of the principle of proportionality in the SREP**. The main objective of this review is to evaluate how NCAs in the Member States are implementing the principle of proportionality in practice, in line with the EBA Guidelines (EBA/GL/2022/03). It also aims to identify divergences in its application, share best practices, and propose improvements to ensure a more consistent and effective approach across the EU. Furthermore, the review seeks to promote supervision that appropriately balances regulatory demands with the specific characteristics of each entity, thereby strengthening harmonization and proportionality within the European banking supervisory framework.

2. Main aspects

The document includes the following main aspects:

- **Implementation of proportionality**. NCAs have incorporated proportionality in their methodologies, but with differences in the classification of entities and use of data, which has led to some inconsistencies. Although practices mostly comply with the SREP Guidelines, some NCAs have only partially implemented the proportionality principles, especially in the categorisation based on the classifications as 'large' or 'small and non-complex' entity, in accordance with the Capital Requirements Regulation (CRR).
- **Practical application**. The application of proportionality and supervisory commitments shows significant variations in practice. Although technological tools are used to ensure consistency and document decisions, the potential of clustering methodologies for entities with similar risk profiles has not been exploited due to the diversity of business models. However, good practices have been identified, such as the development of centralized systems to ensure greater homogeneity in evaluations and collaboration between NCAs for the exchange of experiences.
- **Proportionality in liquidity risk**. Regarding this risk's assessment, differences are observed among NCAs in the application of stress testing and the level of granularity used for less complex institutions. Some NCAs adapt their approach for lower-risk categories, while others have not implemented proportionality in specific areas, such as intraday liquidity risk.
- **Conclusions and recommendations**. Although proportionality is integrated into supervisory methodologies, there are still areas for improvement in the consistency of its application. Recommendations include incorporating CRR criteria into classifications, promoting the use of grouped methodologies, and conducting periodic reviews of categorizations. Additionally, strengthening training on proportionality is encouraged to enhance its practical implementation. The review highlights as good practices the proactive approaches of some NCAs to identify areas for continuous improvement and their commitment to more effective implementation.

3. Next Steps

- The EBA will conduct a follow-up peer review of the implementation of the measures included in the Report in **2027**.
- The EBA will consider the outcome of this peer review in the context of the upcoming review of the SREP Guidelines. In particular, the EBA will consider providing more clarity on how the focus and granularity of the SREP assessment could be adapted to the risk profile of the institution and on the scope and level of assessments to be performed under the minimum supervisory engagement model.

28/02/2025

CL
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EBA - Consultation on the amendment of ITS on benchmarking of internal models

European Banking Authority

1. Context

Article 78 of Directive 2013/36 on capital requirements (CRD) of the European Union (EU) requires competent authorities to conduct an annual assessment of the quality of the approaches used to calculate own funds requirements. This assessment is carried out by collecting and analysing data provided by financial institutions, which allows competent authorities to compare risk parameters and ensure consistency and accuracy in the internal rating based (IRB) models used by institutions.

In this context, the EBA has published a Consultation Paper on the **amendment of the ITS with regard to the benchmarking exercise of internal models for the 2026 exercise**. The objective of this publication is to update the templates and instructions to reflect the changes introduced under the new alternative internal rating based approach (AIMA) and to ensure that Institutions apply consistent modelling and valuation techniques. The most significant changes to the market risk framework include new templates for the collection of Alternative Internal Rating Based (A-IRB) risk measures under the Fundamental Review of Trading Book (FRTB) and the extension of the scope of the exercise to banks that apply only the Alternative Standardised Approach (ASA) methodology. For the credit risk framework, only minor changes are proposed.

2. Main points

The consultation includes the following main aspects:

- **Market risk**.
  - Benchmarking market risk. The templates have been updated for data collection within the framework of the AIMA, reflecting the changes in the Capital Requirements Regulation (CRR3) that transpose the Fundamental Review of the Trading Book (FRTB). Derived from those used in the Common Reporting (COREP) they incorporate new risk factor eligibility tests, risk measures in stress scenarios and charges for default risk. Given that most of the previous IMA CRR2 templates are no longer compatible with the new AIMA framework, they have been discarded. Furthermore, due to the complexity of implementing the FRTB, the initial scope of the data submission has been reduced to a more limited subset of instruments and portfolios.
  - Scope of the ASA data collection. The 2026 exercise will be the first in which the scope is extended to institutions using the FRTB ASA, significantly increasing the number of institutions in the scope of the benchmarking exercise. This will allow for a better assessment of institutions' ability to correctly implement the aggregation formulas of the Standardised Sensitivities Based Model (SBM).
  - Validation of ASA portfolios. Institutions must submit the set of instruments in Annex 10 so that the competent authorities can monitor the institutions' ability to correctly implement the SBM aggregation formulas. This validation is crucial to ensure accuracy and consistency in the presentation of data by the institutions.
- **Credit risk**. The instructions have been amended to provide a link between the asset classes used for the definition of the benchmark portfolios and the breakdown of the Internal Ratings Based (IRB) credit risk templates adopted in the revised ITS on supervisory reporting. This ensures that institutions use definitions that are consistent and aligned with current regulatory requirements (CRR3 and CRD6).

3. Next steps

- The consultation will be open until **26 May 2025**.
- These draft ITS will be submitted to the European Commission (EC) for approval before being published in the Official Journal of the European Union (OJEU). The ITS will apply 20 days after their publication in the OJEU.

10/03/2025

C **EBA – Consultation on four draft RTS for the AML/CFT framework**

1. Context

On 12 March 2024, the EBA received a Call for Advice (CfA) from the European Commission (EC) on certain draft RTSs under the new European Union (EU) AML/CFT framework. This request is tied to the development of new RTSs that will ensure a consistent and harmonized application of AML/CFT rules across all EU member states. The move aligns with the broader EU AML reform, including the establishment of a single AML rulebook and the work of a new Anti-Money Laundering Authority (AMLA).

In this context, the EBA has published a Consultation **Paper on four draft RTS in the framework of AML/CFT**. Through these RTS, the EBA establishes harmonised standards and methodologies to ensure consistent supervision, risk assessment, customer due diligence (CDD) and enforcement across Member States.

2. Main points

Below is a summary of the key points for each of the RTS drafts contained in the consultation:

- **Selection criteria for direct AMLA supervision**. The EBA has proposed a two-step approach for determining which entities will be subject to direct AMLA supervision, first identifying eligible entities based on their cross-border activities in at least six Member States, and then applying a harmonized risk assessment methodology to classify them as low, medium, substantial, or high-risk. This standardized selection process ensures that AMLA focuses on entities with the most significant ML/TF risks while maintaining a consistent supervisory approach across Member States.
- **ML/TF risk assessment methodology.** The EBA has developed a harmonized methodology for assessing the ML/TF risk profiles of financial entities to ensure consistent risk classification across Member States. This methodology requires national supervisors to evaluate inherent risks based on an entities's business model, customer base, products, services, and geographic exposure, as well as the quality of internal AML/CFT controls to mitigate these risks and the residual risks that remain after considering their effectiveness. To ensure comparability across the EU, the EBA proposes a structured scoring system for risk classification, promoting a standardized approach that reduces regulatory fragmentation and facilitates cross-border compliance for financial entities.
- **CDD standards.** The EBA has proposed a risk-based framework for CDD that defines the scope and quality of information entities must collect while allowing for some flexibility. The proposal includes a structured approach to standard CDD, simplified due diligence (SDD), and enhanced due diligence (EDD), a list of acceptable document types and verification methods that permit entities to select the most appropriate sources, and requirements for the use of electronic identification (e-IDAS) for remote verification. This approach ensures that entities can balance regulatory compliance with operational efficiency while maintaining effective AML controls.
- **Sanctions and administrative measures.** To ensure uniform enforcement of AML/CFT regulations, the EBA has proposed standardized criteria for assessing AML breaches and determining penalty severity, a harmonized methodology for setting pecuniary sanctions and administrative measures, and guidelines for applying periodic penalty payments to ensure enforcement actions are proportionate, effective, and dissuasive. This framework promotes regulatory convergence across the EU, ensuring that AML/CFT violations are addressed consistently and that penalties serve as an effective deterrent.

3. Next steps

- The consultation closes on **6 June 2025**.
- The EBA will submit its response on **31 October 2025**.

10/02/2025

T **EC - Guidelines on the definition of an AI system under the AI Act and Guide**

1. Context

European Union (EU) Regulation No. 2024/1689 on Artificial Intelligence (AI Act) entered into force on 1 August 2024, establishing a harmonised regulatory framework for the development, commercialisation, implementation and use of artificial intelligence (AI) in the EU. Its purpose is to promote innovation and the adoption of AI, while ensuring high standards of protection in terms of health, safety and fundamental rights, including democracy and the rule of law. However, its application does not extend to all systems, but only to those that comply with the definition of an AI system established in the Regulation itself, making it a key element in determining its scope. To ensure a clear and uniform interpretation, the AI Act requires the EC to draw up guidelines to help suppliers, market players and institutions determine whether a particular system falls within its scope, thus facilitating effective compliance. It also classifies AI systems into four risk categories: unacceptable risk, high risk, transparency risk and minimal or no risk.

In this context, the EC has published **the Guidelines on the definition of an AI system under the AI Act and Guidelines on prohibited AI practices under Article 5 of the AI Act**. The objective of this publication is to assist providers and other interested parties in determining whether a system constitutes an AI system as defined in the IA Act, thereby facilitating effective implementation and enforcement of the AI Act. It is also intended to increase legal clarity and provide interpretations of the prohibitions in section 5 of the AI Act.

2. Main content

The Guidelines on the definition of an AI system contain the following main aspects:

- **Objective and main elements of the definition of an AI system**. The definition of an AI system includes seven key elements: a machine-based system, designed to operate with varying levels of autonomy, which can exhibit adaptability after deployment, with explicit or implicit objectives, which infers how to generate results, such as predictions, content, recommendations or decisions, which can influence physical or virtual environments.
- **Machine-based system**. AI systems are developed and run on machines, which include hardware and software components. These systems require computational capacity to process data and perform tasks, and may include advanced systems such as quantum computing. Hardware components include physical elements such as processing units, memory, storage devices, network units and input/output interfaces. Software components include computer code, instructions, programs, operating systems and applications that manage how the hardware processes data and performs tasks.
- **Autonomy**. AI systems are designed to operate with varying levels of autonomy, meaning that they can function with a certain degree of independence from human intervention. Inference capability is key to the autonomy of an AI system. Autonomy refers to the system's ability to generate results without direct human intervention, although there may be indirect supervision or intervention. Systems can range from those that require manual inputs to those that operate completely autonomously.
- **Adaptability**. Adaptability refers to the self-learning capacity of an AI system, allowing its behaviour to change while in use. This capacity is not mandatory for a system to be considered an AI system, but it is an important feature. Adaptability implies that the system can adjust its behaviour based on new experiences or data, which can result in different outcomes for the same inputs over time.
- **Objectives of the AI system**. AI systems operate according to one or more objectives, which can be explicit or implicit. Explicit objectives are those clearly defined by the developer, while implicit objectives can be deduced from the behaviour of the system. Explicit objectives can include the optimisation of a cost function, a probability or a cumulative reward. Implicit objectives may arise from training data or from the system's interaction with its environment.
- **Inference to generate results**. Inferencing capability is a key feature that distinguishes AI systems from other types of systems. AI systems use machine learning techniques and knowledge-based approaches to generate results from input data. Inferencing refers to the process of obtaining results such as predictions, content, recommendations or decisions from input data. This inferencing capability is fundamental to the functionality of AI systems.
- **Systems outside the scope of the definition of an AI** system. Some systems, such as basic data processing systems and systems based on classical heuristics, do not meet the definition of an AI system due to their limited ability to analyse patterns and adjust their results autonomously. These systems may include mathematical optimisation systems, basic data processing systems and systems based on classical heuristics that do not use advanced AI techniques.
- **Results that can influence physical or virtual environments**. AI systems generate results that can influence physical or virtual environments, such as predictions, content, recommendations and decisions.

This ability to generate results is fundamental to the functionality of AI systems. The results can range from predictions and content to recommendations and decisions that impact both physical objects and virtual environments.

- **Interaction with the environment**. AI systems are not passive, but actively impact the environments in which they are deployed. They can influence both physical objects and virtual environments, including digital spaces and data flows. The ability to interact with the environment is a distinctive feature of AI systems, allowing them to influence their environment in a significant way.

In addition, the Guidelines on prohibited AI practices include the following aspects:

- **Overview of prohibited AI practices**. The marketing, commissioning or use of certain AI systems that violate fundamental rights and EU values is prohibited. These practices include harmful manipulation, exploitation of vulnerabilities, social scoring and crime risk assessment, among others.
- **Manipulation, deception and harmful exploitation**. Subliminal, manipulative or deceptive techniques that significantly distort people's behaviour are prohibited. AI systems that exploit vulnerabilities due to age, disability or socioeconomic status, causing significant harm, are also prohibited. In addition, it is emphasised that psychological harm can lead to physical harm, such as insomnia and stress-related health problems.
- **Social scoring**. AI systems that evaluate or classify people based on their social behaviour or personal characteristics, leading to unfavourable treatment in unrelated contexts or disproportionate to the severity of the behaviour, are prohibited.
- **Crime risk assessment and prediction**. AI systems that assess or predict a person's risk of committing a crime based solely on personality profiles or characteristics are prohibited.
- **Non-targeted scraping of facial images**. AI systems that create or expand facial recognition databases by non-targeted scraping of facial images from the internet or closed-circuit television (CCTV) are prohibited.
- **Recognition of emotions**. AI systems that infer emotions in the workplace or educational institutions are prohibited, except for medical or security reasons.
- **Biometric categorisation**. AI systems that categorise people based on biometric data to infer sensitive characteristics such as race, political opinions, sexual orientation, etc. are prohibited.
- **Remote biometric identification in real time**. Systems for remote biometric identification in real time in public spaces for law enforcement purposes are prohibited, with specific exceptions.
- **Safeguards and conditions for exceptions**. The necessary safeguards and conditions for exceptions to the prohibitions are detailed, including the need for prior authorisation and notification to the authorities.

3. Next steps

- The Guidelines on AI prohibited practices constitute a first interpretation with practical examples of the prohibitions in Article 5 of the AI Act. The EC will continue to support operators and authorities in their implementation, compiling use cases with the collaboration of suppliers, AI deployers and other stakeholders. In addition, it will revise the Guidelines when necessary, taking into account practical experience and technological, social and regulatory developments.

27/02/2025

S

EC - Omnibus amendments to CSRD, CSDDD, EU Taxonomy, CBAM, and Investment Programs

1. Context

In November 2024, in the Budapest Declaration on the New European Competitiveness Deal, European Union (EU) Heads of State and Government called for simplifying the regulatory framework on sustainability in order to drastically reduce administrative, regulatory and reporting burdens, in particular for small and medium-sized enterprises (SMEs). In doing so, they called on the EC to make concrete proposals to reduce reporting requirements by at least 25% in the first half of 2025. In its Communication on the Competitive Compass for the EU, the Commission confirmed that it would propose a first Omnibus package which would include far reaching simplification in the fields of sustainable reporting, sustainability due diligence and taxonomy.

In this context, the EC has published a **simplification Omnibus package**, containing amending proposal on **the Corporate Sustainability Reporting Directive (CSRD)**, the **Corporate Sustainability Due Diligence Directive (CSDDD)**, the **Taxonomy Disclosures** and the **Taxonomy Climate and Environment Delegated Acts,** the Regulation on the Carbon Border **Adjustment Mechanism (CBAM) and the InvestEU Regulation.**

2. Main points

The main modifications and implications for each amended rule are summarised below:

<u>CSRD</u>

- **Increase in the employee threshold**. It is proposed that only companies with more than 1,000 employees will be obliged to comply with sustainability reporting requirements. This will reduce the number of obligated entities by 80%, decreasing from approximately 50,000 to around 7,000 companies. Furthermore, the turnover threshold for non-EU companies will be raised from 150 million euros to 450 million euros to align with the CSDDD thresholds.
- **Contents of the report**. CSRD introduces a voluntary reporting standard for those not subject to mandatory requirements, based on the voluntary sustainability reporting standard for SMEs (VSME), standard developed by EFRAG. The value-chain cap is extended to protect all undertakings with up to 1,000 employees. Sector-specific reporting rules are eliminated, simplifying reporting requirements for all companies within the scope of the CSRD, and the requirement to move from limited warranty to reasonable warranty is eliminated.
- **Postponement of the first reporting date under the new directive.** This proposal postpones the first application of the reporting requirements for the second and third waves by two years, to correspond to the financial years starting on 1 January 2027 and 1 January 2028, respectively.

<u>EU Taxonomy</u>

- **Reduced reporting obligations**. The proposed changes will limit the EU Taxonomy reporting obligations to the largest companies, corresponding to the scope of the CSDDD. Smaller companies will still have the option to report voluntarily if they wish to access sustainable finance.
- **Option of reporting on partially aligned activities**. This new approach is designed to foster a gradual environmental transition of activities over time, in line with the aim to scale up transition finance and help companies on their path towards sustainability.
- **Simplification of Do no Significant harm (DNSH) criteria**. The modifications will simplify the most complex DNSH criteria related to pollution prevention and control, particularly concerning the use and presence of chemicals. These simplified criteria will apply horizontally to all economic sectors under the EU Taxonomy, representing a first step in revising and simplifying all such DNSH criteria.
- **Adjust the Green Asset Ratio (GAR) for banks**. Banks will be able to exclude from the denominator of the GAR exposures that relate to undertakings which are outside the future scope of the CSRD (i.e., companies with less than 1000 employees and €50m turnover). This adjustment is intended to provide a more accurate reflection of banks' green assets and to ensure that the GAR remains a meaningful and useful metric for assessing the sustainability of banks' portfolios. A threshold of 10% of assets is established for financial undertakings and 25% of turnover for their eligible activities for non-financial undertakings. Additionally, the reporting templates will be reduced and simplified.

<u>CBAM</u>

- **Exempt small importers**, mostly SMEs and individuals. By introducing a new CBAM cumulative annual threshold of 50 tonnes per importer, CBAM obligations will be eliminated for approximately 90% of importers.

- **Simplification of rules**. The modifications will simplify the rules for companies that remain within the CBAM scope, including the authorization of CBAM declarants and the rules related to CBAM obligations. This includes simplifying the calculation of embedded emissions and the reporting requirements, making it easier for companies to comply with the CBAM regulations.
- **Strengthen rules to avoid circumvention and abuse**. To ensure the long-term effectiveness, the proposed changes will strengthen the rules to prevent circumvention and abuse. This includes measures to ensure that the CBAM accurately reflects the carbon content of imported goods and that companies cannot exploit loopholes to avoid compliance.

CSDDD

- **Simplification of due diligence requirements on sustainability**, focusing systematic requirements on direct business partners. Companies will no longer need to conduct exhaustive due diligence on their entire supply chain on an annual basis. Instead, they will only be required to conduct detailed assessments every five years, with additional assessments conducted on an ad hoc basis whenever necessary.
- **Reduction of burdens for small and medium-sized enterprises (SMEs) and mid-caps** by limiting the amount of information that large companies can request from them as part of the value chain monitoring process.
- **Increased harmonization and stricter national due diligence requirements** may no longer be allowed in key areas such as risk assessment, value chain due diligence, and penalties. Moves toward greater harmonization across EU Member States, limiting flexibility.
- **Removal of EU civil liability conditions to protect companies from excessive compensation claims.** The right of victims to full compensation for damages caused by non-compliance is preserved.
- **Postponement of the application of the new requirements by one year** for the largest companies, until 26 July 2028.

3. Next steps

- The legislative proposals will now be submitted to the European Parliament (EP) and the Council for their consideration and adoption. The changes on the CSRD, CSDDD, and CBAM will enter into force once the co-legislators have reached an agreement on the proposals and after publication in the EU Official Journal (OJEU). The EC invites the co-legislators to treat this Omnibus package with priority, in particular the proposal postponing certain disclosure requirements under the CSRD and the transposition deadline under CSDDD, as they aim to address key concerns identified by stakeholders.
- The EC will revise the delegated act establishing the existing sustainability reporting standards (ESRS), with the aim of substantially reducing the number of data points, clarifying provisions deemed unclear, improving consistency with other pieces of legislation and reducing the number of data points.
- The draft Delegated Act amending the current delegated acts under the Taxonomy Regulation will be adopted after public feedback and will apply at the end of the scrutiny period by the EP and the Council.
- The adoption of the detailed EC Guidelines on CSDDD, which will provide clear and specific instructions on how to implement the processes necessary to identify, prevent and mitigate negative impacts on human rights and the environment, will be brought forward by one year, to **July 2026**.

21/03/2025

S

EC - Report on the Streamlining Sustainable Finance for SMEs

1. Context

As the EU advances its agenda toward climate neutrality, small and medium-sized enterprises (SMEs) have emerged as a pivotal part of the sustainability transition. SMEs are estimated to account for over 50% of the EU's Gross Domestic Product (GDP) and more than 63% of enterprise greenhouse gas (GHG) emissions. However, SMEs face significant challenges in accessing external financing for sustainability, due to high minimum loan sizes, complex regulatory requirements, lack of harmonised definitions for sustainable loans at the EU level, and insufficient sustainability-related data reporting.

In this context, the EU Platform on Sustainable Finance of the EC has published the **report on the Streamlining Sustainable Finance for SMEs**, which aims to provide SMEs with a tailored, simplified, and voluntary framework to help them access sustainable (particularly transition) finance. The objective is to enable SMEs to demonstrate their climate-related sustainability efforts and improve their ability to obtain external financing, using simplified criteria and practical tools that are more accessible to SMEs.

2. Main points

The report introduces the following aspects:

- **SME sustainable finance standard (transition finance).** The Platform proposes a simplified sustainable finance standard for SMEs, to be used by banks and other financiers to classify loans and other types of financing as sustainable (green or transition). The standard is intended to support SMEs in demonstrating their sustainability credentials and simplify voluntary reporting. It is particularly focused on climate change mitigation and adaptation.
- **Activities.** The standard distinguishes between activities included in the Taxonomy Climate Delegated Act and those not included. For the former, the Platform recommends simplification measures to improve usability for SMEs, such as grouping similar activities, clarifying terminology, and simplifying life-cycle assessment requirements. For the latter, activities may still qualify if supported by well-recognised labels and certifications listed by the EC.
- **Enterprises.** The standard identifies eligible enterprises as those that have integrated climate-related practices into their business models or hold a recognised climate-related certificate. This approach acknowledges SMEs actively working toward sustainability, even if they are not fully aligned with the EU Taxonomy.
- **Investments.** The report outlines how projects and measures involving eligible activities can be considered sustainable. It includes both taxonomy-aligned and non-aligned activities, provided robust and simple criteria are met. This broader scope intends to expand access to transition finance for SMEs without imposing complex assessment burdens.
- **Climate change adaptation.** The Platform defines three ways in which SMEs can demonstrate alignment with adaptation objectives: i) performing a climate risk and vulnerability assessment; ii) implementing adapted activities to increase climate resilience; and iii) conducting enabling or adapted-enabling activities that support the adaptation of others.
- **Minimum environmental and social safeguards.** The standard requires that: i) SMEs comply with applicable laws; ii) do not operate in excluded sectors defined in the EU Benchmark Regulation for Paris-Aligned Benchmarks; and iii) report against indicators from the simplified voluntary reporting standard to be developed under the voluntary sustainability reporting standard for SMEs (VSME) framework proposed in the Omnibus package.
- **SME Sustainability Checker.** The Platform introduces a practical self-assessment tool to help SMEs evaluate their sustainability performance. The tool offers a simple, accessible method for SMEs to identify areas for improvement and better communicate with financiers and value chain partners.
- **Reporting and communication.** The Platform encourages voluntary and proportionate reporting from SMEs and financial institutions. A modular approach is proposed, where microenterprises report on a basic set of indicators, while larger SMEs adopt more detailed sustainability reporting practices. This supports transparency without creating excessive burdens.

D 13/02/2025

CL **ECB - Clarification on the ICAAP and the ILAAP**

1. Context

The ECB's supervisory framework is based on efficient capital and liquidity management, which guarantees the stability and resilience of the banking industry. The ECB consistently modifies its standards to conform to changing risks and legislative advancements, encouraging a uniform and risk-aware strategy among supervised organizations. A key component of this framework is the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), which demand that banks exhibit sound governance, risk management, and forward-looking evaluations of their capital and liquidity requirements. These procedures are necessary to preserve financial stability and comply with the more general prudential standards established by the European Banking Authority (EBA) and the ECB.

In this context, the ECB has published a **clarification on the ICAAP and ILAAP**, reinforcing its supervisory expectations regarding capital and liquidity adequacy assessments. The document provides specific guidance on the governance of submissions and the key elements that should be included in ICAAP and ILAAP packages. While certain sections primarily refer to capital risk for readability, similar principles apply to liquidity risk, emphasizing the need for coherence between both frameworks. The ECB places significant importance on ensuring consistency between ICAAP and ILAAP, both in methodology and documentation, stressing that both frameworks should be aligned in terms of risk appetite, stress testing, and governance arrangements. Rather than introducing new requirements, these clarifications highlight sound practices that banks can consider to enhance the robustness of their capital and liquidity management, in line with the ECB Guides and EBA guidelines. Although no new legal obligations are introduced, these clarifications implicitly raise the bar in certain areas, such as documentation rigor and integration with broader risk governance processes.

2. Main points

The key aspects of the document are summarized below:

- **Governance requirements**. In relation to governance requirements, ICAAPs/ILAAPs are expected to be continuous processes supported by robust internal governance arrangements, including structured approval procedures and periodic review throughout the year. These processes should be documented in the minutes and supporting information of the corresponding meetings. The internal documentation should accurately reflect all relevant processes, methodologies and provisions that make up the ICAAP and ILAAP, constituting the core of the packages sent to the Joint Supervisory Teams (JSTs). Although banks must ensure the quality of the documents submitted, no additional prior approval or review is required before they are sent. However, the ECB emphasizes active board oversight, requiring the management body not only to approve but also to challenge and ensure the credibility of ICAAP and ILAAP processes, validating methodologies and assumptions.
- **Evaluation processes**. The guide also develops the elements that should be taken into account in the processes of evaluating capital and liquidity adequacy, which includes a risk inventory, a forward-looking perspective, the management of capital and liquidity management buffers and capital management actions.
  - Banks must submit a complete risk inventory, assessing their risk profile from both normative and economic perspectives. They should also describe their capital, liquidity, and funding plans, including the management body's review, governance framework, and update frequency based on business model, risk profile, and external conditions. Plans should be promptly revised in response to unforeseen events, such as macro-financial shifts or interest rate changes. The ECB also stresses the importance of integrating adverse scenarios and stress tests into these processes. Banks should demonstrate how stress testing influences capital planning and liquidity management decisions.
  - With regard to the forward-looking perspective, the ECB requires banks to assess capital and liquidity adequacy over a three-year horizon, considering regulatory and economic scenarios, identifying key risks and ensuring sound methodologies for translating macroeconomic impacts into financial results.
  - Banks must document the calibration and use of their capital and liquidity buffers in ICAAP and ILAAP, ensuring alignment with risk limits and recovery plans. These buffers should be adjusted for different scenarios to support business model sustainability, considering stakeholder expectations, stress tests, supervisory requirements, and planning uncertainties. Moreover, ICAAP and ILAAP must be consistent with recovery and resolution plans, directly supporting preemptive recovery measures and ensuring that institutions can act before regulatory intervention is needed.

- Finally, banks should outline key capital management actions needed to maintain capital adequacy, assessing their credibility and impact on capital ratios across scenarios. Additionally, ICAAP packages must demonstrate how ICAAP outcomes influence management decisions, including capital allocation, risk appetite, pricing, credit decisions, and remuneration, ensuring alignment with both normative and economic perspectives.

3. Next steps

- Banks must submit key documents annually by **15 March 2025**, with continuous updates for new or revised internal documents throughout the year.
- Final submission deadline for institutions granted flexibility to adjust their internal processes is the **31 March 2025**

03/02/2025

S **EIOPA - Recommendations on updates to the way natural catastrophe risks are accounted for in insurers' standard formula calibrations**

European Insurance and Occupational Pensions Authority

1. Context

The Solvency II Review mandates EIOPA to reassess, and, in case of significant discrepancies, recalibrate natural catastrophe risk parameters at least every five years. Natural disasters and extreme weather events are increasing across the world due to climate change and so are the losses related to them. To ensure the continued protection of policyholders and the overall stability of the EU's insurance market amid more erratic and damaging weather patterns, it is important that insurers' capital requirements for natural catastrophe underwriting risk adequately reflect the impact of natcat events. EIOPA therefore performs regular recalibrations of these risk, taking the latest data and scientific evidence into account, the last update of standard formulate risk weights was assessed in 2018.

In this context, EIOPA has published its **recommendations on updates to the way natural catastrophe risks are accounted for in insurers' standard formula calibrations**. Drawing on new scientific insights, recent climate data and advanced risk modelling, EIOPA aims to adjust the standard formula risk factors for perils like flood, hail, earthquake and windstorm for certain regions, while also expanding the number of countries considered.

2. Main points

The reassessment introduced new factors, including:

- **Flood**. An extensive update for flood hazard, reflecting the evident impact of climate change in recent years. Flood risk factors in three countries have been recalibrated to better align with the risks faced by insurance companies underwriting business in these regions. Additionally, seven other countries, including Ireland, Luxembourg, and Norway, have been proposed for inclusion in the standard formula for flood risk after their exposures were deemed material.
- **Windstorm**. Similarly, several regions, including Iceland and certain overseas territories of France, are expected to see an increase in their windstorm risk factors. The overseas French territories (Guadeloupe, Saint Martin, Martinique, Reunion) were last calibrated in 2010. For the countries last assessed in 2017/2018 many of the models available have also been updated since the last recalibration. For Iceland no model is available, the decision to reassess was in this case based on input from the Central Bank of Iceland, who indicated that windstorm risk in Iceland might be underestimated in the current standard formula, based on analysis performed by the Icelandic meteorological office.
- **Hail**. The risk factors for hail have also been revised upwards for countries such as Germany, Belgium, and Luxembourg. Belgium has had no significant events since 2017/2018, but model projections suggest that the factor might need to be increased. Germany experienced a severe storm, with models indicating a slight rise, and concerns that climate change has already increased, and may further increase, hail risk. Their analysis indicates that hail risk might currently be underestimated. Luxembourg faced a significant tornado event, and modelled factors suggest that the country factor should be increased. As a result, recalibration is proposed for all three countries.
- **Subsidence**. Since the last calibration, France and Belgium have seen a consistent increase in its annual average losses due to subsidence. Furthermore, subsidence risk, or ground sinkage risk, is set to rise for France, while Belgium is expected to receive a dedicated risk factor in standard formula calibrations for this peril.
- **Other risk factors**. In addition to the five risk factors already covered, windstorm, flood, hail, subsidence, and earthquake (which is not part of the new updates), EIOPA is also closely monitoring emerging perils for a potential inclusion in the standard formula. Given the shifting frequency and intensity of certain perils due to climate change, some risks may become more significant for the European Union's (EU) insurance sector than in the past. Consequently, EIOPA is assessing whether natural hazards such **as wildfires, coastal floods**, and **droughts** are sufficient material to be incorporated into standard formula calibrations.

3. Next steps

- EIOPA has submitted the proposals to the European Commission (EC) for a potential (re)calibration of the relevant standard formula parameters.

17/02/2025

T **EIOPA - Consultation on the opinion on AI governance and risk management in the insurance sector**

European Insurance and Occupational Pensions Authority

1. Context

The European Union (EU) Regulation 2024/1689 on artificial intelligence (AI Act), published in July 2024, establishes a risk-based framework for the governance of AI in all economic sectors to safeguard fundamental rights, health and safety. It classifies AI systems into four categories - prohibited, high risk, limited risk and minimal risk - and imposes strict governance and risk management requirements on high-risk AI, while limited and minimal risk AI systems are mainly subject to transparency obligations, promotion of AI literacy and voluntary codes of conduct. In the insurance sector, the use of AI continues to be regulated by existing sectoral legislation, which ensures harmonization with prudential and conduct of business rules while integrating the general principles of the AI Act.

In this context, EIOPA has launched a **consultation on its opinion on AI governance and risk management in the insurance sector**, with the aim of ensuring that the use of these technologies is aligned with the principles of the AI Act and existing industry regulations. As the AI Act sets out strict requirements for high-risk AI systems and certain transparency obligations for those of limited and minimal risk, EIOPA seeks to clarify how these provisions should be applied in the insurance sector.

2. Main points

The opinion includes the following main aspects:

- **Risk-based approach and proportionality**. Insurers must implement governance and risk management systems appropriate to the nature and complexity of their operations, in line with Solvency II, the Insurance Distribution Directive (IDD) and the Digital Operational Resilience Act (DORA). In the use of AI, they must assess the risk of each case, considering the sensitivity of the data, the autonomy of the system and its impact. The measures applied must be proportional to the risk and may include human supervision or data management to compensate for the lack of explainability.
- **Risk management system**. The use of AI should maximize benefits and minimize risks through a robust governance framework that encompasses fairness, data governance, documentation, transparency, human oversight and cybersecurity. Insurers should document their approach in strategic policies, review it periodically and define clear responsibilities, ensuring adequate staff training.
- **Fairness and ethics**. Entities should ensure that AI is used ethically and fairly, avoiding bias and discrimination. The management approach should be comprehensive, documented and communicated within the organization.
- **Data governance**. The quality, sufficiency and adequacy of data in underwriting processes and technical provisions must be ensured. Insurers should implement policies aligned with data protection regulations and ensure that AI training data is representative, accurate and unbiased. If data is sourced from third parties, it must meet the same quality standards.
- **Documentation and record keeping**. Insurers should maintain organized and detailed records on their AI models, ensuring traceability and reproducibility. For high-risk cases, more detailed documentation and periodic reviews are required.
- **Transparency and explainability**. Product information should be clear and understandable to customers. In IA, priority should be given to explainable models or tools that help to interpret complex systems. If explainability is limited, additional controls should be applied and explanations should be adapted according to the addressee (authorities, auditors or customers).
- **Human oversight**. Insurers must have effective internal control systems in place to oversee AI, defining key roles in administration, compliance, auditing and data protection. They can also appoint an AI manager or data committee. Staff training and implementation of safeguards are essential to eliminate bias and protect customer rights.
- **Accuracy, robustness and cybersecurity**. AI must operate accurately and be resilient in the face of external attacks. Controls must be established commensurate with the scale and complexity of the system, using performance metrics and ensuring adequate technology infrastructure with contingency plans for operational continuity.
- **Monitoring by EIOPA**. EIOPA will evaluate the application of this Opinion two years after its publication, encouraging supervisory convergence and facilitating the implementation of AI regulation in insurance.It will also continue to monitor the market, develop specific analyses and provide additional guidance on its website.

3. Next steps

- The consultation will be open until **May 12, 2025**.

24/02/2025

CL **EIOPA - Supervisory statement on the deduction of foreseeable dividends from own funds under the Solvency II Directive**

European Insurance and Occupational Pensions Authority

1. Context

European reinsurers and groups must deduct foreseeable dividends from their shareholders' equity, as these do not meet the permanence and availability criteria and lack loss absorption capacity. They are considered foreseeable when they are declared or approved by the Administrative, Management or Supervisory Body (AMSB) or the person managing the company. Although the Implementing Regulation of the European Union (EU) 2023/894, which lays down technical rules on reporting to supervisory authorities under Solvency II, requires full annual deduction, different approaches have emerged, such as full annual deduction, quarterly cumulative deduction or deduction applied after the approval of the AMSB.

In this context, EIOPA has published a **supervisory statement on the deduction of foreseeable dividends from own funds under the Solvency II Directive**. The objective of this guidance is to promote greater supervisory convergence by addressing the various market approaches currently used by insurers to deduct foreseeable dividends from their own funds.

2. Main points

The document includes the following main aspects:

- **Dividend deduction approaches**. Three main approaches have been identified. First, the total annual deduction, where both the dividends for the previous year and the estimated dividends for the current year are subtracted, although this method may generate a double deduction. Secondly, the quarterly cumulative deduction, which adjusts the dividend deduction based on the profits obtained in each quarter, reducing the volatility of shareholders' equity and providing a more accurate view of the financial situation. Finally, the deduction after approval of the BSAA, which only subtracts dividends after formal approval, although EIOPA notes that this approach should be used only when it is difficult to estimate foreseeable dividends.
- **Supervisory actions**. EIOPA indicates that supervisory authorities should not prioritize actions against entities using the cumulative deduction approach on a quarterly basis. However, in stable environments where dividends are predictable, full annual deduction is considered feasible. Only in cases where estimation is objectively difficult, deduction is accepted upon approval of the AMSB.

10/03/2025

E

EIOPA - Peer review on the supervision of stochastic valuation under Solvency II

1. Context

To enhance supervisory convergence and fulfill its mandate, EIOPA regularly conducts peer reviews in close collaboration with National Competent Authorities (NCAs). These reviews aim to strengthen the consistency of supervisory practices across Europe and enhance the ability of these NCAs to carry out effective and high quality supervision.

In this context, EIOPA has published a **peer review on the supervision of stochastic valuation under Solvency II**. This report aims to strengthen supervisory convergence in the application of valuation methodologies in the European insurance sector, ensuring a more harmonized and effective approach across Member States. Through these recommendations, EIOPA seeks to improve the quality and consistency of supervisory processes, encouraging the adoption of sound practices and the identification of possible areas for improvement to strengthen the stability and transparency of the insurance market.

2. Main points

The report includes the following main findings:

- **Regulatory framework**. The analysis of the regulatory framework confirms the compliance of all countries with European Union (EU) regulations and EIOPA guidelines, with no additional actions required. However, best practice has been identified in the implementation of these guidelines by the NCAs, either by integrating them directly into their national regulations or by establishing their direct application through legal provisions. Both strategies have been recognized for their transparency. In addition, EIOPA has agreed to review its guideline framework in 2025.
- **Identification of options and guarantees**. The analysis of options and guarantees in insurance products highlights their asymmetric impact on the market and the need for appropriate valuation. While deterministic valuation does not capture their time value, stochastic valuation better reflects market uncertainty, although its use varies between countries. For more consistent supervision, EIOPA recommends NCAs to improve the identification and assessment of their materiality by providing guidance to insurers. In this sense, EIOPA is developing the Prudent Deterministic Valuation (PDV), which it will publish periodically and which the NCAs may use for their materiality analysis.
- **Valuation of options and guarantees**. The valuation of options and guarantees in Solvency II requires stochastic methods to capture their time value, but their application varies across insurers and markets. Model calibration and validation, including the selection of scenarios and risk variables, are key aspects to ensure reliable results. Oversight of these practices has shown differences between NCAs, so EIOPA recommends strengthening oversight and guiding insurers in their application. In addition, best practices are highlighted, such as modeling tools and scenario analysis, which facilitate market assessment and supervision.
- **Best practices**. The peer review also identified best practices that could support NCAs in their supervision of stochastic valuation. These concern the implementation of the relevant regulatory framework, the supervision of the identification of options and guarantees, the valuation of options and guarantees and tools used by different NCAs to supervise the use of stochastic valuation.

3. Next steps

- The amendments to the Solvency II Directive came into force in January 2025. However, it will be applicable as of **January 30, 2027**.
- In the next update of the Supervisory Handbook, EIOPA expects to update the stochastic valuation section of the handbook to include the new findings and guidance arising from this report.
- Some general guidance on stochastic valuation can be found in the technical provisions chapter of EIOPA's Supervisory Review Process (SRP) Manual, the content of which on stochastic valuation will be updated and expanded in **2025** in accordance with the mandate of the Supervisory Steering Committee (SSC).

28/01/2025

R **SRB - Update on operational guidance on OCIR**

1. Context

The OCIR arose as part of the reforms introduced after the 2008 financial crisis, when the European Banking Union established the Bank Resolution Regulation and the Bank Recovery and Resolution Directive (BRRD). These frameworks sought to strengthen the financial system's capacity to manage crises and avoid massive bailouts with public funds. The SRB's operational guidance has undergone constant revisions since its introduction, including an update in 2021 that added details on financial resilience and staffing, aspects that are critical to ensure operational stability during a crisis.

In this context, the SRB has published an **update to its operational guidance on OCIR**. The objective of this publication is to provide financial institutions with more detailed and practical guidelines to ensure that they can maintain the operability of their critical functions during a resolution process. The current review follows the development of new frameworks, such as the Digital Operational Resilience Regulation (DORA), which establishes uniform requirements for the operational resilience of financial institutions in the European Union, and new provisions, such as the European Banking Authority (EBA) Guidelines on Enhancing Resolvability. The guidance also incorporates additional clarifications derived from the SRB's Expectations for Banks, updated references and citations, and removes redundant content. Given the limited scope of these revisions, which do not introduce significant changes for the industry, no public consultation was conducted.

2. Main points

The document contains the following key aspects:

- **Service identification and mapping**. Banks are required to identify and map all relevant services critical to maintaining operational continuity during resolution. This includes mapping services to legal entities, critical functions (CFs), core business lines (CBLs), and relevant staff or operational assets. The process must include creating a detailed service taxonomy to categorize services hierarchically, assessing the criticality of services based on their material impact and substitutability, and ensuring the information is centralized in a searchable service catalogue. This mapping enables an effective assessment of operational risks and informs mitigation strategies.
- **Assessment of operational continuity risks**. Banks must evaluate risks to operational continuity, such as service interruptions, loss of access to operational assets, or unavailability of relevant staff. This assessment should consider dependencies on third-party or intra-group services, as well as potential vulnerabilities like contract termination or divestment. The analysis should use the mapping of services and include risk drivers specific to each dependency. This comprehensive risk framework helps banks understand potential threats to operational continuity during resolution and aids in creating mitigation strategies.
- **Mitigating actions and preparedness measures**. To address identified risks, banks are expected to implement mitigating measures, including ensuring service contracts are resolution-resilient. These measures involve embedding non-termination clauses, ensuring transferability of services, and maintaining financial resilience for service providers. If contractual amendments are not possible, banks should consider alternative mitigating actions, such as identifying substitute providers or pre-funding essential services. Preparedness measures must also include governance arrangements to manage service continuity and post-resolution restructuring effectively.
- **Adequate Management Information Systems (MIS)**. MIS play a vital role in maintaining operational continuity. Banks are required to establish comprehensive and searchable MIS tools, including a service catalogue, contract repository, and databases for operational assets and staff. These systems should be updated regularly to ensure timely access to information during resolution. The MIS enables the identification of risks, supports resolution planning, and facilitates separability and restructuring processes by providing centralized and accurate data.
- **Governance arrangements**. Effective governance is crucial for integrating resolution planning into banks' operational frameworks. Banks must establish governance structures for intra-group service providers, ensuring independence and minimizing reliance on shared staff. Additionally, governance processes should include contingency arrangements for maintaining service continuity, structured contractual agreements, and rapid access to information during resolution. Senior management oversight and clear communication are critical to achieving operational readiness and ensuring compliance with resolution objectives.

3. Next steps

- Banks are expected to start implementing the guidance immediately.
- However, certain specific provisions (such as those related to paragraphs 18 and 25) will only apply **from the 2026 resolution planning cycle onwards**, depending on measures currently under development, such as the EBA's revised resolution planning reporting framework and the SRB's resolvability self-assessment.

18/03/2025

R **SRB - Public consultation on resolvability testing for banks**

1. Context

The evolution of the European regulatory framework for bank resolution has prompted the development of more operational tools to strengthen banks' preparedness for crisis situations. In line with the objectives set out in the Single Resolution Mechanism (SRM) Vision 2028 strategy and based on the expectations defined by the SRB, progress has been made towards greater integration of testing programs to assess the effective ability of institutions to execute their resolution strategies. This approach has been supported by the consolidation of guidelines at the European level - such as those issued by the European Banking Authority (EBA) - and has been structured through coordinated work between internal resolution teams, national competent authorities and the banks themselves, in a process that reinforces consistency, comparability and a level playing field across the Union's banking system.

In this context, the SRB has published a **public consultation on resolvability testing for banks**, with the objective of providing a harmonized framework for the planning, execution and monitoring of these exercises. The initiative seeks to reinforce the preparedness of entities, incorporating lessons learned from previous crises and best practices, and to ensure that operational resolution capabilities can be effectively activated when needed.

2. Main points

The document contains the following key aspects:

- **General guidance**. The first part of the guide establishes a general framework for planning, executing and following up tests that evaluate the operational capacity of banks to apply their resolution strategies. It defines objectives such as verifying the effectiveness of the capacities developed, identifying areas for improvement and reinforcing crisis preparedness. Six key testing areas are considered, as well as a three-year program coordinated with the internal resolution teams (IRTs), using methods such as desktop exercises, walkthroughs and drills. Aspects of governance, testing environments, the use of consultants and the required deliverables are also detailed, promoting a harmonized and operational approach within the framework of the SRM.
- **Specific testing areas**. The second part details the specific requirements and deliverables for each of the six key areas of testing, namely:
  - <u>Bail-in</u>. The entities' operational capabilities to apply this key resolution tool are tested, including the generation of data in accordance with the minimum bail-in data format (MBDT), the internal and external execution of the bail-in, and the activation of the internal loss transfer and recapitalization mechanism (ILTRM). A realistic testing environment and deliverables such as the MBDT report, proforma financial statements, documentation for the central securities depositories (CSD) and a report on the fiscal impact are required.
  - <u>Business reorganisation plan</u>. The entities' ability to develop a simplified business reorganisation plan (BRP) demonstrating the viability of the *core bank* following resolution is evaluated. The tests cover the governance of the process, the operational steps and the preparation of financial projections. The BRP should detail the perimeter of the core bank, the critical functions preserved and an implementation schedule.
  - <u>Access to financial market infrastructures (FMIs)</u>. The capacity of entities to identify and manage their dependencies on FMI service providers is analyzed, as well as to guarantee continuity of access in resolution scenarios. The tests include the mapping of critical relationships, contingency plans and the evaluation of operational, financial and communication requirements. The deliverables include an updated list of FMIs and contacts, a record of outstanding obligations and a table with the maximum liquidity needs to maintain access to each critical or essential FMI.
  - <u>Liquidity (LIQ)</u>. The entities' ability to estimate their liquidity and financing needs during resolution, report their liquidity position and mobilize collateral effectively is put to the test. The tests include the analysis of key liquidity factors, the governance of the process and the reporting capacity with the use of the joint liquidity template (JLT). A methodological note on collateral valuation and mobilization is also required.
  - <u>Operational Continuity (OCIR)</u>. The entities' ability to guarantee OCIR, that is, the continuity of services, assets and key personnel during resolution, is evaluated. The tests include the functioning of management information systems (MIS), the response to operational incidents and internal governance. Extracts from the MIS used and a reconciliation table with the original sources of information must be submitted.
  - <u>Solvent Wind-down (SWD)</u>. The entities' ability to update and execute its SWD plan is analyzed. The tests assess both the timely generation of quantitative information and the operational capacity of the plan, including governance, human resources and communication. The main deliverable is the updated SWD plan together with the corresponding quantitative data.

3. Next steps

- The consultation will be open until **May 5, 2025**.
- Banks are expected to have test environments in place by **December 2026**.

Relevant Publications

Spain

17/03/2025

D **BOE - Amendment of CNMV Circulars on Funds and Depositaries**

1. Context

In recent years, securities market regulation has evolved to improve transparency, supervision and investor protection. The European Securities and Markets Authority (ESMA) has promoted guidelines that harmonise key aspects such as the management of fees in investment funds, financial reporting and the supervision of depositaries. In Spain, several circulars regulate these areas: i) Circular 6/2008 establishes criteria for the application of performance fees in investment funds; ii) Circular 11/2008 defines the information models to be presented by collective investment entities; and iii) Circular 4/2016 regulates the functions of depositaries, setting out their responsibilities in the supervision and custody of assets.

In this context, the National Securities Market Commission (CNMV) has published **Circular 1/2025**, which modifies these three circulars on the management fee on investment fund performance and on the information provided by private equity firms and depositaries. The aim is to reinforce transparency in the application of management fees, improve the reporting of financial information by European Long-Term Investment Funds (ELTIFs) and establish new requirements for the supervision of depositaries.

2. Main aspects

Circular 1/2025 introduces the following amendments:

- **Amendment to Circular 6/2008**. This amendment introduces new requirements on the application of performance fees in investment funds. The update responds to the need to align with ESMA Guidelines, establishing stricter criteria on how these fees are calculated to avoid incentives misaligned with the interests of investors. It also reinforces the obligation to provide clear and transparent information to fund participants, ensuring that fees are applied in a fair and justified manner.
- **Amendment to Circular 11/2008**. Relevant changes for FILPE are incorporated. From now on, these entities will be obliged to submit public and confidential information statement templates to the CNMV, aligning them with the requirements of Law 22/2014. In addition, more detailed breakdowns are introduced in the confidential statements to improve supervision by the regulator. The CNMV also promotes the use of electronic means in the processing of documents, facilitating a more efficient management of information.
- **Modification Circular 4/2016**. This amendment affects the depositaries of entities regulated by Law 22/2014. As of the entry into force of this regulation, they must submit their annual report on the fulfilment of the surveillance and supervision function in a standardised electronic format. This measure seeks to reinforce the control mechanisms over depositaries, ensuring that they adequately fulfil their responsibilities in the protection of investors and improving the supervisory capacity of the CNMV.

3. Next steps

- This Circular will come into force 20 days after its publication in the BOE, with the exception of the reserved statements referred to in the first rule. According to this, the first reserved statements due will be those referring to **31 December 2025**.

17/03/2025

O **MINECO - Transposition of the Solvency II and IRR Directive**

1. Context

The European insurance sector is immersed in a process of regulatory modernisation with the aim of strengthening its financial stability and crisis response capacity. Within this framework, the European Parlament and the Council have approved two key directives, the Solvency II Directive and the IRRD Directive. Both regulations reflect the need to adapt the regulation to the new challenges of the sector, including proportionality in supervision, the integration of sustainability factors and the preparation for eventual situations of non-viability of individual institutions.

In this context, the MINECO has launched preliminary public **consultations for the transposition of the two directives into Spanish law**. The purpose of these consultations is to gather input from interested parties in order to guarantee effective implementation of the new regulatory requirements, while ensuring the protection of policyholders, market stability and minimising the impact of possible crises on public funds.

2. Main aspects

The changes included in the **Solvency II Directive** are as follows:

- **Proportionality**. The thresholds for the application of Solvency II are extended, so that smaller institutions will be exempt from certain regulatory requirements. In addition, the calculation of the solvency capital requirement is facilitated in those institutions with a reduced risk profile, allowing a more efficient use of resources without compromising market stability.
- **Macro-prudential approach**. A macro-prudential approach is introduced into insurance regulation to identify and mitigate systemic risks. This seeks to improve the capacity to respond to situations of financial stress and reinforce the stability of the sector at a global level.
- **Sustainability**. The requirements for environmental, social and governance (ESG) information and risk management are strengthened, with the aim of promoting the integration of sustainability criteria into insurers' investment strategies and risk management.
- **Long-term business and investments**. The methodology for extrapolating the risk-free interest rate curve is adjusted to better align it with market conditions. Likewise, the treatment of long-term investments is made more flexible, incentivising those that favour the stability and sustainability of the insurance system.
- **Supervision of insurance groups**. The supervisory framework for insurance groups is modified, incorporating new tools that allow for a more precise assessment of the risks to which the institutions are exposed, especially in cross-border contexts and with complex corporate structures.
- **Cross-border activity**. Among other measures, the reform introduces the category of significant cross-border activities, which implies enhanced cooperation on supervision and information exchange between the supervisory authorities of the home and host states.
- **Regulatory alternatives**. There is no non-regulatory alternative for the transposition of Directive (EU) 2025/2, which will be done by amending existing regulations, such as Law 20/2015 and Royal Decree 1060/2015. It is requested that aspects such as the gradual introduction of the new capital calculation regime for interest rate risk, the extension of proportionality measures, and guidance on the developments foreseen in the Directive be assessed.

The changes included in the **IRRD** are as follows:

- **Objectives of the Directive**. The regulation seeks to protect the collective interests of policyholders, beneficiaries and third parties, maintain financial stability, ensure the continuity of critical functions and protect public funds, reducing dependence on extraordinary financial aid.
- **Regulatory alternatives**. There are no non-regulatory alternatives for the transposition of the Directive, which must be implemented by means of a new law. Various regulatory options are being considered, such as the creation of new resolution authorities or the use of existing administrative structures, as well as the definition of adequate financing mechanisms for the sector.
- **Resolution mechanisms**. The creation of specific instruments is being considered, such as the segregation of assets and liabilities, the formation of bridge entities and internal recapitalisation, adapted to the characteristics of the insurance sector and with the aim of guaranteeing stability in crisis situations.

- **Treatment of mutuals and cooperatives**. A differentiated approach is proposed for mutuals and cooperatives, considering their particular structure. In addition, the possibility of excluding certain liabilities from the amortisation or conversion process in resolution situations is being considered.

3. Next steps

- The period for submitting comments on the consultations on both Directives ends on **27 March 2025**.

18/03/2025

S **MITECO - the Royal Decree that creates the registry of carbon footprints, offsets and carbon dioxide absorption projects**

VICEPRESIDENCIA MINISTERIO PARA LA TRANSICIÓN ECOLÓGICA Y RETO DEMOGRÁFICO

1. Context

In 2014, MITECO voluntarily launched the Carbon Footprint, Offsetting and Carbon Dioxide Absorption Projects Register, with the aim of making it easier for organizations to calculate their footprint, promote initiatives to reduce emissions and encourage offsetting through absorption projects in Spain. Over the years, the Registry has proven its usefulness in helping Spain meet its climate commitments, with 14,250 carbon footprints registered, 23,348 hectares of reforested land and carbon footprint offsets recognized corresponding to 154,406 metric tons of carbon dioxide (CO2). This registry is part of the objectives established in Law 7/2021 on Climate Change and Energy Transition, which makes the calculation and planning of emission reductions by companies and public administrations mandatory, reinforcing the traceability, transparency and comparability of efforts in the fight against climate change.

In this context, the MITECO has published **the Royal Decree that creates the registry of carbon footprints, offsets and carbon dioxide absorption projects**. The objective is to establish a more robust and mandatory regulation that broadens the scope of the registry and introduces new obligations for the calculation, reduction and publication of emissions for companies and public bodies, thus reinforcing the regulatory framework provided for in Law 7/2021 on Climate Change and Energy Transition.

2. Main aspects

The Royal Decree includes:

- **Consolidation and expansion of the Carbon Footprint Register.** Although the registry has existed since 2014 as a voluntary instrument, the Royal Decree formalizes it and gives it legal status, expanding its scope and reinforcing its technical and administrative requirements. It formalizes the Registry of carbon footprint, compensation and carbon dioxide absorption projects. It extends its scope to include new typologies, such as the carbon footprints of events, and improves administrative procedures, incorporating additional participation requirements and reinforcing coordination with equivalent registers in the autonomous communities.
- **Obligations for companies**. The Royal Decree establishes the obligation for certain companies to calculate their carbon footprint following the technical guidelines of the MITECO, to draw up a plan to reduce greenhouse gas emissions and to publish this information through the Ministry's official Register. This obligation affects companies that are already subject to Law 11/2018 on non-financial information and diversity. Specifically, it will apply to all companies with more than 250 employees that either are considered public-interest entities under auditing legislation ((except for entities classified as small and medium-sized enterprises (SMEs) according to Directive 2013/34/EU), or, for two consecutive financial years, meet at least one of the following criteria: i) that the total of the asset items is greater than 20 million euros; or ii) that the net amount of the annual turnover exceeds 40 million euros. Ministerial departments, autonomous organizations and other state administrative public sector entities must also comply with this obligation.
- **Promotion of offsetting projects**. The Registry continues to allow organizations to offset their emissions through officially recognized absorption projects, mainly of a forestry nature. These projects must be located in national territory and report environmental and social benefits, such as the generation of carbon sinks, the improvement of biodiversity or rural development.
- **Official methodology and technical guidelines**. MITECO will provide technical guidelines for calculating the carbon footprint, based on internationally recognized methodologies, in particular the Greenhouse Gas (GHG) Protocol and the International Organization for Standardization (ISO) 14064 standard. This will ensure a homogeneous application and facilitate comparison between entities. Organizations will have to adapt their internal reporting systems and, in many cases, may require external technical support to adequately comply with the new standards.

3. Next steps

- The entry into force of the Royal Decree is **pending** on its publication in the Official State Gazette (BOE), which will mark the beginning of its effective application.

Relevant Publications

UK

21/01/2025

CL **PRA - Delay in the implementation of Basel 3.1 in the UK**

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

1. Context

Basel 3.1 represents the final phase of international banking reforms initiated in response to the 2008 global financial crisis. These reforms aim to enhance banks' risk measurement and standardize approaches across firms, ensuring more consistent and comparable capital ratios. On the 12th September 2024, the PRA released policy statement (PS) 9/24, detailing the near-final rules for incorporating Basel 3.1 into the PRA rulebook. This publication postponed the implementation date by six months to the 1st January 2026, reflecting feedback from consultations and the PRA's ongoing assessment of implementation timelines in other jurisdictions.

In this context, the PRA, in consultation with HM Treasury, has decided to **delay the implementation of Basel 3.1 in the UK by one year until the 1st January 2027**. This allows more time for greater clarity to emerge regarding plans for its implementation in the United States.

2. Main points

The Basel 3 implementation notice contains the following aspects:

- **Reasons for delay**. The decision to delay the implementation of Basel 3.1 is based on the current uncertainty about the implementation schedule in the United States. The PRA considers that it is crucial to align its timelines with those of other major jurisdictions to avoid competitive disadvantages. In addition, the need to maintain the competitiveness of the UK financial sector and foster economic growth has been taken into account. This approach will allow UK financial institutions to prepare adequately and adapt to the new requirements without compromising their position in the global market. In line with the approach taken for the six-month delay outlined in PS9/24, the transitional periods in the rules will be reduced to ensure the date of full implementation remains the 1st January 2030, as set out in the original proposals.
- **Impact on financial institutions**. The PRA has indicated that it will pause the firm-level data collection exercise, which was scheduled to inform an off-cycle review of firm-specific capital requirements under Pillar 2. This pause will allow financial institutions to focus on their current operations and on preparing for the future implementation of Basel 3.1. In addition, the PRA will continue to monitor international developments and adjust its plans as necessary to ensure a smooth and effective transition to the new standards.
- **Expected benefits**. Despite the delay, the implementation of Basel 3.1 remains a priority for the PRA. The reforms are designed to enhance the financial stability and resilience of the banking system, ensuring that banks have sufficient capital to cope with potential future crises. Standardisation of risk measurement approaches will also facilitate greater comparability and transparency among financial institutions, which will benefit both regulators and investors. Ultimately, these reforms will contribute to a safer and more robust financial system.

28/01/2025

C **FCA - Evaluar y reducir el riesgo de MLTM**

1. Context

Capital markets facilitate the exchange of stocks, bonds, currencies, and other financial assets, serving as a critical mechanism for fostering economic growth and innovation by linking those seeking capital with investors. Money laundering through markets (MLTM) involves using these markets to launder illicitly obtained funds, making them appear legitimate. The UK's National Risk Assessment 2020 emphasizes that capital markets remain a channel for criminals to obscure money trails through complex financial transactions. In 2019, a thematic review (TR)19/4 was conducted, followed by continued supervision across relevant sectors. Subsequent extensive work and consultations with stakeholders highlighted the importance of assessing progress and updating the analysis.

In this context, the FCA has published **report on assessing and reducing the risk of MLTM**. The report updates the MLTM risk assessment from TR19/4 and reviews wholesale brokers and other market participants, focusing on business-wide risk assessments (BWRAs), customer risk assessments (CRAs), transaction monitoring, governance, training, and reporting mechanisms. Good practice and progress were observed in several financial crime processes and controls across both larger and smaller firms. However, further focus and improvement are necessary across the board to address the issues highlighted in TR19/4 and strengthen risk mitigation efforts..

2. Main points

The main conclusions of this report include specific actions for the different stakeholders:

- **BWRAs**. The report states that some firms had either not fully considered or underestimated their exposure to financial crime-related risks and had insufficiently documented these risks as part of a tailored BWRA. This resulted in a lack of understanding across the firm regarding how they could be targeted by criminals.
- **CRA**. CRA processes generally incorporated a range of appropriate risk factors, with the use of weighted factors and well-developed country risk assessments becoming more common. However, many firms failed to adequately document their CRA methodologies or provide justification for updated or overridden customer risk ratings. Additionally, not all firms distinguished between domestic and foreign Politically Exposed Persons (PEPs) or considered this distinction in their CRA processes.
- **Know Your Customer (KYC) and Customer Due Diligence (CDD)**. KYC and CDD processes were found to be inconsistent across firms. Onboarding and KYC processes have generally developed to better consider proportionality and customer risk, with firms increasingly using triggers for reviews or updates. However, some relied too heavily on other parties in the transaction chain for due diligence, and many failed to document or consider the nature, purpose, and expected activity on customer accounts.
- **Governance and oversight**. The FCA noted deficiencies in senior management engagement and accountability. Some firms lacked clear reporting lines or failed to prioritise financial crime risks in decision-making. The report highlights the need for tailored financial crime training for specific roles, improved governance and oversight to strengthen processes and controls, and sufficient Management Information (MI) reporting on client onboarding, risk ratings, and surveillance hits to keep management informed.
- **Transaction monitoring**. A significant challenge noted in the report is the continued difficulty in detecting suspicious activities due to the high volume of trades and reliance on outdated monitoring systems. The report urges firms to integrate transaction monitoring with broader risk management processes and highlights the importance of leveraging technology and cross-team collaboration.
- **Investigations and suspicious activity reporting (SAR)**. Many firms lacked familiarity with the UK Financial Intelligence Unit (UKFIU) MLTM SARs glossary code, impacting reporting accuracy, criminal investigations, and MLTM risk understanding. While SARs using the code have increased, issues persist with incorrect usage and inconsistent quality. Additionally, information sharing between firms remained limited, with some yet to utilize the expanded powers under the Economic Crime and Corporate Transparency Act 2023 (ECCTA) to enhance MLTM detection and prevention.
- **Training, resourcing and policies and procedures**. Financial crime staff training has become more commonplace at firms. But several firms had yet to tailor training content to their business model, related risks, common red flags and for the different roles that exist in the firm. Resourcing in financial crime functions varies greatly across firms, as does the quality of policies and procedures.
- The FCA's updated report emphasises the critical need for firms to adopt a proactive and integrated approach to combating MLTM. By strengthening risk assessments, enhancing governance, improving transaction monitoring, and fostering collaboration, firms can not only mitigate financial crime risks but also safeguard the integrity of the capital markets.

3. Next Steps

- Firms must continue to review their systems, controls, MLTM awareness and training.
- Public bodies and firms need to work together to evolve and respond effectively to the threat of MLTM.
- The FCA will ensure that firms are considering MLTM risks and the points raised in the report to drive improvements and reduce risk across the markets.

07/02/2025

T **UK Gov - Code of practice for the cyber security of AI and implementation guide**

UK Government

1. Context

In May 2024, the UK government, through the Department for Science, Innovation and Technology (DSIT), launched a public consultation (call for views) to gather insights on cybersecurity risks in artificial intelligence (AI) and potential measures to address them. During this process, which lasted until August 2024, contributions were received from various stakeholders, with broad support for the need to establish specific principles and guidelines in this area. As a result, key vulnerability areas were identified, laying the groundwork for the development of concrete measures to strengthen AI cybersecurity.

In this context, the DSIT of the UK Government has published the **AI cyber security code of practice**, along with its respective **implementation guide**, aiming to establish principles and recommendations to mitigate the specific security risks posed by artificial intelligence. This publication seeks to provide developers, organizations, and relevant stakeholders with a framework to identify and address vulnerabilities such as data poisoning, model manipulation, and supply chain security, promoting a safer and more responsible approach to the development and deployment of AI systems.

2. Main points

The code covers the following main aspects:

- **Secure design**. Organizations must raise awareness of AI security risks through specific and regularly updated training. Additionally, when designing AI systems, they must integrate security measures alongside functionality, ensuring resilience to adversarial attacks and implementing security audits. Threats should be managed through risk models that address AI-specific attacks, communicate vulnerabilities, and control unnecessary functionalities. Lastly, human oversight in AI systems must be ensured, enabling clear evaluation of outputs and implementing technical controls to mitigate risks.
- **Secure development**. Organizations must identify, track, and protect their AI assets through detailed inventories, version control, and recovery plans for potential attacks. They must also secure infrastructure with access controls, dedicated development environments, and vulnerability disclosure policies. In the supply chain, they should follow secure processes, justify undocumented components, and provide updates to users. Additionally, documenting data, models, and prompts ensures traceability and mitigates risks like data poisoning. Finally, security testing and evaluation should be conducted prior to deployment, including sharing findings with operators to enhance protection.
- **Secure deployment**. Organizations must ensure clear and accessible communication with end-users regarding how their data is used, stored, and accessed in AI systems, including whether it is used for retraining or review. They must also provide guidance on managing and integrating these systems, highlighting their limitations and potential failure modes. Additionally, proactive security updates should be communicated, and documented processes should be in place to support users in cybersecurity incidents, ensuring mitigation through contractual agreements.
- **Secure maintenance**. Organizations must maintain AI system security through regular updates, patches, and mitigation plans when updates are not possible. Major updates should be treated as new versions and undergo security testing before deployment. Additionally, continuous monitoring of system behavior is essential, logging user and system actions to detect anomalies, security threats, or unexpected performance changes, such as data drift or poisoning attacks, ensuring long-term system protection and stability.
- **Secure end of life**. Organizations must ensure the secure disposal of data and models at the end of their lifecycle. If transferred to another entity, data custodians must be involved to securely eliminate assets and prevent security risks in future deployments. When decommissioning a model or system, relevant data and configurations must also be securely deleted to protect information integrity and security.

The implementation guide, on the other hand, contains the following key aspects:

- **Relationship with other standards**. This guide aligns with key references in AI security, such as the European Telecommunications Standards Institute (ETSI)'s ETSI technical report (TR) 104 222 on artificial intelligence risk mitigation strategies, the ISO/IEC 22989 standard that establishes concepts and terminology in artificial intelligence, the EU AI Act, the UK National Cyber Security Centre (NCSC) machine learning security principles document, and the MITRE Adverse Threat Landscape for AI Systems (MITRE ATLAS).
- **Application of this guide**. This document helps implementers of the Code of Best Practice understand how to comply with each principle by providing examples applicable to different AI scenarios. In addition,

the security principles have been mapped to different phases of the AI lifecycle, from development to implementation and monitoring.

- **Main threats and vulnerabilities**. The main threats to the security of artificial intelligence systems include adversarial attacks, such as data manipulation to trick models during training or execution, privacy attacks, such as the extraction of confidential information from model-generated responses, injection of hidden commands within input data in order to alter system behavior, and the leakage of personal or confidential company information. These threats highlight the need to implement robust mitigation measures to reduce risks.
- **Implementation principles**. Organizations should include AI security training in their programs, ensuring that the content is updated and adapted to the different roles within the company. Before developing an IA system, its actual need should be assessed, considering security risks and applicable regulations. It is recommended to document and audit all changes in models, data and prompts used in AI systems, ensuring traceability and regulatory compliance. In case of using external models or components, a security assessment and risk management should be performed to prevent vulnerabilities in the supply chain. Personal data protection should be a priority, ensuring that the use of the system is appropriate for the sensitivity of the information used and that regulations such as the General Data Protection Regulation (GDPR) and local regulations are complied with.

Relevant Publications

United States

11/02/2025

CL **FRB - Hypothetical scenarios for annual stress test**

1. Context

In a context of increasing attention to the soundness and stability of the financial system in the United States (US), the FRB has been reviewing the scope and application of its regulatory frameworks to ensure that they remain effective in the face of current challenges. This process has included the review of prudential standards, the analysis of supervisory data and the reception of comments through public consultations and dialogues with banking sector actors. Through these interactions, areas have been identified where requirements can be optimized without compromising the resilience of the system, in line with the objective of maintaining a balance between financial soundness and operational efficiency. These developments reflect evolving supervision, adjusted to market dynamics and the management of emerging risks.

In this context, the US FRB has published the **scenarios for its annual stress test**, an exercise designed to assess the resilience of large banks to adverse economic conditions. The aim of this publication is to ensure that these institutions can continue to lend to households and businesses even in a severe recession scenario, as well as to explore additional risks to the banking system through a complementary analysis that will not affect banks' capital requirements.

2. Main points

- **Baseline and severely adverse scenarios**. The baseline scenario projects moderate growth in the US, with stable unemployment at around 4.2% and inflation close to 2.2%, along with relatively stable interest rates and asset prices. In contrast, the severely adverse scenario envisages a global recession with unemployment reaching 10% in 2026, a fall in GDP of 7.8% and a sharp contraction in the financial markets, including a 50% reduction in share prices and significant declines in the real estate sector. Internationally, a more severe recession is expected in Japan and Europe, with less impact in emerging Asia. Compared to 2024, the impact on unemployment and markets is slightly lower, reflecting already deteriorating conditions in the commercial real estate sector.
- **Global market shock component for the supervisory severely adverse scenario**. This component introduces hypothetical shocks to assess the resilience of banks with trading operations. The impacts include declines in stock prices, increased volatility, appreciation of the dollar against most currencies, and reductions in Treasury bond rates, especially in the short term. A fall in commodity prices due to the recession and an increase in credit spreads due to higher defaults are also expected. In contrast to the 2024 scenario, lower inflationary pressure is projected, affecting interest rates, the value of the dollar and commodity prices. In addition, this edition does not include shocks specific to private equity, which will be evaluated within the adverse macroeconomic scenario.
- **Counterparty default component of the supervisory severely adverse scenario**. This component assesses the impact of the unexpected failure of each bank's largest counterparty with significant trading or custody operations. Certain entities such as advanced economy governments, multilateral banks and supranational bodies are excluded to ensure regulatory consistency. Projected losses are calculated by applying the global shock to securities financing and derivatives transactions, including the impact on collateral. The objective is to measure the capacity of banks to withstand an extreme risk event that could affect their capital and stability, in the same time frame as the shock in global markets.
- **Differences from the 2024 scenario**. Compared to 2024, the impact of the severely adverse scenario on the unemployment rate and markets is lower, reflecting already deteriorated conditions in the commercial real estate sector. Additionally, the projected decline in commercial real estate prices is 10 percentage points lower than in 2024, given that they have already experienced previous declines. A reduction in inflationary pressure is also observed, which affects interest rates and commodity prices.

3. Next steps

- The stress tests will take place in the early months of **2025**, and the results will be published in **June 2025**.

19/02/2025

S

US Senate - The Prevent Regulatory Overreach from Turning Essential Companies into Targets Act of 2025 (PROTECT USA)

1. Context

In May 2024, the European Union (EU) adopted the Corporate Sustainability Due Diligence Directive (CSDDD), imposing binding environmental and human rights obligations on companies, including large U.S. businesses operating in the EU. The directive has raised concerns in the U.S. over its extraterritorial reach and potential impact on critical industries such as energy, mining, and manufacturing. A growing number of US stakeholders, both in the private sector and across certain political circles, have expressed opposition to the directive, citing legal uncertainty, compliance burdens, and the risk of regulatory conflict with US law.

In this context, the US Senate has published **the bill to Prevent Regulatory Overreach from Turning Essential Companies into Targets Act of 2025 (PROTECT USA).** The objective is to prevent US entities deemed integral to national interests from being compelled to comply with foreign sustainability due diligence regulations, in particular the EU's CSDDD. The bill introduces a legal framework that limits the enforceability of such foreign regulations within US jurisdiction and seeks to protect companies from associated legal and economic consequences.

2. Main points

The bill introduces the following key measures:

- **Scope**. The bill applies to companies considered integral to US national interests, including federal contractors, companies in extractive and manufacturing sectors, arms or critical minerals producers, or those designated by the President.
- **A company is considered to be covered if it meets two possible conditions**. The first is if it does business with the US federal government. The second is if it is organized under US law (or is a foreign subsidiary of a US company) and meets any of the following criteria: i) obtains at least 25% of its revenue from raw material extraction or production; ii) has a manufacturing-sector classification; iii) derives at least 25% of revenue from transforming materials into new products; iv) is engaged in defense production or critical mining activity.
- **Targeted foreign regulations**. The bill targets foreign laws that require companies to assess, mitigate, and report environmental or social risks across their operations or supply chains. Although the EU's CSDDD is a primary focus, the bill's scope includes any foreign regulation with similar requirements, unless the rules are substantively aligned with US laws approved by Congress.
- **Prohibition on Compliance with Foreign Sustainability Due Diligence Regulations**. The bill prohibits covered US entities from complying with foreign due diligence mandates unless required by US law or necessary in the ordinary course of business. It also introduces a hardship relief process which allows companies that believe they would face significant hardship from the compliance ban to petition the President for an exemption. The President must respond within 30 days and explain the decision. Factors considered include supply chain impacts, economic consequences, and business continuity risks.
- **Legal protections and enforcement tools**. The bill establishes safeguards for entities that fail to comply with foreign environmental, social and governance (ESG) regulations. It prohibits retaliation for such inaction and provides that judgments issued by foreign courts in connection with these regulations will not be recognized or enforceable in US courts, unless expressly authorized by Congress. In addition, it grants the President broad authority to intervene in the public interest to protect US businesses, taking into account impacts on consumers, economic security, energy markets, and foreign relations. Affected companies can file a civil action to seek relief, including compensatory and punitive damages, legal costs, and other remedies. Violators of the Act may face civil penalties of up to $1 million and may be disqualified from participating in federal contracts for up to three years.

Relevant Publications

Chile

08/01/2025

CL **CMF - Public Consultation on Chapter 21-10 and Adjustments to the RAN and Compendium of Accounting Standard**

1. **Context**

In 2022, the FMC reported on the completion of the Financial Sector Assessment Program (FSAP) conducted by the International Monetary Fund (IMF) and the World Bank. This report included analyses on competition, digital financial inclusion, green finance, household indebtedness and consumer protection. In addition, it identified a lack of explicit guidance on eligible collateral as credit risk mitigants and its valuation for provisioning purposes. In particular, it noted that current regulations do not require frequent valuations of collateral and recommended the development of standards for the collateral evaluation process, considering their eligibility, value and the bank's risk profile.

In this context, the FTC has published the **public consultation on the new Chapter 21-10 on collateral as credit risk mitigants and adjustments to Chapters 1-13 of the Restatement of Rules (RAN) for Banks and B-1 of the Compendium of Accounting Standards**. In this way, the FSAP makes progress in closing the gaps identified by the FSAP and continues with the implementation of the Basel III international standard in all areas, as well as further integration with international financial markets. The specific objectives are: i) establishment of responsibilities, policies, procedures and controls for collateral management; ii) collateral eligibility requirements; iii) legal evaluation requirements for collateral; iv) valuation and revaluation criteria; and v) guidelines for the registration, custody, pledge and enforcement of collateral as credit risk mitigants.

2. **Main points**

The proposed rulemaking includes several key amendments:

- **Establishment of responsibilities and controls**. It defines the responsibilities, policies, procedures and controls that banks must have in place to properly manage collateral. This includes the identification, valuation and monitoring of accepted collateral. Banks should establish clear and detailed policies covering all aspects of collateral management, ensuring that these policies are regularly reviewed and updated.
- **Collateral eligibility requirements**. The general and specific requirements that collateral must meet to be considered eligible are specified. This covers aspects such as the quality of the collateral, its liquidity and the ability to be enforced in the event of default. Collateral must be rigorously assessed to ensure that it meets the established standards and that it can be effectively used to mitigate credit risk.
- **Collateral valuation**. Criteria and methodologies are established for the valuation of collateral, ensuring that its value adequately reflects the mitigated credit risk. This includes the frequency of valuations and necessary adjustments based on market conditions. Banks must use recognised and consistent valuation methodologies and perform regular valuations to maintain the accuracy of the values assigned to collateral.
- **Guidelines for the registration, safekeeping, pledging and enforcement of collateral held as credit risk mitigants**. Clear guidelines are established for banks on the comprehensive management of collateral. This includes detailed procedures for the proper recording of collateral, ensuring its proper safekeeping and protection. In addition, the processes for the release of collateral, i.e. the release of collateral upon fulfilment of the corresponding obligations, are specified. Finally, it describes the necessary steps for the enforcement of collateral in the event of default, ensuring that banks can enforce collateral efficiently and in accordance with current regulations.
- **Impacts**: in principle, these changes would not have any impact on the current results being delivered by Capital and Provisions, but would rather reinforce the management and control of guarantees.

3. **Next steps**

- The public consultation will be open until **28 March 2025**.
- These new guidelines will be effective as of **January 1, 2026**.

23/01/2025

E **CMF - Second time application of Pillar 2 capital requirement regulations**

1. Context

In recent years, the implementation of the Basel III standards has been a priority for financial regulators worldwide. These standards aim to strengthen the regulation, supervision and risk management of the banking sector, with the objective of increasing the resilience of banks to potential financial crises. Within this framework, regulators have been adopting various regulations to ensure that banking institutions maintain adequate levels of capital and effectively manage the risks to which they are exposed.

In this context, the CMF has applied Pillar 2 capital requirements regulations for the second time, continuing the progress in the implementation of the Basel III standards. The objective of this publication is to ensure that Chilean banks maintain adequate capital levels to cover specific risks that are not fully covered under Pillar 1, such as credit concentration risk and market risk in the banking book.

2. Main aspects

The regulation includes the following aspects:

- **Capital requirements**. The CMF has decided to apply the Pillar 2 capital requirements to the same institutions as in 2024: Banco Bice, Banco BTG Pactual Chile, Banco Consorcio, Banco del Estado de Chile, Banco Internacional, Banco Security, HSBC Bank (Chile), Banco de Chile and Scotiabank Chile. These requirements include capital self-assessment through the Equity Self-Assessment Report (EAPR), which considers both Pillar 1 risks and other specific risks, as follows: 0.90% for Banco Bice; 2.00% for Banco BTG Pactual Chile; 2.5% for Banco Consorcio; 1.25% for Banco Internacional; 1.75% for HSBC Bank (Chile); 1.25% for Banco Security; 0.25% for Banco del Estado de Chile; and to maintain the charge already constituted for this concept since June 2024, of 0.13% for Banco de Chile and 0.25% for Scotiabank Chile, corresponding to 25% of the total charge requested.
- **Gradual implementation**. The implementation of these requirements will be gradual, with 50% of the requirements to be recognised by 30 June 2025. The remaining percentages are to be built up annually as determined by the CMF, based on each year's capital adequacy assessment.

3. Next steps

- Banking institutions will be required to perform the capital self-assessment and submit the IAPE for the year 2024.
- The CMF will continue to monitor and assess the capital adequacy of banking institutions to ensure compliance with the new requirements.

23/01/2025

S **CMF - Fintech Information System Manual Creation Policy**

1. Context

In recent years, Chile's Financial Market Commission (CMF) has promoted a regulatory agenda focused on fostering innovation and transparency in the financial system, adapting to technological transformations and the rise of fintech. In this context, the enactment of Law No. 21.521, known as the Fintech Law, in January 2023, laid the groundwork for regulating and fostering financial inclusion in the country. As part of this process, in October 2024, the CMF held a public consultation to gather input from market participants to ensure that the final regulations addressed the sector's needs.

In this context, the CMF has published the **regulation that establishes the Manual of Fintech Information System**, which aims to define the standards and requirements for information submission by registered fintech entities. This framework regulates the collection of data on operations, risk management, and capital requirements, promoting transparency and regulatory compliance in the sector. Additionally, it seeks to strengthen trust in the digital financial ecosystem, foster competition, and ensure that fintech operates under principles that protect consumers and contribute to the financial system's stability.

2. Main points

The document highlights the following key points:

- **Frequency and information submission method**. The manual establishes the format, frequency, and official channel through which entities must submit information to the CMF. All information must be sent through the CMF Supervision platform, ensuring a standardized and efficient reporting process for registered entities.
- **Mandatory regulatory files**. The manual includes a total of 16 regulatory files that entities must report. These cover aspects such as operational volume, minimum capital, risk-weighted assets (operational, market, credit, and crypto-asset risks), completed transactions, advisory revenues, custody records and balances, and technological infrastructure and cybersecurity indicators.
- **Principles of modularity and proportionality**. The regulation adopts a modular and proportional approach, requiring entities to report only the information relevant to the nature of their authorized services, business volume, and associated risks. This approach aims to avoid unnecessary burdens on entities and ensure that the reported data is meaningful for supervision.
- **Standards for ormat and content**. Data must meet clear specifications regarding format and content. Files are of fixed-length records, which means that each record in the file must have a specific predefined length. If a record does not reach this length, it must be filled with additional characters: zeros (for numeric fields) or blank spaces (for alphanumeric fields). Each field must adhere to strict structural rules, such as filling with default data when sufficient information is unavailable. This ensures uniformity and quality in the submitted data.
- **Purpose of information reporting**. The information collected will enable the CMF to supervise the regulatory compliance of fintech entities and generate statistics to monitor industry trends and the impact of the regulations. This reinforces transparency and stability in the Chilean fintech ecosystem.

3. Next steps

- Entities must ensure they are registered and have access credentials to CMF Supervision in place before **May 1, 2025**.
- If already registered, entities must update the identification information provided in their registration or authorization request by **May 30, 2025**.

Relevant Publications

Peru

09/01/2025

D **SBS - Consultation on the Regulation for the negotiation and accounting of derivative financial instruments in companies of the financial system**

SUPERINTENDENCIA DE BANCA, SEGUROS Y AFP

1. **Context**

In 2024, the SBS has worked on updating various regulations to improve the supervision and regulation of the financial and insurance system in Peru. These updates aim to harmonise local regulations with international standards, such as International Financial Reporting Standards (IFRS), and to ensure the stability and soundness of the financial system.

In this context, the SBS has published **the consultation of the regulatory project that approves the new Regulation for the trading and accounting of derivative financial instruments in companies of the financial system**. The objective of this regulation is to establish clear guidelines for the identification, measurement and accounting of derivative financial instruments, providing useful and relevant information for users of financial statements and other prudential considerations.

2. **Main aspects**

The proposed regulation includes several amendments:

- **Accounting for derivative financial instruments**. Derivative financial instruments will be measured at fair value upon initial recognition. They are classified into two categories: trading and hedge accounting. Changes in the fair value of derivatives for trading purposes will affect the results for the year.
- **Hedge accounting**. This chapter sets out the criteria and requirements for hedge accounting, which seeks to reflect in the financial statements the effects of risk management activities through the use of derivative financial instruments. It details the eligibility requirements and documentation required for hedging relationships.
- **Accounting for hedging relationships**. Describes the types of hedging accounting relationships, including fair value hedges, cash flow hedges and hedges of net investments abroad. It explains how gains or losses on hedging instruments and hedged items should be recognised and measured in the financial statements.
- **Identification and treatment of embedded derivatives**. It defines what an embedded derivative is and sets out the conditions under which they should be separated and accounted for separately from the host contract. Embedded derivatives in hybrid financial instruments must be assessed to determine whether they meet the separation criteria.
- **Authorisation for trading in financial derivative instruments**. The types of authorisation required to trade in financial derivative instruments, whether for trading or accounting hedging purposes, are described. It also details the requirements and procedures for obtaining such authorisations.
- **Overall limit on financial derivative instruments**. An overall limit is set for positions in financial derivative instruments, calculated on the basis of the fair value of the positions and the firm's effective equity.

3. **Next steps**

- The deadline for comments is **5 February 2025**.

09/01/2025

D

SBS - Draft regulation approving the new Regulation for the Classification and Valuation of Investments of Financial System Companies

SUPERINTENDENCIA
DE BANCA, SEGUROS Y AFP

1. Context

In 2024, the SBS has worked on updating various regulations to improve the supervision and regulation of the financial and insurance system in Peru. These updates aim to harmonise local regulations with international standards, such as International Financial Reporting Standards (IFRS), and to ensure the stability and soundness of the financial system.

In this context, the SBS has published for public consultation the **draft regulation approving the new Regulation for the Classification and Valuation of Investments of Financial System Companies**. The purpose of this regulation is to establish a uniform framework for the classification, measurement, and recording of investments, aligned with IFRS and aimed at strengthening financial stability and the quality of financial reporting by supervised entities.

2. Main points

The proposed regulation includes several amendments:

- **Classification of investment.** The regulation provides a detailed classification of investments into four main categories: (i) investments at amortized cost, (ii) investments at fair value through other comprehensive income, (iii) investments at fair value through profit or loss, and (iv) investments in subsidiaries, associates, and joint ventures. This classification aims to align accounting policies with IFRS and ensure proper financial statement presentation.
- **Business models for nvestment management.** Three business models guiding investment management are defined: (i) holding investments to collect contractual cash flows, (ii) managing investments to collect contractual cash flows and sell assets, and (iii) managing investments to obtain fair values through active sales. Each model includes specific criteria for defining how portfolios are managed and how they should be classified for accounting purposes.
- **Cash flow characteristics test (SPPI Test)**. To classify investments in certain categories, they must pass the "SPPI Test," which ensures that contractual cash flows consist solely of payments of principal and interest on the outstanding principal. This analysis excludes instruments that do not reflect a basic loan, such as those linked to equity prices or commodity prices.
- **Valuation and subsequent measurement criteria.** The regulation establishes that all investments must initially be recorded at their fair value. Subsequently, depending on the assigned category, a specific measurement method will be applied: either amortized cost, fair value through profit or loss, or fair value through other comprehensive income. This approach allows for a more accurate reflection of the economic performance of investments.
- **Risk management and provisions**. Guidelines are introduced to identify and manage risks associated with investments, with a focus on credit risk. Additionally, the creation of provisions based on expected credit losses is required, which must be periodically updated to reflect changes in credit risk and ensure the financial system's stability.
- **Disclosure and transparency policies**. Financial system companies must maintain clear and updated policies on investment management available to the Superintendence. This includes investment policies, accounting procedures, operational records, custody contracts, and reports to ensure efficient supervision aligned with international best practices.

3. Next steps

- The deadline for comments is **February 1, 2025**.

13/03/2025

C **SBS - Draft regulation that approves the regulation for the prevention of ML/FT**

SUPERINTENDENCIA
DE BANCA, SEGUROS Y AFP

1. Context

In recent years, the remote gaming and betting sector has experienced a remarkable growth, driven by the digitalization of platforms and the public's interest in new forms of online entertainment. In 2019, the SBS published SBS Resolution No. 2794-2019, establishing specific reporting obligations for these operators, such as the submission of semi-annual and annual reports by the Compliance Officer. This dynamism has increased the risks associated with financial crimes, which has led the authorities to strengthen the control and prevention mechanisms in these activities, in line with international standards on ML/FT prevention.

In this context, the SBS has published for public consultation the **draft regulation that approves the regulation for the prevention of ML/FT**. The regulation applies to legal entities that operate remote games and remote sports betting, under the supervision of the Ministry of Foreign Trade and Tourism (MINCETUR). The document establishes a comprehensive framework of obligations regarding prevention, detection and reporting of suspicious operations, as well as guidelines for the implementation of compliance systems adequate to the risk level of these activities.

2. Main points

The proposed regulation includes:

- **Integral compliance obligations.** Companies operating remote gaming or betting platforms must implement a System for the Prevention of Money Laundering and Financing of Terrorism (SPLAFT), which includes policies, procedures and controls adapted to the risk level of their activity. This system includes, among other aspects, the registration of relevant operations, the reporting of suspicious operations and the performance of internal or external audits.
- **Strengthening the role of the Compliance Officer and new regulatory requirements.** The regulation reinforces the role of the Compliance Officer as a key figure in the operation of SPLAFT, assigning him/her direct responsibility for coordinating with the Peruvian Financial Intelligence Unit (UIF-Peru) and MINCETUR, leading the management of ML/FT risks and ensuring regulatory compliance. The regulation also defines objective criteria to determine when the position must be full-time, allowing non-exclusive dedication only in certain cases. Finally, it details the procedures for appointment, removal, vacancy and communication with the authorities, which must be formally managed through the SISDEL platform.
- **Knowledge of the client and operating environment**. Enhanced due diligence measures are established for the identification and monitoring of customers, beneficial owners, directors, employees and suppliers. Companies must collect detailed information, carry out periodic verifications and establish procedures for risk situations, including the treatment of Politically Exposed Persons (PEPs).
- **Registration and reporting of transactions under new parameters.** The document establishes specific thresholds, for example, bets equal to or greater than 2,500 USD, above which information must be recorded in the register of operations (RO), as well as guidelines for detecting unusual transactions and reporting suspicious transactions to the UIF-Peru within a very short period of time, a maximum of 24 hours from its classification as suspicious.

3. Next steps

- The deadline for comments is **March 25, 2025**.
- Companies subject to this rule must implement the provisions within a maximum period of **120 calendar days from the entry into force of the rule**.
- Those companies already authorized as corporate compliance officers must adapt to the new rule within **60 business days from its entry into force**.

17/03/2025

C **SBS - Resolution which introduces relevant modifications to the Financial System Market Conduct Management Regulations and the Insurance System Market Conduct Management Regulations**

1. Context

In recent years, the regulation of market conduct in the financial and insurance system has been consolidated as one of the central pillars of the Peruvian regulatory framework. The aim is to ensure a more transparent, equitable and responsible relationship between financial institutions and users, especially in sensitive products such as mortgage loans and associated insurance. Between 2017 and 2019, the Market Conduct Management Regulations were approved through SBS Resolutions No. 3274-2017 and No. 4143-2019, which laid the foundations for the current framework. However, one of the critical issues identified in its application has been the marketing of credit life insurance, both because of its economic impact on users and because of its role in protecting against risk. This type of insurance is designed to cover the outstanding balance of a loan in the event of the death or disability of the holder, thus freeing the heirs or relatives from having to pay the debt.

In this context, the SBS has published **Resolution No. 890-2025,** which introduces relevant modifications to the Financial System Market Conduct Management Regulations and the Insurance System Market Conduct Management Regulations, as well as to their complementary regulations and current modifications. The measures adopted seek to improve the conditions for marketing credit protection insurance, ensure greater transparency regarding the associated costs and promote a more inclusive offer that is better suited to the needs of users.

2. Main points

The Regulations include the following modifications:

- **Conditioning of credit protection insurance**. It is established that credit protection insurance can only be a condition for contracting in mortgage loans for housing. For other credit products, its contracting will be optional and must have the express consent of the user. The entities must guarantee that there is at least one product per type of credit that does not require it.
- **User's right to choose insurance**. Companies must clearly inform users that they can choose to take out the insurance offered by the company or present alternative insurance that meets the previously stated conditions. No additional charges may be applied to the user when valid endorsed insurance is used.
- **Transparency in the costs and conditions of marketing**. Companies are required to publish on their website the details of the commercial premium of the credit life insurance, including brokerage fees, bonuses or other benefits granted to insurance brokers or marketers. This data must also be reported to the SBS through the Report of Commissions and Main Expenses.
- **Inclusive care and appropriate treatment for people with disabilities**. Organizations must develop specific policies and procedures to ensure full accessibility to service channels. In addition, conditions are established to exempt charges for over-the-counter transactions when this is the only accessible channel for people with disabilities.

3. Next steps

- The Resolution comes into force the **day after its publication** in the Official Gazette El Peruano.
- The established modifications have an adaptation period of **180 days** from the resolution coming into force.

21/03/2025

O **SBS - Resolution the basic accounts Regulation and the electronic money transactions Regulation**

SUPERINTENDENCIA DE BANCA, SEGUROS Y AFP

1. Context

The strengthening of the regulatory framework linked to financial inclusion in the country has been accompanied by progressive regulatory evolution. Based on previous provisions such as the Regulations on Basic Accounts and Electronic Money Transactions, the need for specific adjustments to customer identification and verification procedures was identified. These modifications also responded to the provisions of the National Policy on Financial Inclusion (PNIF). As part of the regulatory development, the proposals were submitted for public consultation through a formal procedure supported by the General Law of the Financial System and Supreme Decree No. 009-2024 issued by the Ministry of Justice and Human Rights, which allowed for the incorporation of public comments prior to their final approval by the competent authorities.

In this context, the SBS has published **Resolution No. 00908-2025 amending the basic accounts Regulation and the electronic money transactions Regulation**. These changes seek to strengthen customer identification and verification procedures, ensuring greater clarity and consistency in the requirements demanded by financial institutions. The main objective of this regulatory update is to continue promoting secure and simplified access to the financial system, in line with the guidelines established in the PNIF and with a vision aimed at expanding the population's participation in formal financial services.

2. Main points

The Resolution includes the following modifications to the basic accounts Regulations:

- **Article 1**. The definition of basic account is expanded, specifying that this type of financial product can be opened by both domestic and foreign individuals. This clarification seeks to reinforce the inclusive nature of the product, ensuring its availability to a greater number of people, regardless of their nationality or immigration status.
- **Article 5 on the simplified regime**. It details the minimum identification and verification requirements for opening basic accounts under the simplified regime. Customer information is now required to include the type and number of identity document (DNI), foreigner's card, identity card, passport or other recognized document, full name and updated address. Verification can be carried out through official entities such as the National Registry of Identification and Civil Status (RENIEC), Migration or the Ministry of Foreign Affairs, even after the account has been opened. In the case of face-to-face contracting, the corresponding document must be presented.

The Resolution includes the following modifications to the Regulations on electronic money transactions:

- **Article 5**. It is expressly established that simplified electronic money accounts can be opened by both domestic and foreign individuals, reaffirming the focus on financial inclusion in this type of product as well.
- **Article 7 on the simplified know-your-customer and due diligence regime**. The minimum data required to open simplified e-money accounts is specified, including the number and type of identity document and the customer's full name. Verification may be carried out through RENIEC, Migration, the Ministry of Foreign Affairs or other equivalent modalities, even after opening. In cases of face-to-face contracting, the physical presentation of the document is required.
- **Article 8 on the general due diligence regime**. The verification procedure for foreign clients is reinforced, indicating that it must be carried out through the competent entities mentioned above or by any other means that allows for an adequate record of the process, even if it is carried out after the account has been opened.

3. Next steps

- The Resolution comes into force as of **June 16, 2025**.

31/03/2025

CL **SBS - Public consultation on the draft amendment of the Regulation for the Consolidated Supervision of Financial and Mixed Conglomerates**

SUPERINTENDENCIA DE BANCA, SEGUROS Y AFP

1. Context

The General Law of the Financial System and the Insurance System (Law No. 26702) provides for the power to regulate technical aspects related to the consolidated supervision of financial and mixed conglomerates. This work is carried out under the principles of transparency and participation, included in the Consolidated Text of the General Administrative Procedure Law and in Supreme Decree of Justice No. 009-2024, which establish the obligation to disseminate regulatory projects for public consultation. In this context, the regulatory proposals drawn up by the SBS have the technical support of its specialized areas and are aimed at strengthening accounting harmonization, the determination of effective equity and the quality of the financial information that must be submitted by the supervised entities.

In this context, the Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS) has published a **public consultation on the draft amendment of the Regulation for the Consolidated Supervision of Financial and Mixed Conglomerates**. The main objective of this publication is to specify the accounting treatment applied in the consolidation of financial statements, to harmonize accounting policies within supervised groups and to strengthen the methodology for determining effective equity, thus ensuring more coherent and transparent supervision that is aligned with prudential standards.

2. Main points

The Resolution includes the following modifications to the Regulation:

- **Update of the calculation of effective equity**. The methodology for calculating effective equity is redefined, considering the nature of the profits (whether or not they are subject to SBS accounting regulations) and their origin within the group. Caps and conditions for their inclusion in the consolidated capital levels (tier 1, additional tier 1 and tier 2) are also introduced.
- **Conditions for the capitalization of profits**. Companies in the consolidated group must execute profit capitalization agreements within a period of 90 days, both for profits from the current financial year and for previous financial years. Failure to comply with this obligation may result in sanctions, including the temporary exclusion of future similar agreements from the calculation of effective equity.
- **Treatment of intra-system investments**. Specific mechanisms are established to reverse unrealized gains and losses on investments of group companies in other financial or insurance entities. These reversals are allowed only under certain limits and conditions, ensuring that their calculation is not duplicated in consolidated equity.
- **Revision of information for supervision**. The structure of Article 20 on the information required for consolidated supervision is updated. Certain no longer necessary paragraphs are eliminated and new mandatory formats and documents are incorporated, such as quarterly elimination sheets, risk management manuals and annual compliance reports.
- **New notes to the financial statements**. The minimum notes that must be included in the consolidated financial statements are detailed, such as the composition of the group, accounting policies applied, relevant restrictions on transfers of funds, and details of companies excluded from consolidation. The retention of working papers is also regulated.
- **Accounting alignment and application of IFRS**. Harmonization of accounting policies is required among all group entities, preferably following SBS regulations. If this is not feasible, the use of IFRS is permitted, with justification for its application. Exceptions must be notified to and approved in advance by the Superintendency.
- **Expanded requirements for the risk management report**. The annual risk report must include a consolidated financial analysis, both qualitative and quantitative, covering liquidity, solvency, asset quality, profitability and risk concentration. It must also document the measures adopted and compliance with capital requirements.
- **Changes in the presentation of quarterly information**. Consolidated financial information must be presented within 30 days of the end of each quarter, and within 40 days of the end of the year. Each submission must be accompanied by explanatory notes as stipulated in Article 23 of the Regulations.
- **Reforms to technical annexes**. Changes are introduced to the structure, denomination and technical content of Annexes 8 to 14 of the Regulations, related to the calculation of equity, financing limits, concentration of investments, and solvency requirements. These changes seek greater clarity, consistency and alignment with the new provisions of the Regulations.

3. Next steps

- The deadline for submitting comments is **April 24, 2025**.
- As of the information corresponding to the second quarter of 2025 (that is, from **April 1, 2025**), entities must apply the new requirements when sending their reports to the SBS.

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:

Other publications of interest

Global

FSB · Report on the relevance of transition plans for financial stability
(01/14) · Sustainability
The Financial Stability Board (FSB) has released a report highlighting the importance of climate transition plans for financial stability. However, it notes that the current lack of standardization and variable data quality limit their usefulness for macroprudential assessments. The FSB urges broader and more standardized adoption of these plans, emphasizing that the information should be credible, transparent, and based on clear assumptions, with consistent metrics and methodologies. (**more detail**)

BCBS · Final reports on margin in centrally and non-centrally cleared markets
(01/15) · Capital
The Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements (BIS), and the International Organization of Securities Commissions (IOSCO) have published three final reports. These reports provide recommendations and best practices aimed at enhancing the transparency and predictability of margin requirements in both centralized and non-centralized markets. They include specific measures to optimize risk management in these markets, improve financial stability, and ensure consistent implementation of margin requirements globally. (**more detail**)

BCBS · Basel III monitoring report for March 2025
(03/26) · Capital, liquidity and leverage
The Basel Committee on Banking Supervision (BCBS) has published the Basel III monitoring report for March 2025, which assesses the cumulative impact of the final Basel III framework implementation on banks, using data as of 30 June 2024. The report covers data from 133 banks across 29 jurisdictions, including Global Systemically Important Banks (G-SIBs), and evaluates key areas such as minimum capital requirements, leverage ratio, market, credit and operational risks, as well as Total Loss-Absorbing Capacity (TLAC). The findings indicate that most banks already meet the requirements of the final Basel III framework, although some shortfalls remain, particularly with respect to the output floor. The report is part of the Committee's ongoing biannual regulatory monitoring. (**more detail**)

IASB · 2025 accounting taxonomy
(03/26) · Provisions and NPL
The International Accounting Standards Board (IASB) has released the International Financial Reporting Standard (IFRS) accounting taxonomy 2025, which incorporates updates to accounting standards issued up to January 2025. This version reflects changes arising from new standards and amendments, including those related to the new IFRS 18 on presentation and disclosures in financial statements, along with technical enhancements to support better digital reporting. The taxonomy enables electronic financial reporting using the extensible Business Reporting Language (XBRL). The release is part of the annual update cycle. (**more detail**)

Other publications of interest

European Region

EC · Report on activities and technical screening criteria to be updated or included in the EU taxonomy
(01/08) · Sustainability
The European Commission's (EC) Platform on Sustainable Finance has published a preliminary report proposing updates to the technical screening criteria for activities included in the Climate Delegated Act of the European Union (EU) Taxonomy, as well as the inclusion of new activities. This report aims to enhance the clarity, conciseness, and consistency of the criteria, taking into account data availability to facilitate compliance by companies and enable independent verification. (**more detail**)

EBA · Repeal of the Guidelines on the reporting of major incidents under the revised PSD2
(01/17) · Payments
The European Banking Authority (EBA) has repealed the Guidelines on Major Incident Reporting under the revised Payment Services Directive (PSD2). This decision follows a thorough review of the guidelines since their implementation, identifying areas for improvement in the reporting processes for major incidents. The aim is to streamline and optimize procedures, ensuring that payment service providers can deliver more consistent and efficient reporting, contributing to a clearer and more practical regulatory framework. Additionally, this repeal is linked to the entry into force of the Digital Operational Resilience Act (DORA), which establishes a more robust framework for digital operational resilience and redefines the requirements for incident reporting in the financial sector. (**more detail**)

EBA · Adoption of pseudonymisation guidelines and establishment of foundations to improve cooperation with competition authorities
(01/17) · Technology
The European Data Protection Board (EDPB) has adopted guidelines on data pseudonymization, marking a significant step toward enhancing personal data protection in line with the General Data Protection Regulation (GDPR). These guidelines aim to provide clarity on the use of pseudonymization techniques to safeguard individual privacy, offering practical examples and specific criteria. Additionally, the EDPB has taken steps to strengthen cooperation among national data protection authorities, fostering the uniform enforcement of regulations across the European Union (EU). (**more detail**)

ESMA/EC · Guidance on digital assets outside the scope of MiCA
(01/17) · Cryptoassets
The European Securities and Markets Authority (ESMA) and the European Commission (EC) have published guidance on asset-referenced tokens (ARTs) and electronic money tokens (EMTs) that do not comply with the Markets in Crypto-Assets Regulation (MiCA). This document provides clarity on the regulation of these assets and details how regulators will address non-compliance cases. Next steps include the implementation of these guidelines by affected entities and continuous review to ensure alignment with MiCA. The guidelines are expected to be implemented by the end of January 2025 and fully complied with by the end of the first quarter of 2025. (**more detail**)

ECB · Stress Test Announcement for 96 Euro Area Banks in 2025
(01/20) · Supervision · Capital
The European Central Bank (ECB), through the Single Supervisory Mechanism (SSM), has announced that it will conduct a stress test exercise for 96 banks in the euro area in 2025. This exercise includes collaboration with the European Banking Authority (EBA) to assess the region's largest banks, along with additional tests for medium-sized banks not included in the EBA sample. The results will be published in early August 2025 and will provide insights into the resilience of banks under adverse macroeconomic scenarios. (**more detail**)

EBA · 2025 EU-wide stress test launch
(01/20) · Supervision · Capital
The European Banking Authority (EBA) has launched its 2025 European Union (EU) wide stress test. This exercise will assess the resilience of major European banks against adverse economic scenarios and evaluate their capacity to withstand extreme financial shocks. The test involves 70 banks representing approximately 75% of EU banking assets. The results will be published in July 2025, offering key insights for regulators, the market, and the general public on the robustness of the European banking sector. (**more detail**)

EBA · Opinion on the interaction between the output floor and Pillar 2 requirements
(01/21) · Supervision · Capital
The European Banking Authority (EBA) has published an opinion on the interaction between the output floor and Pillar 2 requirements set out in Basel III. This document provides guidance to national competent authorities

(NCAs) to ensure that the implementation of the output floor does not negatively affect the allocation of capital requirements under Pillar 2. Next steps include an assessment of supervisory practices in Member States and consideration of adjustments to regulatory guidelines to ensure consistency across the European Union (EU). (**more detail**)

EC · Report on the core elements for assessing corporate transition plans
(01/23) · Sustainability
The European Commission (EC)'s Platform on Sustainable Finance has published a report on the core elements for assessing corporate transition plans. This document provides guidance on evaluating corporate commitments and strategies in their transition toward sustainable business models. It also aims to foster transparency, trust, and accountability between companies and investors, supporting the EU's climate and sustainability goals. (**more detail**)

ESMA · Start of data publication regime from Designated Publication Entities and end of data publication from systematic internalizers
(01/24) · Capital markets · Reporting and disclosure
The European Securities and Markets Authority (ESMA) has published a reminder that the new regime for reporting over-the-counter (OTC) transactions for post-trade transparency purposes will come into effect on 3 February 2025. Additionally, it has announced that the quarterly publication of systematic internalisers' data will be discontinued immediately. Following the review of the Markets in Financial Instruments Regulation (MiFIR), the responsibility for reporting over-the-counter transactions will shift from systematic internalisers to the new Designated Publishing Entities (DPEs). (**more detail**)

EC · Compass to regain competitiveness and secure sustainable prosperity
(01/30) · Sustainability
The European Commission (EC) has introduced the Competitiveness Compass, a strategic framework to position Europe as a leader in technology, clean products, and services, aiming to become the first climate-neutral continent. It is based on three pillars: closing the innovation gap, establishing a decarbonization roadmap, and reducing strategic dependencies. It also highlights five key enablers, including regulatory simplification, Simplification, lowering barriers to the Single Market, financing competitiveness, promoting skills and quality jobs, better coordination of policies at EU and national level. (**more detail**)

EIOPA · Technical advice on Solvency II's new proportionality framework to the European Commission
(01/30) · Solvency
The European Insurance and Occupational Pensions Authority (EIOPA) has provided its technical advice to the European Commission (EC) on implementing the new proportionality framework under the Solvency II Directive. This framework defines criteria for classifying insurers as small and non-complex and proposes conditions for applying proportionality measures to other entities. The reform aims to reduce certain regulatory requirements based on the size, scale, and complexity of insurers' risks. (**more detail**)

EIOPA · Suggestion of amendment of the capital treatment of insurers' direct exposure to central clearing counterparties
(01/27) · Solvency · Capital
The European Insurance and Occupational Pensions Authority (EIOPA) has provided technical advice to the European Commission (EC) on the standard formula capital treatment of insurers' direct exposures to Central Clearing Counterparties (CCPs). EIOPA proposes aligning this treatment with the Capital Requirements Regulation (CRR) and extending the approach used for indirect exposures to direct ones. It also recommends adjusting the treatment of default fund contributions to enhance risk sensitivity and prevent disincentives to direct clearing. (**more detail**)

ESMA · Guidance on MiCA best practices
(01/31) · Cryptoassets
The European Securities and Markets Authority (ESMA) has published a guide on best practices in the application of the Markets in Crypto-assets (MiCA) Regulation, aimed at national supervisors and market participants. The document offers recommendations to guarantee a coherent application of the regulation in the European Union (EU), addressing key aspects such as authorization, governance and transparency requirements. National regulators are expected to implement these guidelines in their supervisory processes, in line with the MiCA implementation deadlines. (**more detail**)

ESRB · Report on a monitoring framework for systemic liquidity risks in financial system
(02/03) · Capital, liquidity and leverage
The European Systemic Risk Board (ESRB) has issued a recommendation on the risks to the financial sector in the European Union (EU), warning of possible vulnerabilities arising from tightening financing conditions, slowing economic growth and geopolitical tensions. The ESRB stresses the importance of national competent authorities (NCAs) and market players strengthening their risk management and financial resilience strategies. The report

urges national and European regulators to evaluate and implement additional macroprudential measures to mitigate systemic risks and preserve financial stability in the EU. (**more detail**)

EIOPA · Consultation on revised guidelines on methods of determining market shares for limited information requirements

(02/03) · Markets · Reporting and disclosure

The European Insurance and Occupational Pensions Authority (EIOPA) has launched a consultation on the revision of the guidelines for methods of determining market shares under the Limited Reporting regime. The aim is to ensure a consistent application of these methods in the European Union (EU), facilitating the proportional supervision of the insurance sector. The consultation will be open until April 28, 2025. (**more detail**)

EBA · Draft final ITS on reporting of data on charges for credit transfers and payments accounts, and shares of rejected transactions

(02/04) · Payments

The European Banking Authority (EBA) has published its final technical standards (ITS) on reporting data on charges for credit transfers and direct debits, with the aim of improving transparency and supervision of the costs associated with these services in the European Union (EU). These ITS establish detailed requirements for payment service providers (PSP) to report the charges applied, facilitating comparison and supervision by the competent authorities. The European Commission (EC) is expected to review and adopt these standards, after which they will be mandatory for regulated entities. (**more detail**)

EC · Proposal to simplify EU taxonomy to foster sustainable finance

(02/05) · Sustainability

The European Commission (EC)'s Platform on Sustainable Finance has published a report on the simplification of the European Union (EU) Taxonomy, with the aim of facilitating its application and promoting sustainable investments. The document proposes adjustments to the technical criteria and improvements in the accessibility of information, seeking to reduce complexity and compliance costs for companies and investors. The European Commission will evaluate the report's recommendations and consider possible modifications to the regulatory framework to improve the effectiveness and usability of the EU Taxonomy. (**more detail**)

EBA · Amendment of guidelines on ICT and security risk management measures in the context of DORA application

(02/11) · Technology

The European Banking Authority (EBA) has amended its Guidelines on Information and Communication Technology (ICT) and security risk management to align them with the Digital Operational Resilience Act (DORA), which will take effect in January 2025. The update introduces more detailed ICT risk management requirements, strengthens oversight measures for third-party providers, and enhances incident response capabilities. It also aligns with other European regulatory frameworks on cybersecurity and operational resilience. The revised guidelines will come into force on 30 June 2025, replacing the previous versions issued in 2019 and 2020. (**more detail**)

ECB · Update on Threat Intelligence-Based Ethical Red Teaming framework for the European Union

(02/11) · Technology

The European Central Bank (ECB) has published the updated Threat Intelligence-Based Ethical Red Teaming framework for the European Union (TIBER-EU). The revised version incorporates lessons from past testing, strengthens governance, and enhances cooperation between financial entities and authorities. It also introduces new standards for conducting advanced penetration tests to improve the financial sector’s cyber resilience. (**more detail**)

EC · 2025 Work Programme

(02/11) · Supervisory expectations

The European Commission (EC) has released its 2025 Work Programme, outlining key strategies and legislative proposals aimed at boosting competitiveness, enhancing security, and strengthening the European Union (EU)'s economic resilience. This programme focuses on areas such as regulatory simplification, promotion of innovation, and the transition towards a more sustainable economy, with the goal of building a stronger, safer, and more prosperous Europe. (**more detail**)

EBA · Final draft ITS to implement a centralised EBA Pillar 3 data hub

(02/12) · Technology · Reporting and disclosure

The European Banking Authority (EBA) has published the final draft implementing technical standards (ITS) for implementing the Centralised Pillar 3 Data Hub, aimed at enhancing transparency and accessibility of financial institutions’ risk and sustainability disclosures in the European Union (EU). This system will facilitate easier access to disclosure data, aligning with Basel Pillar 3 requirements. The draft ITS for small and non-complex institutions (SNCIs) and on the resubmission policy will be subject to a separate consultation, intended to be launched in the first half of 2025. (**more detail**)

EC · Integration of the voluntary Code of Practice on Disinformation into the Digital Services Act
(02/13) · Technology
The European Commission (EC) and the European Board for Digital Services (EBDS) have integrated the Code of Practice on Disinformation into the Digital Services Act (DSA), making it a benchmark for assessing compliance by major platforms like Google, Meta, Microsoft, and TikTok. The Code includes commitments on demonetizing disinformation, transparency in political advertising, and reducing fake accounts and deep fakes, among others. Compliance will be audited annually from July 1, 2025, in line with DSA audits. (**more detail**)

ESMA · Consultation on revised disclosure requirements for private securitisations
(02/13) · Reporting and disclosure
The European Securities and Markets Authority (ESMA) has launched a public consultation on the revision of disclosure requirements for private securitisations, aiming to enhance transparency and align them with market needs. The consultation seeks to balance regulatory burdens with the availability of key information for investors and supervisors. Stakeholders can submit feedback until April 15, 2025, before the final adoption of the new rules. (**more detail**)

ESMA · Consultation on changes to the settlement discipline
(02/13) · Capital markets
The European Securities and Markets Authority (ESMA) has launched a public consultation on amendments to the settlement discipline regime under the Central Securities Depositories Regulation (CSDR). The proposals seek to improve the efficiency of the settlement process, reduce the number of transaction failures and adjust the rules for greater market harmonization. Interested parties can submit comments until April 15, 2025, prior to final adoption of the amendments. (**more detail**)

ESMA · Consultation on the criteria for the assessment of knowledge and competence under MiCA
(02/18) · Cryptoassets · Reporting and disclosure
The European Securities and Markets Authority (ESMA) has launched a public consultation regarding the criteria for assessing the knowledge and competence of staff working for crypto-asset service providers (CASPs) who provide information or advice in this area under the Markets in Crypto-Assets (MiCA) framework. The consultation covers the minimum requirements these employees must meet and the organizational obligations of CASPs to ensure continuous training and upskilling of their staff. Stakeholders can submit their comments until April 22, 2025. (**more detail**)

EC · New cybersecurity blueprint to enhance EU cyber crisis coordination
(02/21) · Technology
The European Commission (EC) has presented a proposal to strengthen the response to large-scale cyber incidents within the European Union (EU). This plan updates the EU's cybersecurity crisis management framework, detailing the roles of relevant actors throughout all phases of a crisis. It includes measures to enhance preparedness, shared situational awareness, and the necessary detection capabilities to identify and mitigate cyber incidents. Additionally, it promotes collaboration between civilian and military entities, including the North Atlantic Treaty Organization (NATO), and addresses the security of critical infrastructures such as submarine cables. This initiative reflects the EU's commitment to ensuring a coordinated approach that protects the internal market and vital societal functions. (**more detail**)

ESMA · First set of technical standards to recalibrate and clarify the CSDR Refit framework
(02/21) · Capital markets
The European Securities and Markets Authority (ESMA) has published an initial set of technical standards aimed at recalibrating and clarifying the framework of the Central Securities Depositories Regulation (CSDR) Refit. These standards cover aspects such as the information that European Central Securities Depositories (CSDs) must provide to their national competent authorities (NCAs) for the review and evaluation process, the criteria for assessing the importance of CSDs in a host Member State and the data to be reported by third country CSDs. The main objective of CSDR Refit is to refine and clarify the existing regulatory framework, considering input from stakeholders and seeking to reduce the regulatory burden where possible. (**more detail**)

ECB · Changes to use of external ratings for private sector assets in Eurosystem collateral framework
(02/21) · Capital
The European Central Bank (ECB) has announced changes to the rules for assessing the eligibility of private sector assets as collateral in the Eurosystem. The second-best rating will now apply to certain assets, such as bank and corporate bonds, with adjustments for single-rated assets. These changes aim to enhance consistency in risk assessment and will take effect no earlier than 18 months from 21 February 2025, thus, on August 21, 2026. (**more detail**)

ESMA · First set of technical standards to recalibrate and clarify the CSDR Refit framework
(02/24) · Cryptoassets
The European Securities and Markets Authority (ESMA) has published the first set of technical standards under the Central Securities Depositories Regulation (CSDR) Refit. These standards aim to enhance the efficiency and flexibility of the settlement system in the European Union (EU) by adjusting requirements such as settlement

failure management and settlement discipline. The measures are contained in three separate final reports on the review and evaluation process of EU Central Securities Depositories (CSDs), the criteria according to which the activities of a CSD could be considered to be of substantial importance for the functioning of securities markets and the protection of investors, and the notifications of third country CSDs. (**more detail**)

EC · Consultation on commodity derivatives and CBAM adjustments

(02/27) · Sustainability

The European Commission (EC) has launched a public consultation targeting participants in the commodity derivatives market, aiming to assess potential regulatory adjustments to enhance transparency and stability in this sector. Concurrently, delays and modifications in the implementation of the Carbon Border Adjustment Mechanism (CBAM) have been announced, seeking to align its application with market needs and ensure an effective transition towards more sustainable practices. The consultation closes on 9 April 2025. (**more detail**)

ESMA · Extended classification and recognition of the three UK-based central counterparties

(03/18) · Markets

The European Securities and Markets Authority (ESMA) has announced its decision to temporarily extend the application of the recognition decisions under Article 25 of the European Market Infrastructure Regulation (EMIR) for three central counterparties (CCPs) established in the United Kingdom (UK). On January 30, 2025, the European Commission adopted a new equivalence decision with respect to the regulatory framework applicable to CCPs in the UK. **(more detail)**

Council · Adoption of the position on the Stop the Clock mechanism for the improvement of european competitiveness

(03/26) · Sustainability

The Council of the European Union (EU) has issued an agreement on the "Stop the Clock" mechanism, which delays the deadlines for implementing the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Human Rights and Environmental Due Diligence Directive (CRDDD). These requirements include corporate sustainability reporting and due diligence obligations, giving businesses more time to adapt to new regulations. Negotiations will continue in the coming weeks. The European Parliament (EP) has scheduled a vote on April 1 on the request for urgent procedure for this proposal. (**more detail**)

Council · Revision of the regulatory framework for financial benchmarks to reduce the burden on SMEs

(03/24) · Others

The Council of the European Union (EU) has adopted a revision of the financial benchmarks regulation, aimed at reducing the administrative burden on financial actors, particularly small and medium-sized enterprises (SMEs). Key changes include removing non-significant benchmarks from the scope of the regulation, introducing an opt-in regime for administrators wishing to be supervised, and establishing new registration requirements for climate benchmarks aligned with the Paris Agreement. The role of the European Securities and Markets Authority (ESMA) is also reinforced, as it will oversee the registration, supervision, and maintenance of the administrator database. The revised regulation will enter into force on 1 January 2026, following its signature and publication in the official journal of the EU (OJEU). (**more detail**)

EC · Consultation on EU approach on market risk rules for banks

(03/24) · Markets

The European Commission (EC) has launched a public consultation to determine the most appropriate approach for implementing the market risk prudential requirements framework for banks in the European Union (EU). This initiative responds to the Fundamental Review of the Trading Book (FRTB) introduced by Basel III, which aims to incorporate more sophisticated risk measurement techniques and better align capital charges with the actual risks banks face in their capital markets activities. Given that other countries might delay the implementation of these standards, the EC is considering three options: i) applying the FRTB from January 1, 2026; ii) postponing its implementation until January 1, 2027; iii) or introducing temporary and targeted amendments to the market risk framework for up to three years. Interested parties can submit their contributions until April 22, 2025. (**more detail**)

EBA · Update of the methodology for assessing regulatory and supervisory equivalence of third countries

(03/24) · Capital, liquidity and leverage · Supervisory expectations

The European Banking Authority (EBA) has published an updated methodology for assessing the regulatory and supervisory equivalence of non-European Union (EU) countries. The revised methodology introduces more specific and objective criteria to evaluate whether third countries' regulatory and supervisory frameworks are comparable to those of the EU, focusing on areas such as prudential requirements, governance, information exchange, and supervisory cooperation. This update aims to enhance consistency and transparency in equivalence decisions. The updated methodology is expected to guide future assessments. (**more detail**)

EC · Platform on Sustainable Finance response to the public consultation on the draft delegated act amending the EU taxonomy delegated acts

(03/26) · Sustainability
The European Commission *(*EC) has published the response of the Platform on Sustainable Finance to the public consultation on the draft delegated act amending the European Union's taxonomy delegated acts. The response assesses the current progress of the sustainable finance framework and offers proposals to simplify taxonomy implementation while maintaining alignment with the objectives of the European Green Deal. Key recommendations include reducing corporate reporting burdens by one-third, adopting a more practical interpretation of the do no significant harm principle, and facilitating access to sustainable finance for Small and Medium-sized Enterprises (SMEs). The Platform also advocates aligning the scope of taxonomy reporting with the Corporate Sustainability Reporting Directive (CSRD), focusing on essential elements for non-SME companies. While no specific next steps are outlined, the EC is expected to consider these suggestions in upcoming regulatory revisions. (**more detail**)

EC · Handbook on climate benchmarks and sustainability disclosures
(03/26) · Sustainability
The European Commission (EC) has published a handbook on the European Union (EU) climate benchmarks and sustainability-related disclosures, developed by the Technical Expert Group on Sustainable Finance (TEG). The document provides guidance on implementing the EU climate transition benchmarks and the Paris-aligned benchmarks to enhance transparency and comparability in financial markets. It also includes guidelines on sustainability disclosures for benchmark administrators. This handbook serves as a key tool to promote the integration of climate considerations into investment and financial decision-making. (**more detail**)

ESMA · Recommendations for the supervision of simple, transparent and standardized securitizations
(03/26) · Compliance and conduct
The European Securities and Markets Authority *(*ESMA*)* has published a set of recommendations to national competent authorities (NCAs) regarding the supervision of simple, transparent and standardized securitizations (STS) under the European Union Securitization Regulation. The report highlights key areas to strengthen supervisory convergence, including validation of STS notifications, review of securitization documentation, and assessment of due diligence by involved parties. It also outlines good practices to support a consistent and effective supervisory approach across jurisdictions. No specific upcoming dates are mentioned, but the recommendations are part of ESMA's ongoing efforts to ensure harmonized supervision of STS securitizations. (**more detail**)

EBA · Draft technical package for version 4.1 of its reporting framework
(03/27) · Reporting and disclosure · Recovery and resolution
The European Banking Authority (EBA) has released the draft technical package for the reporting framework 4.1, introducing enhancements to prudential and resolution reporting requirements in the European Union (EU). The update includes changes in data collection related to credit risk, capital requirements, and resolution planning, ensuring greater consistency and accuracy in the information reported by financial institutions. The consultation on the technical package will remain open until April 15, 2025, and the final version of the framework is expected to be published in end May 2025, with implementation scheduled from June 2025 onward. (**more detail**)

EIOPA · Proposal on capital requirements for cryptoasset holdings by EU insurer
(03/26) · Capital, liquidity and leverage · Cryptoassets
The European Insurance and Occupational Pensions Authority *(*EIOPA*)* has published a proposal to apply a 1:1 (that is, maintaining one euro of capital for every euro invested) capital requirement for crypto-asset holdings by European Union (EU) insurers under the Solvency II prudential framework. This means that insurers would need to hold one euro of capital for every euro invested in crypto assets, reflecting their high volatility and risk. The proposal aligns with previous advice from the European Banking Authority (EBA) and follows the mandates set out by the Digital Operational Resilience Act (DORA) and the Markets in Crypto-Assets (MiCA) regulation. EIOPA has also launched a public consultation on the prudential treatment of crypto-asset exposures, open until 25 June 2025, in which opinions are gathered on the long-term approach and possible complementary regulatory measures. (**more detail**)

Spain

MINECO · Public consultation on the draft order regulating securities lending by Collective Investment Institutions
(01/13) · Credit
The Ministry of Economy, Industry, and Competitiveness (MINECO) has launched a public consultation on a draft order regulating securities lending by collective investment institutions. The purpose of this regulation is to establish the requirements and conditions under which these institutions may carry out securities lending operations, helping to improve transparency and control over these activities in the securities market. The consultation will be open for comments until January 28, 2025. (**more detail**)

MINECO · Draft Order regulating the securities lending of Collective Investment Institutions

(01/13) · Financial markets · Compliance
The Ministry of Economy, Commerce and Enterprise (MINECO) has published a draft Order regulating securities lending by Collective Investment Institutions. This regulation aims to establish the conditions and procedures for these operations, ensuring they are conducted transparently and in compliance with existing regulations. The public consultation is open for comments until January 31st. (**more detail**)

CNMV · Adoption of the European guidelines for assessing the suitability of the members of the management body and the shareholders of crypto-asset service providers
(02/04) · Cryptoassets
The National Securities Market Commission (CNMV) has adopted the European guidelines for assessing the suitability of the members of the management body and the shareholders of crypto-asset service providers (CASPs), in compliance with the Markets in Crypto-Assets (MiCA) Regulation. These guidelines, applicable from February 4, 2025, establish common criteria to evaluate the integrity, knowledge, experience, and dedication of the members of the management body, as well as the reputation and professional competence of shareholders with qualifying holdings in issuers of asset-referenced tokens and CASPs. (**more detail**)

MITECO · Public consultation prior to the elaboration of the Social Climate Plan
(02/24) · Sustainability
The Ministry for Ecological Transition and Demographic Challenge (MITECO) has launched a public consultation to develop the Social Climate Plan, in line with Regulation of the European Union (EU) 2023/955. This fund, part of the Fit for 55 package, will finance measures to cut emissions in transport and buildings, supporting vulnerable households and micro-enterprises. The consultation seeks input to tackle energy and transport poverty. Contributions are open until March 21, 2025. (**more detail**)

UK

PRA · Policy statement PS1/25 on amendments to reporting and disclosure dates
(01/07) · Reporting and disclosure
The Prudential Regulation Authority (PRA) has issued Policy Statement (PS) 1/25, adjusting the deadlines for financial entities to submit their resolution assessment reports and disclose public summaries. Previously, entities were required to submit these reports biennially on the first Friday of October and publish a summary on the second Friday of June the following year. Under the new amendments, submission and disclosure dates will no longer follow specific biennial cycles. Instead, the PRA will communicate the dates for each cycle in advance, allowing entities to plan and prepare their reports more effectively. This measure aims to provide greater flexibility and ensure that resolution assessments are conducted timely and appropriately. (**more detail**)

BoE · Framework outline for a digital currency
(01/15) · Central bank digital currencies (CBDC)
The Bank of England (BoE) has published a design note outlining its preliminary thoughts on the potential scope and focus areas for a digital pound. The document highlights the BoE’S ongoing considerations during the design phase, emphasizing public, business, and civil society engagement. The design notes are meant to foster early-stage discussions, though no decisions have been made yet about the creation of a digital pound. (**more detail**)

UK Gov · Public consultation on UK Internal Market Act
(01/23) · Capital markets
The United Kingdom’s (UK) Government has launched a consultation on the UK Internal Market Act. This initiative aims to gather stakeholder feedback on the implementation, impact, and potential improvements to the act, which governs internal trade between the UK’s nations following Brexit. The act seeks to ensure a frictionless internal market by maintaining the free flow of goods and services while respecting the regulatory autonomy of Scotland, Wales, Northern Ireland, and England. Through this consultation, the government hopes to identify practical challenges and promote greater collaboration to balance economic integration with devolved competencies. (**more detail**)

UK Gov · Planned methodology changes on greenhouse gas emissions statistics
(01/23) · Sustainability
The United Kingdom’s (UK) Government has published planned methodology changes for the calculation of the country's greenhouse gas (GHG) emissions. This document outlines proposed updates to how emissions data are collected, calculated, and reported, ensuring alignment with international standards and more accurately reflecting current activities. The changes aim to enhance the transparency, consistency, and accuracy of reporting, supporting better decision-making and tracking progress toward the UK’s climate targets. (**more detail**)

BoE · Policy statement on streamlining firm-specific capital communications
(02/12) · Capital · Reporting and disclosure

The Bank of England (BoE), through the Prudential Regulation Authority (PRA), has published a policy statement (PS) aimed at streamlining the communication of firm-specific capital requirements. The update seeks to improve the efficiency of how regulated firms receive and manage these requirements, reducing administrative complexity and enhancing transparency in the process. Additionally, the new policy aims to better align regulatory expectations with existing supervisory frameworks. The changes will take effect on 1 June 2025. (**more detail**)

HM Treasury · Policy paper on plan for accelerated settlement
(02/19) · Capital markets
His Majesty's Treasury (HM Treasury), in collaboration with the Financial Conduct Authority (FCA) and the Bank of England (BoE), has published its response to the consultation on reducing the UK securities settlement cycle to one business day (T+1). This means that instead of a securities transaction being settled in two business days (T+2, as is currently the case), it will be completed in one business day (T+1), streamlining the process and reducing risks.In its report, HM Treasury confirms its commitment to transitioning to T+1 by the end of 2025, highlighting efficiency gains and risk reduction benefits. Additionally, a task force with industry representatives has been established to coordinate the process and ensure effective implementation. (**more detail**)

PRA · Climate Change Adaptation Report 2025
(01/30) · Sustainability
The Prudential Regulation Authority (PRA) has published its Climate Change Adaptation Report 2025, outlining its response to the risks posed by climate change to its operations and policy objectives since October 2021. The report highlights the evolution of its approach in prudential supervision, domestic and international policy development, and industry capability building. It emphasizes the need for financial institutions to identify, measure, manage, and mitigate the climate risks they face. The PRA also plans to update its supervisory expectations and continue assessing potential systemic risks related to climate change. (**more detail**)

BoE · Consultation paper on recognized exchanges policy and transfer of major indexes
(03/19) · Markets
The Bank of England (BoE), through the Prudential Regulation Authority (PRA), has launched a public consultation on the review of its recognized exchanges policy and the process for transferring major indexes. This proposal seeks to update the criteria used by the PRA to authorize stock exchanges, to grant them official approval to operate within the regulatory framework. All that to ensure greater consistency in the prudential treatment of exposures to instruments traded on these platforms. The consultation also introduces a new approach to how to manage the transfer of key indices from one recognized exchange to another, with the aim of reducing operational risks and improving regulatory transparency. The consultation will be open until June 21, 2025. (**more detail**)

BoE · Banking Capital Stress Test 2025 and guide for participants
(03/24) · Capital, liquidity and leverage
The Bank of England (BoE) has launched the 2025 Bank Capital Stress Test (BCST) and published two accompanying documents: i) the key elements of the 2025 BCST, outlining the design and scope of the exercise; and ii) the guidance for participants, setting out detailed expectations for banks' modelling and submissions under the scenario. The results of the stress test are due to be published in Q4 2025 and the projections data requested should be submitted to the Bank by 23 June 2025. (**more detail**)

FCA · Action plan for regulatory simplification following the introduction of the consumer duty
(03/25) · Compliance and conduct
The Financial Conduct Authority (FCA) has published Feedback Statement FS25/2, setting out immediate actions and future to review and simplify its regulatory framework following the introduction of consumer duty. The publication responds to industry concerns about the complexity of the FCA Handbook and outlines four priority areas: i) reviewing regulatory foundations; ii) future-proofing customer disclosures; iii) reducing administrative burdens; iv) and streamlining requirements. Key measures include consultations on mortgage rules in May and June 2025, a review of international conduct requirements, training and competence standards, and the withdrawal of outdated supervisory communications. An update on the program of work is expected in September 2025, with an in-person summit planned for the summer. (**more detail**)

BoE · Consultation on the amendment of margin requirements for centrally cleared derivatives
(03/26) · Capital
The Bank of England (BoE) has launched a consultation paper on amendments to Regulatory Technical Standard (RTS) 2016/2251, concerning margin requirements for centrally cleared derivatives. The proposal, issued through the Prudential Regulation Authority (PRA), aims to tailor the UK regulatory framework post-Brexit and ensure the margin rules remain appropriate for the domestic context. Key changes include technical adjustments to enhance clarity and consistency, along with new exemptions and flexibilities for specific contracts. The consultation is open until 27 June 2025, with final amendments expected following the review of stakeholder feedback. (**more detail**)

BoE · Review of the capital buffer framework for systemically important institutions

(03/28) · Capital, liquidity and leverage

The Bank of England (BoE) has published a consultation paper proposing to update the thresholds used to determine capital buffer rates for domestically systemically important banks (D-SIBs). These capital buffer rates are additional capital requirements that institutions must hold to enhance their resilience and mitigate risks to the financial system. The proposal suggests indexing these thresholds to the growth of nominal Gross Domestic Product (GDP) since 2019, aiming to ensure that the framework appropriately reflects economic developments and maintains its effectiveness. The paper also considers conducting regular reviews of the thresholds based on nominal GDP growth to prevent significant adjustments in the future. Those buffer rates will apply from 1 January 2026. (**more detail**)

Other publications of interest

American Region

US

SEC · Daily computation of Customer and Broker-Dealer Reserve Requirements under the Broker-Dealer Customer Protection Rule
(12/20) · Capital, liquidity and leverage
The Security and Exchange Commission (SEC) has adopted amendments to the broker-dealer customer protection rule to require certain broker-dealers to perform their reserve computations for accounts of customers and proprietary accounts of broker-dealers and make any required deposits into their reserve bank accounts daily rather than weekly. The SEC also is adopting amendments to the broker-dealer net capital rule and customer protection rule to permit certain broker-dealers that perform a daily reserve computation for accounts of customers to reduce aggregate debit items (i.e., customer-related receivables) by 2% rather than 3% as part of the computation. Finally, SEC is adopting technical amendments to the Financial and Operational Combined Uniform Single Report, FOCUS Report, to conform it to the amendments with respect to the lowering the debit reduction from 3% to 2%. (**more detail**)

FDIC · Documents related to supervision of crypto-related activities
(02/05) · Capital, liquidity and leverage
The Federal Deposit Insurance Corporation (FDIC) has published documents related to the supervision of cryptoasset-related activities, providing greater clarity on the risks and regulatory requirements for financial institutions under its supervision. These documents include guidance on assessing risks associated with cryptoasset exposures and guidelines to ensure depositor protection and financial stability. Supervised entities are expected to review and adopt the FDIC's recommendations in their cryptoasset risk management and compliance strategies. (**more detail**)

SEC · Reporting requirements for all filers and large hedge fund advisors
(03/19) · Markets
The Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC) are adopting amendments to private fund (PF) form, the confidential reporting form for certain SEC-registered investment advisers to private funds, including those who are also registered with the CFTC as a commodity pool operator (CPO) or commodity trading adviser (CTA). The amendments correct certain errors in PF form. (**more detail**)

Brazil

BCB · Regulatory Instruction No. 587 which establishes new requirements for the disclosure of information on market and interest rate risk in the banking portfolio
(01/31) · Market Risk
The Central Bank of Brazil (BCB) has published BCB Normative Instruction No. 587, which establishes new requirements for the disclosure of information on market and interest rate risk in the banking portfolio (IRRBB) by financial institutions. The regulation aims to improve transparency and risk management, in line with international banking supervision standards. Among the main changes, it establishes more detailed criteria for the measurement and disclosure of exposure to interest rate fluctuations and other market risks that may affect the financial stability of financial institutions. The instruction came into force on the same day of its publication, January 31, 2025. (**more detail**)

BCB · Regulatory Instruction No. 588 introducing new guidelines for the disclosure of financial and risk information
(01/31) · Reporting and disclosure
The Central Bank of Brazil (BCB) has published BCB Normative Instruction No. 588, which introduces new guidelines for the disclosure of financial and risk information by supervised institutions. The regulation seeks to increase transparency in the financial sector, aligning itself with international standards to improve supervision and decision making in the market. Among the main changes are more detailed requirements on risk exposure, asset quality and financial soundness of institutions. The instruction came into force on the same day of its publication, January 31, 2025. (**more detail**)

BCB · Regulatory Instruction No. 589, which establishes new rules for the disclosure of information on operational risk by supervised financial institutions

(02/04) · Compliance
The Central Bank of Brazil (BCB) has published BCB Normative Instruction No. 589, which establishes new rules for the disclosure of information on operational risk by supervised financial institutions. The regulation seeks to improve transparency and strengthen risk management in the financial system, aligning with international banking supervision standards. Among the key changes, it establishes more detailed criteria for the identification, measurement and disclosure of operational risk events, including fraud, failures in internal processes and risks associated with information technologies. The instruction comes into force on different dates: immediately for certain revocations, on April 1, 2025, for most amendments, on June 16, 2025, for modifications related to Pix Automático, and on August 1, 2025, for Chapter 16. (**more detail**)

BCB · Version 2.8.1 of the manual of standards for the initiation of the instant payment system Pix
(03/19) · Sustainability · Reporting
The Central Bank of Brazil (BCB) has published Normative Instruction No. 591, which establishes guidelines for the submission of information on socio-environmental and climate risks by supervised financial institutions. This regulation defines the formats and deadlines for the presentation of reports related to the exposure to and management of these risks, within the framework of the requirements established by BCB Resolution No. 254. The initiative seeks to strengthen the transparency and supervisory capacity of the BCB with respect to the impact of environmental, social and climatic factors on the stability of the financial system. The instruction comes into force on July 1, 2025. The instruction is framed within the regulatory regime established by BCB Resolution No. 254, whose obligations will start to apply as of July 2025, although this specific instruction does not detail an explicit entry-into-force date. (**more detail**)

Mexico

CNBV · Amendment to the general provisions applicable to credit institutions
(12/27) · Reporting and disclosure
The National Banking and Securities Commission (CNBV) issued a resolution amending the general provisions applicable to credit institutions, published in the Official Gazette of the Federation on December 27, 2024. This amendment aims to simplify the reporting obligations for banking institutions by eliminating redundancies in requested and stored information. Specifically, it repeals the "A-2815 Assignment of the Business Indicator Method for Operational Risk" report from the "R28 Operational Risk Information Series," considering its content is fully integrated into the "A-0111 Minimum Catalog" report from the "R01 Minimum Catalog Series." The resolution will take effect the day after its publication in the Official Gazette of the Federation. (**more detail**)

Colombia

BRC · Amendment of the interoperability framework for low-value immediate payment systems
(03/21) · Payments
The Bank of the Republic of Colombia (BRC) has released a new draft regulation, aimed at amending external regulatory circular DSP-465 on the interoperability of Low-Value Immediate Payment Systems (SPBVI). Key proposed changes include updated rules for processing payment orders and/or immediate transfers, enabling the Centralized Directory for key management, and revising technical and operational standards. The implementation is structured in phases, emphasizing user experience, operational security, and compliance with strict processing time limits. Stakeholders may submit comments on the draft until April 5, 2025. (**more detail**)

BRC · Regulation on Transitory Liquidity Support for credit institutions
(03/25) · Liquidity
The Bank of the Republic of Colombia (BRC) has issued external regulatory circular DEFI-360, regulating Transitory Liquidity Support (ATL) for credit institutions. These supports aim to provide temporary financial assistance to institutions facing liquidity difficulties. The circular sets the amounts, terms, interest rates, and procedures for access. The circular takes effect upon publication. (**more detail**)

Chile

CMF · Public consultation on a new additional clause for lifetime annuities
(01/06)
The Financial Market Commission (CMF) has opened a public consultation on a proposal introducing a new additional clause for deferred and lifetime annuity increases. This clause will allow future retirees due to old age or disability to opt for a lower pension during a predetermined initial period, then access a higher fixed amount in Unidades de Fomento (UF) for life. The initiative aims to offer greater flexibility in pension planning, adapting to the individual needs of affiliates. The clause may be contracted alongside modalities such as immediate lifetime annuities or immediate lifetime annuities with scheduled withdrawals and can also be combined with the

guaranteed payment period annuity clause. The public consultation will be open until January 31, 2025, and the CMF invites all interested parties to submit their comments and observations through its website. (**more detail**)

CMF · Extension of the consultation period on amendments to the regulation of payment card issuers and operator
(01/13) · Payments
The Financial Market Commission (CMF) has extended the public consultation period on modifications to the regulations for payment card issuers and operators, including adjustments related to sub-acquiring operators and cross-border acquiring. These updates seek to strengthen financial supervision and improve current regulations, adapting them to market dynamics, with emphasis on prepaid cards and transfers between accounts. The new consultation period ends on February 7. (**more detail**)

CMF · Public consultation on regulatory adjustments to contribute to the internationalization of the Chilean peso
(01/16) · Payments
The Financial Market Commission (CMF) of Chile has issued an update on its regulatory efforts, including measures related to sustainability and financial system stability. In its statement, the CMF highlights key initiatives aimed at enhancing supervision, promoting transparency in financial markets, and facilitating the transition to a more sustainable economy, all in alignment with international standards and best industry practices. (**more detail**)

CMF · Modification of the entry into force of instructions on operational risk management for securities intermediaries and commodity brokers
(01/20) · Operational risk
The Financial Market Commission (CMF) of Chile has announced the modification of the effective date for the instructions on operational risk management for securities intermediaries and commodities exchange brokers. Originally scheduled for February 1, 2025, these instructions will now come into effect on August 1, 2025. This six-month extension aims to provide the affected entities with additional time to adequately implement the new guidelines established in General Rule No. 510. The CMF emphasizes the importance of these entities using this additional time to strengthen their operational risk management systems, thereby ensuring an effective transition and compliance with the established regulatory standards. (**more detail**)

CMF · Consultation on new form for reporting transactions effected through Low Value Clearing Houses
(02/03) · Financial markets
Chile's Financial Market Commission (CMF) has published a public consultation on a new form for reporting transactions carried out through Low Value Payment Clearing Houses, with the aim of improving the transparency and supervision of the country's payment system. The proposal seeks to standardize the information that entities must report to the CMF, facilitating more efficient monitoring of transactions and ensuring the security and stability of the financial system. Next steps: The consultation will be open until March 4, 2025. (**more detail**)

BCCh · Update of the Technical Specifications for the SICAM
(03/27) · Reporting and disclosure
The Central Bank of Chile has published an update to the Technical Specifications for the International Exchange Operations Information System (SICAM), aiming to enhance the transmission and processing of foreign exchange transaction data. The new version includes adjustments to technical and structural requirements to improve compatibility with reporting entities' systems. Entities must publish the new Pillar 3 requirements for the first time, with a reference date of December 31, 2024, by June 30, 2025 at the latest. (**more detail**)

Peru

SBS · Amendments to the investment Regulations and capital requirements for insurance and reinsurance companies
(12/28) · Solvency
The Superintendence of Banking, Insurance, and AFP (SBS) has issued Resolution No. 4380-2024, introducing changes to the Investment Regulations for Insurance Companies and the Capital Requirements Regulations for Insurance and Reinsurance Companies. These amendments include incorporating liabilities from counter-guarantees received in cash or account deposits as part of technical obligations, and updating annexes ES-3, ES-3A, and ES-7C to reflect these adjustments. The Resolution will take effect on January 1, 2025. (**more detail**)

SBS · Amendment to the accounting manual for financial system companies
(01/03) · Reporting and disclosure
The Superintendence of Banking, Insurance, and AFP (SBS) published Resolution No. 00003-2025, amending the Accounting Manual for Financial System Companies, approved by Resolution SBS No. 348-95 and its amendments. This resolution introduces improvements to the format of Report No. 28, now named Financial Information of Non-Retail Debtors, to complement the supervisory activities carried out by the SBS. The Resolution will remain open for comments and observations until February 2, 2025. (**more detail**)

SBS · Draft regulation for the modification of service channels in the private pension system
(01/30) · Conduct
The Superintendence of Banking, Insurance, and Private Pension Fund Administrators (SBS) has issued Resolution No. 00095-2025, authorizing the public consultation of a draft regulation that modifies several titles of the Compendium of Superintendence Regulations of the Private Pension Fund Administration System (SPP), focused on updating service channels within the private pension system. These modifications aim to promote innovation in service provision within the SPP while ensuring the protection of affiliates' rights. The public can submit comments and observations to the SBS until de 9th of February. (**more detail**)

SBS · Draft regulations on actuarial aspects for benefit funds
(02/20) · Compliance
The Superintendency of Banking, Insurance, and AFP (SBS) has published a draft regulation on actuarial aspects applicable to the Benefit Funds, aiming to strengthen their sustainability and risk management. The proposal sets guidelines for assessing technical reserves, calculating future commitments, and submitting actuarial information. Additionally, it seeks to enhance the transparency and supervision of these entities. Interested parties may submit comments until March 21. (**more detail**)

SBS · Update on the legal framework of the benefits provided by the SPP
(02/25) · Supervisory expectations
The Superintendence of Banking, Insurance and AFP (SBS) has published an update of the legal framework that regulates the benefits provided by the Private Pension System (SPP) in Peru. The new regulation introduces improvements in the operation of the system, guaranteeing greater clarity in retirement processes and benefits for members. It also establishes provisions that reinforce the supervision and transparency of the Pension Fund Administrators (AFP). (**more detail**)

SMV · New investment product for individuals with low risk
(03/19) · Capital Markets
The Superintendence of Stock Markets (SMV) has approved a new low-risk investment product for individuals, in line with its strategy to strengthen the Peruvian securities market. As part of this effort, several support options have been identified, including the simplification of regulatory requirements to facilitate access to these products, the promotion of financial education for retail investors, and the creation of mechanisms that allow more people to participate in financial instruments with lower volatility. (**more detail**)

SBS · Resolution amending the Regulations for the Consolidated Supervision of Financial and Mixed Conglomerates
(03/31) · Capital, liquidity and leverage
The Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS) has published a Resolution modifying the Regulations for the Consolidated Supervision of Financial and Mixed Conglomerates. The main objective of this publication is to specify the accounting treatment applied in the consolidation of financial statements, harmonize accounting policies within supervised groups and strengthen the methodology for determining effective equity, thus ensuring more coherent and transparent supervision in line with prudential standards. The deadline for submitting comments is April 24, 2025. As of the information corresponding to the second quarter of 2025 (that is, from April 1, 2025), entities must apply the new requirements when sending their reports to the SBS. (**more detail**)

Honduras

CNBS · Update on Preventive Recovery Plans for banking institutions
(03/26) · Recovery and resolution
The National Commission of Banks and Insurance (CNBS) has issued circular No. 004/2025, requiring banking institutions to update their Preventive Recovery Plans (PPR) annually. These plans ensure financial stability in crisis situations. Institutions must submit updated plans with figures from December 31, 2024, by March 31, 2025. (**more detail**)

Management Solutions' Alert System on Regulation

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Alert System on Regulation

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Main organisms being monitored

Global

FSB, BCBS, IASB, IOSCO, IAIS, IFRS

European region

Europe	EC, EP, Consejo, EBA, ESMA, EIOPA, ECB, SRB
UK	BoE, PRA, FCA
Spain	BdE, Gobierno, Cortes Generales, CNMV, DGSFP, MINECO

American region

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
Central America	ARCOTEL, BCE, CNBS, CRIE, SCVS, SB, SBP, SECMA, SIBOIF, SSF

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