Annual Regulation Outlook 2021

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Annual Regulation Outlook 2021

The Annual Regulation Outlook 2021 highlights the most relevant standards and rules issued by those financial regulatory bodies monitored by the R&D Area at global, European and local level during this year.

The objective of this Outlook is to provide an overview of the last and most relevant regulatory developments. Therefore, this document does not include all standards and rules published by supervisors and regulators during 2021, but only those that are considered most relevant by interest in the financial sector.

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Executive summary
Global publications

Various institutions have pronounced themselves on ESG risks in relation to their measurement methodologies, disclosure and principles for their management and supervision. On the other hand, publications in the technological field stand out in relation to operational resilience and outsourcing

Relevant Publications

Climate change

- **(2Q)**. The BCBS published the **Report on Climate-related risk drivers and their transmission channel** and the **Report on Climate-related financial risks - measurement methodologies.** It analyses climate-related risk factors that can originate in and affect the financial sector and provides an overview of issues related to methodologies and measurement of climate-related financial risks.

- **(2Q)**. The NGFS published the **Climate scenarios for forward looking climate risks assessments** with a new set of climate scenarios which provide a framework to assess and manage the future financial and economic risks that changes to our climate might bring.

- **(4Q)**. The IASB approved the **amendments to the Constitution required to establish the International Sustainability Standards Board** within the Foundation's governance structure. Furthermore, it has also published the **prototypes for climate disclosure requirements and general sustainability disclosure requirements** developed by the Technical Readiness Working Group.

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- **(4Q)**. The BCBS published a **Consultation Paper on the Principles for the Effective Management and Supervision of Climate-related Financial Risks** The Committee aims to promote a principles-based approach to improve the management and oversight of climate-related financial risks. The approach is based on the review of the current Basel Framework, in particular on the Basel Core Principles and Supervisory Review Process (BCP) and draws from existing supervisory initiatives undertaken by individual prudential authorities and other international bodies (SRP).

Climate change

- **(4Q)**. The IOSCO published the **Final Report on ESG Ratings and Data Providers** which analyzes the market, providers and users of these ratings, and provides a series of recommendations for securities market regulators, providers and users of these products and services.

Technology

- **(1Q)**. The BCBS published the **Principles for Operational Resilience** which aim to strengthen banks' ability to withstand operational risk-related events that could cause significant operational failures or wide-scale disruptions in financial markets, such as pandemics, cyber incidents, technology failures or natural disasters.

- **(4Q)**. The IOSCO published the **final Report on principles on Outsourcing** which comprise a set of fundamental precepts and seven principles. These Principles are intended to be technology-neutral and provide regulated entities with sufficient flexibility to implement them according to the nature and size of their business model. On the other hand, the report also addresses the impact of COVID-19 on outsourcing and operational resilience.

Executive summary
European publications

The EC published the amendment to the Solvency II Directive. In addition, it published the Banking Package 2021 which introduces changes to the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV)

Relevant Publications

Capital, liquidity, leverage and provisions

- (1Q). The EBA launched the **2021 EU-wide stress test and released the macroeconomic scenarios** and the final templates. The EU-wide stress test will be conducted on a sample of 50 EU banks and the scenarios will be applied over a period of 3 years from end 2021 to end 2023.

- (2Q). The EIOPA launched the **2021 stress test exercise** which aims to assess the resilience of the participants to the adverse scenarios by a capital and liquidity perspective in order to provide supervisors with information on whether these insurers are able to withstand severe but plausible shocks.

- (3Q). The EC published a **legislative proposal to amend the Solvency II**, which aim is to strengthen European insurers' contribution to the financing of the recovery, progressing on the Capital Markets Union and the channeling of funds towards the European Green Deal.

- (4Q). The EC published the **Banking Package 2021**, which is the last phase of the final implementation of Basel III in the EU. These new rules will ensure that EU banks become more resilient to potential future economic shocks, while contributing to Europe's recovery from the COVID-19 pandemic and the transition to climate neutrality. This package is composed of three proposals that complete the reform of banking regulation, and introduce changes to the **Capital Requirements Regulation, the Capital Requirements Directive**.

Supervision

- (1Q). The ECB published the outcome of its **2020 Supervisory Review and Evaluation Process (SREP)** which is focused on banks' ability to address the challenges and risks to capital and liquidity arising from the ongoing pandemic. Based on the SREP analysis and taking into account the situation triggered by the pandemic, the ECB has also published the 2021 Supervisory priorities which draw on an assessment of the key risks and vulnerabilities in the banking sector.

- (2Q). The ECB published the **Results of its targeted review of Internal Models (TRIM).** This report is based on the final outputs of TRIM and contains a summary of the project's key activities.

Recovery and resolution

- (2Q). The SRB published the **Guidance on liquidity and funding in resolution** which focuses on the estimation of liquidity needs, and aims to enhancing banks' resolvability and preparedness for a potential resolution.

- (3Q). The EBA published its final **Guidelines to assess breaches of the large exposure limits**, with the purpose to provide guiding principles to help competent authorities to decide whether the exceptional circumstances leading to a breach of the large exposure limits would justify allowing an institution a limited period of time in which to comply with the limit.

Executive summary
European publications

The EBA published the consultation paper on Pillar 3 ESG. The EC published the Delegated Act complementing Article 8 of the Climate Taxonomy Regulation and the ECB the climate stress test methodology

Relevant Publications

Gobernance

- **(3Q)**. The EBA published its **revised Guidelines on internal governance** which also take into account the amendments introduced by CRD V and the Investment Firms Directive in particular with regard to gender diversity, money laundering, financing terrorist risk and the management of conflicts of interest.

Reporting and disclosure

- **(1Q)**. The EBA published **Consultation Paper (CP) on draft ITS on Pillar 3 disclosures on ESG risks** with the strategic objective of defining a single, comprehensive Pillar 3 framework under the CRR that should integrate all the relevant disclosure requirements.

- **(1Q)**. The ESAs published the **Final Report on RTS on the content, methodologies and presentation of disclosures under SFDR** with the aim of strengthen protection for end-investors by improving ESG.

- **(3Q)**. The EC published the **Delegated Act supplementing Article 8 of the Taxonomy Regulation** specifying the content, methodology and presentation of information to be disclosed by large financial and non-financial companies on the share of their business, investments or lending activities that are aligned with the EU Taxonomy.

Cimate change

- **(2Q)**. The EC published the **EU Taxonomy Climate Delegated Act** which support sustainable investment. Furthermore, the EC has published a **proposal for a Corporate Sustainability Reporting Directive** which will allow financial firms, investors and the broader public to use comparable and reliable sustainability information.

- **(3Q)**. The EP and the Council published the **Regulation establishing the framework for achieving climate neutrality** with the objective of establishing a framework for the progressive and irreversible reduction of greenhouse gas emissions by sources and the enhancement of greenhouse gas removals by sinks under EU law. The Regulation establishes a binding EU climate neutrality objective by 2050, with the aim of achieving the long-term temperature objective set out in the Paris Agreement.

- **(4Q)**. The ECB published the **Climate risk stress test methodology** which outlines the main characteristics of the 2022 climate risk stress test and provides banks with guidance on how to conduct the exercise

Executive summary
European publications

The EC published the Proposal for a Regulation on a European approach to AI as well as several rules in relation to AML/CFT. In addition, the ECB published the final results of its wide climate stress test and the EBA the monitoring report on the IFRS 9 implementation

Relevant Publications

Technology

- **(2Q)**. The EC published the **Proposal for a Regulation on a European approach to AI**, which aims to implement the development of a trust ecosystem by proposing a legal framework for IA.
- **(2Q)**. Furthermore, the EP and the Council have published the **Regulation establishing the Digital Europe Programme which sets a financial envelope for the Programme** for the period 2021-2027. The general objectives of the Programme should be to support the digital transformation of industry and to foster a better exploitation of the industrial potential of innovation, research and technological development policies, to the benefit of EU citizens and businesses.
- **(2Q)**. **T**he EBA published the revised **Guidelines on major incident reporting under the PSD2** which specify the criteria to be used for the classification of major operational or security incidents by PSPs. This revised Guidelines introduce changes to some of the original classification criteria, simplify the submission of an incident report, and introduce a standarised file for the submission of the incident report.
- **(2Q)**. The EIOPA published the **IA Governance Principles Report** to promote ethical and trustworthy IA in the European insurance sector. In addition to setting out principles, the report provides guidance to insurers on how to apply the key principles throughout the lifecycle of an IA application.
- **(3Q)**. The EC published **Regulation establishing a new EU AML and CFT Authority, a proposal for a Regulation and Directive on AML and CFT and a revision of the Regulation on Transfer of Funds to track transfers of crypto-assets.** The aim of this package is to improve the detection of suspicious transactions and activities, and to close loopholes to launder illicit proceeds or finance terrorist activities through the financial system.

Others

- **(1Q)**. The EBA published its **final revised Guidelines on ML/TF risk factors** which set out the factors that firms should consider when assessing the ML/TF risk and support CAs' AML/CFT supervision efforts when assessing the adequacy of firms' risk assessments and AML/CFT policies and procedures.
- **(4Q)**. The EC adopted a set of measures to improve the ability of companies to raise capital across the EU and ensure that European citizens get the best deals on their savings and investments, thereby achieving a recovery from the COVID-19 crisis by boosting the green and digital transition. These legislative proposals are the **Regulation on the European Single Access Point, the Review of the European Long-Term Investment Funds Regulation, the Review of the Alternative Investment Fund Managers Directive, Review of the Markets in Financial Instruments Regulation**.
- **(3Q)**. The ECB published the final **results of its wide climate stress tes**t, which show that companies and banks benefit from adopting green policies in order to foster a transition to a sustainable, zero-emission economy. The exercise reveals that an orderly and rapid transition minimizes costs and maximizes profits and offsets the short-term cost of transitioning to a zero-carbon economy.
- **(4Q)**. The EBA published the **Monitoring Report on the IFRS 9 implementation by EU institutions** which summarises the findings arising from the EBA's investigations since the publication of its last report in December 2018. The conclusions include the effect of the COVID-19 scenario on the calculation of provisions, requiring some rapid adjustments to the models, as well as greater flexibility in the criteria used by institutions.

Executive summary
Local publications

In Spain, the General Courts approved Law 7/2021 on climate change and energy transition and the MINECO published a Sandbox Access Guide. In the US, the Fed published the results of the 2021 stress test

Relevant Publications

Spain

- **(1Q)**. The BoS published **Circular 1/2021** with the aim of incorporating new regulations introduced by the Ministerial Order of revolving credit. The BoS has also published **Circular 2/2021** with the aim of introducing amendments relating to information on cash deposits and on the recording of deposits received.

- **(2Q).** The MINECO published a **Sandbox Access Guide** detailing the information that promoters must submit in the project report and procedural aspects between the promoter and the General Secretariat of the Treasury and International Finance (SGTFI).

- **(2Q)**. The General Courts approved **Law 7/2021 on climate change and energy transition** with the aim of ensuring compliance with the objectives of the 2015 Paris Agreement and facilitating the decarbonization of the Spanish economy.

- **(3Q)**. The BoS launched the public consultation on **the draft circular to financial credit institutions on liquidity, prudential rules and reporting obligations**, with the aim of completing the regulations for financial credit institutions about liquidity and solvency reporting obligations.

- **(4Q)**. The BoS published the **Circular 4/2021, on model confidential statements on market conduct, transparency and customer protection** and on the register of complaints, which introduces some clarifications to the draft and with the aim of establishing the content and frequency of the information to be submitted.

Spain (cont.)

- **(4Q)**. The BoS launched the **Public Hearing on the Draft Circular amending Circulars 2/2016 and 2/2014**, on supervision and solvency and the exercise of regulatory options, and Circular 5/2012, on transparency and responsibility in the granting of loans, with the aim of completing the transposition of CRD V, as well as exercising the options and national discretions of CRR II and developing information obligations in revolving credits

US

- **(2Q)**. In the US, the Fed released the hypothetical scenarios for its **2021 bank stress tests** which describes two supervisory scenarios (baseline and severely adverse) that the Fed will use to conduct its 2021 stress tests. This publication also details additional components (e.g. the global market shock component and the counterparty default component) that the largest and most complex firms must incorporate into the supervisory scenarios.

- **(2Q)**. The Fed released the **2021 stress test results** which include information such as revenues, expenses, losses or capital ratios under adverse economic and financial conditions for each firm.

Executive summary
Local publications

In the UK the PRA published a paper on the key elements of the 2021 stress test, as well as Supervisory Statement 2/21 on outsourcing and third party risk management. For its part, the FCA published the Consultation Paper on Diversity and inclusion on company boards and executive committees

Relevant Publications

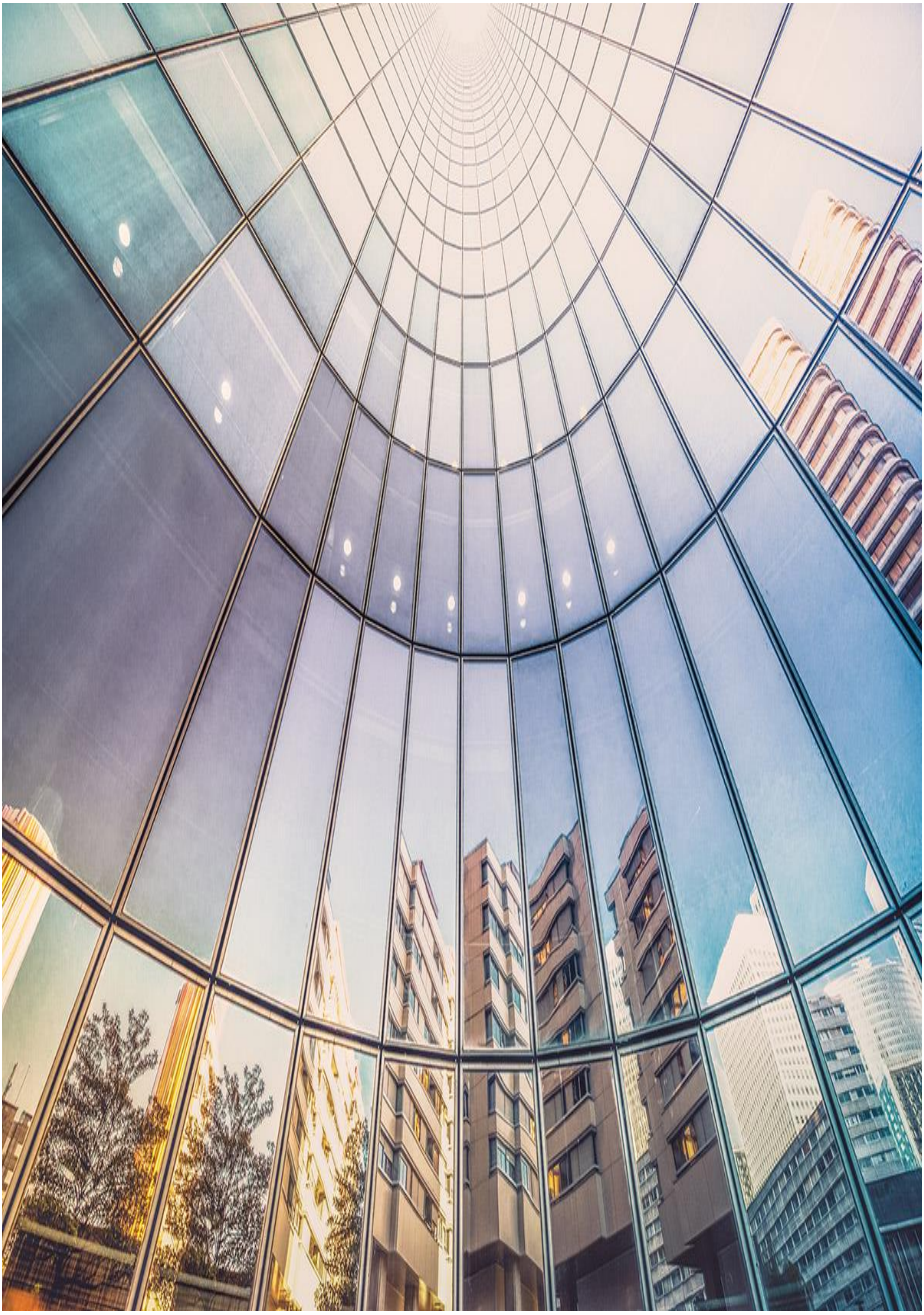
UK

- **(1Q)**. The PRA published the **Supervisory Statement 2/21 on outsourcing and third party risk management** which sets out the PRA expectations in this aspect. Also, the PRA has published a **Statement of Policy on operational resilience** which clarifies how the PRA's operational resilience affects its approach to several areas of the regulatory framework. Furthermore, the PRA has published the **Policy Statement 21/3 on operational resilience** with the objective that firms and the financial sector to better prevent, adapt, respond to, recover and learn from operational disruptions.

- **(1Q)**. The PRA published the **Key elements of 2021 stress test** which will help to ensure that risks identified by supervisors of individual banks are reflected in the scenario. Moreover, the PRA has published a Guidance for participating banks for conducting their own analysis for the 2021 stress test.

- **(3Q)**. The FCA published the **Consultation Paper on Diversity and inclusion on company boards and executive committees** with the aim to increase transparency by establishing better, comparable information on this aspect.

- **(4Q)**. The PRA published the **Policy Statement 23/21 which provides feedback to responses to Consultation Paper 7/21, published on the 2Q. on the identification of the nature, severity, and duration of an economic downturn for the purposes of Internal Ratings Based models**, which sets out the PRA's proposed approach to implementing new requirements relating to the specification of the nature, severity, and duration of an economic downturn in the internal ratings based (IRB) approach to credit risk.



Regulatory projections

At the European level, the EC is expected to publish the second Delegated Act of the Taxonomy Regulation in 2022 and the European cyber resilience Act. Furthermore, the EBA Guidelines on remuneration policies, internal governance and assessment of suitability will enter into force. In addition, the BdE expects less significant institutions to be aligned with its expectations on the risks arising from climate change and environmental degradation

Featured regulatory projections

1. Next year

- **(Europe) 2022**:
  - It is expected that the EC would publish the second Delegated Act in relation to the four remaining objectives of the EU taxonomy regulation.
  - The EC will take further steps in 2022 on the CMU, including a proposal on listing, an "open finance" framework, a corporate insolvency initiative and a financial literacy framework.
- **(Spain) 2022**:
  - The Royal Decree implementing Article 32 of Law 7/2021, of May 20, on climate change and energy transition, is expected to be published.
- **(Europe) 1Q 2022:**
  - The EBA is expected to publish: i) The RTS on standardised and simplified methodologies for the IRRBB; ii) the RTS on supervisory shock scenarios and outlier tests for the IRRBB; iii) the GL on the IRRBB and the CSRBB; and iv) the Multi-annual work programme (2023-2025 horizon).
  - The EC is expected to publish a draft text of a Taxonomy Complementary Delegated Act covering certain gas and nuclear activities[1].
- **(UK) 1Q 2022**:
  - The BoE expects to run a second round on the Climate Biennial Exploratory Scenario[2].
- **(Europe) 2Q 2022:**
  - The ECBs Climate Stress test will be conducted from March 2022 to July 2022.
  - The EBA is expected to publish: i) the RTS on liquidity risk measurement of Investment firms; ii) the GL on common SREP under IFD; iii) the RTS on Pillar 2 add-ons under IFD; iv) the GL on high earners under CRD; and v) the GL on high earners under IFD.
- **(UK) 2Q 2022:**
  - The PRA is expected to publish the Consultation Paper on disclosure rules and labelling to support Government ambition in green finance.
- **(UK) May 2022**: The BoE expects to publish the CBES results.
- **(Europe) 3Q 2022:**
  - The EBA is expected to publish: i) the GL on benchmarking remuneration and gender pay gap under CRD and IFD; and ii) the Final Guidelines on digital identities and electronic onboarding.
  - The EC is expected to publish the European cyber resilience act
- **(Europe) 4Q 2022:**
  - The EBA is expected to publish: i) the GL on the benchmarking of internal models; ii) the GL on ESG risk management; iii) the ITS on reporting of the IRRBB; and iv) the Extension of ITS on Pillar 3 disclosures on ESG risks (full scope of ESG risks).
  - The EIOPA is expected to publish: i) the Taxonomy Regulation into requirements applicable to insurers and pension funds (e.g. into concrete supervisory requirements concerning the application of the Stewardship principle); ii) the Sustainable Finance Disclosure Regulation (SFDR) together with the other ESAs; and iii) the IORPs stress test 2022.

1. Published on 2 February 2022.
2. Published on 8 February 2022.

1. Next year (cont.)

- **(UK) 4Q 2022:**
  - The PRA is expected to publish the Consultation Paper on prudential ESG disclosure
- **(Europe) December 2022**:
  - Banks must present either a preliminary analysis of the Separability Analysis Report (SAR) or the SAR and transfer playbook by December 31, 2022.

Application dates

1. Next year

- **(Europe) 2022:**
  - The EBA Guidelines on remuneration policies, internal governance and assessment of suitability.
- **(Spain) 2022**:
  - The BoS's expectations regarding the risks arising from climate change and environmental degradation.
- **(Spain) Q1 2022:**
  - The update of the Economic and Monetary Union statistical data requirements will apply for the first time for the data of 31 January 2022 for the monthly frequency and 31 March 2022 for the quarterly frequency in accordance with the provisions of the BoS Circular on the supervision and solvency of credit institutions.
- **(Europe) January 2022**:
  - The EBA GL on IRB parameters estimation.
  - The EBA final RTS on an economic downturn as well as the GL for the estimation of LGD appropriate for an economic downturn.
  - The ESAs provisions regarding product disclosure in periodic reports RTS on ESG disclosure standards.
  - The EBA GL on CRM for institutions applying the IRB approach with own estimates of LGDs.
  - The EC Delegated Regulation on EU classification system for green investments.
  - The EBA Guidelines on large exposure breaches.
- **(UK) January 2022**:
  - The PRA PS 11/20 on credit risk: PD and LGD estimation.
  - Policy changes resulting from Policy Statement (PS) 23/21 providing information on responses to Consultation Paper (CP) 7/21 on the identification of the nature, severity and duration of an economic downturn for the purposes of internal ratings-based (IRB) models.
- **(Europe) March 2022:**
  - The revised Guidelines on risk-based supervision of credit and financial institutions' compliance with AML/CFT obligations will apply from 16 March 2022.
- **(Europe) June 2022**:
  - The EBA Final draft comprehensive ITS on institutions' Pillar 3 disclosures on ESG risks.
  - The EBA Guidelines on cooperation and information exchange between prudential supervisors, AML/CFT supervisors and financial intelligence units.
- **(Spain) June 2022:**
  - The new tables with the alternative solutions for the collective estimation of credit risk loss allowances and the discounts on the reference value of foreclosed assets or assets received in payment of debts as set out in the BoS Circular on the supervision and solvency of credit institutions.
- **(Europe) July 2022:**
  - The EP and Council Directive (EU) 2019/2162 and Regulation (EU) 2019/2160 on exposures in the form of covered bonds.
- **(USA) July 2022:**
  - The Final Rule of the Fed and the FDIC on modifications to resolution plan requirements for covered companies that are triennial reduced filers.
- **(Europe) December 2022**:
  - The ammendment on the ITS of Supervisory Reporting which reflects the amendments to the securitisations framework and minor changes to the reporting on own funds and own funds requirements.
  - The EBA Final draft comprehensive ITS on institutions' Pillar 3 disclosures on ESG risks

2. More than a year

- **(Europe) 2023:**
  - Implementation of the provisions amending the CRR (exceptions to application on 2025) concerning: i) amendments in accordance with Regulation (EU) 2019/2033 on the prudential requirements of investment firms; ii) certain changes on definitions of entities to be included in the scope of prudential consolidation; iii) certain provisions concerning own funds and eligible liabilities (mainly amendments on CET 1 items and on deductions of Tier 2, and a new article on undertakings in third countries)

2. More than a year (cont.)

- **(Global) January 2023**:
  - The revised SA for credit risk, the revised IRB framework, the revised CVA framework, the revised operational and market risk framework published in Basel III and the standard on the minimum capital requirements for market risk by the BCBS will be implemented. Moreover, the LR framework using the revised exposure definition and the G-SIB buffer.
  - Most of the new disclosure requirements of the BCBS Pillar III updated framework.
  - The BCBS technical amendment on the capital treatment of securitisations of NPLs.
  - The amendments to IFRS 17 proposed by the IASB.
- **(Europe) January 2024**:
  - EBA Guidelines on Resolvability.
- **(Europe) 2025:**
  - General application of the provisions amending the CRR which introduce revisions to the Basel III framework in Europe.
  - Member States shall adopt and publish the regulations and administrative provisions necessary to comply with CRD IV amendments.

1Q Outstanding publications

Summary of outstanding publications of this quarter

Topic	Title	Date	Page
	Basel Committee on Banking Supervision		
Operational Resilience	• Principles for Operational Resilience	23/03/2021	23
	Financial Stability Board		
Work Programme	• 2021 Work Programme	21/01/2021	23
	European Comission		
Financial System	• Strategy to stimulate the openness, strength and resilience of the EU's economic and financial system	20/01/2021	25
	European Central Bank		
Consolidation	• Guide on the supervisory approach to consolidation in the banking sector	13/01/2021	26
SREP	• Results of the 2020 SREP and Supervisory priorities for 2021	29/01/2021	27
	European Securities and Markets Authority		
ECSP Regulation	• CP on RTS under the ECSP Regulation	04/03/2021	28
Data reporting	• Final Report on the review of transaction and reference data reporting obligations	23/03/2021	29
	European Insurance and Occupational Pensions Authority		
ORSA	• Consultation Paper on the Supervisory Statement on ORSA in context of COVID-19	05/01/2021	30
Convergence Plan	• Supervisory Convergence Plan for 2021	19/02/2021	31
	European Banking Authority		
Stress Test	• 2021 EU-wide stress test exercise	03/02/2021	32
Convergence Plan	• Supervisory Convergence Plan for 2021	19/02/2021	31
CRR II	• GL specifying the conditions for the application of the alternative treatment of institutions exposures	19/02/2021	33
G-SIIs	• GL on large exposure limits ITS on disclosure of indicators of G-SIIs	19/02/2021	34
Pillar 3	• CP on draft ITS on Pillar 3 disclosures on ESG risks	02/03/2021	35
ML/TF	• GL on money laundering and terrorist financing risk factors	05/03/2021	36
Resolvability	• CP on draft Guidelines on resolvability	23/03/2021	37
Recovery plans	• CP on draft Guidelines on resolvability CP on draft revised Guidelines on recovery plans indicators	24/03/2021	38

2Q Quarterly publications

Summary of outstanding publications of this quarter

3Q Quarterly publications

Summary of outstanding publications of this quarter

4Q Publications of the quarter

Summary of outstanding publications of this quarter

Q1 Publications of the quarter
International publications

23/03/2021
Principles for Operational Resilience

1. Context

In the years that followed the Great Financial Crisis of 2007, the BCBS's reforms of its prudential framework have enhanced the supervision of the global banking system and resulted in a number of structural changes to strengthen banks' financial resilience. While significantly higher levels of capital and liquidity have improved banks' ability to absorb financial shocks, the BCBS believes that further work is necessary to strengthen banks' ability to absorb operational risk related events.

In this context, the BCBS has published the **Principles for Operational Resilience** which aim to strengthen banks' ability to withstand operational risk-related events that could cause significant operational failures or wide-scale disruptions in financial markets, such as pandemics, cyber incidents, technology failures or natural disasters.

2. Main points

• **Governance**. Banks should utilise their existing governance structure to establish, oversee and implement an effective operational resilience approach that enables them to respond and adapt to, as well as recover and learn from, disruptive events in order to minimise their impact on delivering critical operations through disruption.
• **Operational risk management**. Banks should leverage their respective functions for the management of operational risk to identify external and internal threats and potential failures in people, processes and systems on an ongoing basis, promptly assess the vulnerabilities of critical operations and manage the resulting risks in accordance with their operational resilience approach.
• **Business continuity planning and testing**. Banks should have business continuity plans in place and conduct business continuity exercises under a range of severe but plausible scenarios in order to test their ability to deliver critical operations through disruption.
• **Mapping interconnections and interdependences**. Once a bank has identified its critical operations, the bank should map the internal and external interconnections and interdependencies that are necessary for the delivery of critical operations consistent with its approach to operational resilience.
• **Third-party dependency management**. Banks should manage their dependencies on relationships, including those of, but not limited to, third parties or intragroup entities, for the delivery of critical operations.
• **Incident management**. Banks should develop and implement response and recovery plans to manage incidents that could disrupt the delivery of critical operations in line with the bank's risk appetite and tolerance for disruption. Banks should continuously improve their incident response and recovery plans by incorporating the lessons learned from previous incidents.
• **ICT including cyber security**. Banks should ensure resilient ICT including cyber security that is subject to protection, detection, response and recovery programmes that are regularly tested, incorporate appropriate situational awareness and convey relevant timely information for risk management and decision-making processes to fully support and facilitate the delivery of the bank's critical operations.

21/01/2021
2021 Work Programme

1. Context

The FSB has published the **work programme for 2021** which aims to maximise the value of FSB work to foster global financial stability while preserving the FSB's capacity to respond to new issues that may emerge. Also, the work programme reflects a strategic shift in priorities in the COVID-19 environment.

2. Main points

- **Supporting international cooperation and coordination on the COVID-19 response**. The FSB will continue: i) to assess vulnerabilities in the global financial system; ii) share information on policy responses; iii) assess their effectiveness and coordinate the future timely unwinding of the temporary measures taken; and iv) monitor the use of flexibility and consistency of policy responses with existing international financial standards.
- **Enhancing the resilience of the non-bank financial intermediation (NBFI) sector**. The FSB's published a holistic review of the March market turmoil which lays out a comprehensive and ambitious work programme for strengthening the resilience of NBFI. Work in 2021 will focus on the specific issues identified in the holistic review, including money market funds (MMFs), open-ended funds, margining practices, liquidity, structure and resilience of core bond markets, and cross-border USD funding.
- **Enhancing central counterparty (CCP) resilience, recovery and resolvability**. Work will consider the need for, and develop as appropriate, international policy on financial resources in recovery and resolution to further strengthen the resilience and resolvability of CCPs.
- **Enhancing cross-border payments**. In October 2020, the FSB published a roadmap to address challenges and frictions in existing cross-border payment systems and processes. In 2021, the FSB will have to complete a number of actions under the roadmap, including the development of quantitative targets for the roadmap, a stocktake of data frameworks and exploration of the scope for, and obstacles to develop, a global digital Unique Identifier.
- **Climate change and sustainable finance**. The FSB will explore ways to promote globally comparable, high-quality and auditable standards of disclosure based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and review regulatory and supervisory approaches to addressing climate risks at financial institutions.
- **Benchmark transition**. The FSB will continue to support transition away from LIBOR and will monitor market participants' readiness and give guidance to ensure a smooth transition to the new financial benchmarks, and report on transition progress to the G20.
- **Digital innovation, and cyber and operational resilience**.The FSB will continue its work on topics relating to the financial stability, regulatory and supervisory implications of FinTech, including regulatory and supervisory issues associated with the use of artificial intelligence and machine learning, RegTech, SupTech and BigTech.

1Q Publications of the quarter

European publications

EUROPEAN COMMISSION

20/01/2021

Strategy to stimulate the openness, strength and resilience of the EU's economic and financial system

1. Context

In 2018, the EC published a Communication on the International Role of the Euro, which had a strong focus on strengthening and deepening the Economic and Monetary Union (EMU). That Communication was accompanied by a Recommendation on the international role of the euro in energy and followed by five sectoral consultations on the role of the euro in foreign exchange markets, in the energy sector, in raw materials markets, in the trade of agriculture and food commodities and in the transport sector.

In this context, the EC has presented a **new strategy to stimulate the openness, strength and resilience of the EU's economic and financial system** for the years to come. This strategy aims to better enable Europe to play a leading role in global economic governance, while protecting the EU from unfair and abusive practices. The strategy also acknowledges the unprecedented recovery plan 'Next Generation EU' that the EU adopted to tackle the COVID-19 pandemic and to help Europe's economies recover and embrace the green and digital transformations.

2. Main points

- **Promoting a stronger international role of the euro**. The EC will:
  - Complete the Banking Union and make further significant progress on the Capital Markets Union.
  - Further support the development of euro denominated commodity derivatives for energy and raw materials and will facilitate the emergence of euro-denominated benchmark indices and trading venues covering core sectors, including nascent energy markets, such as hydrogen.
  - Launch outreach to promote euro-denominated investments, facilitate the use of the euro as an invoicing and denomination currency and foster a better understanding of the obstacles for its wider use.

  The issuance of high-quality euro-denominated bonds under Next Generation EU will add significant depth and liquidity to the EU's capital markets over the coming years and will make them, and the euro, more attractive for investors. Promoting sustainable finance is also an opportunity to develop EU financial markets into a global 'green finance' hub, bolstering the euro as the default currency for sustainable financial products. In this context, the EC will work to promote the use of green bonds as tools for the financing of energy investments necessary to reach the 2030 energy and climate targets. The EC will:
  - Issue 30% of the total bonds under NextGenerationEU in the form of green bonds.
  - Look for possibilities to expand the role of the EU Emission Trading System (ETS) to maximise its environmental outcome and to support ETS trading activity in the EU.
  - Continue supporting the work of the European Central Bank (ECB) on a possible introduction of a digital euro, as a complement to cash.
- **Further developing EU financial market infrastructures and improving their resilience, including towards the extraterritorial application of sanctions by third countries**. The EC, in cooperation with the ECB and the European Supervisory Authorities (ESAs), will:
  - Engage with financial-market infrastructure companies to carry out a thorough analysis of their vulnerabilities as regards the unlawful extraterritorial application of unilateral measures by third countries and take action to address such vulnerabilities.
  - Establish a working group to assess possible technical issues related to the transfer of financial contracts denominated in euro or other EU currencies cleared outside the EU to central counterparties located in the EU.
  - Explore ways to ensure the uninterrupted flow of essential financial services, including payments, with EU entities or persons targeted by the extra-territorial application of third-country unilateral sanctions.
- **Further promoting the uniform implementation and enforcement of the EU's own sanctions**. The EC will:
  - Develop a database in 2021, the Sanctions Information Exchange Repository, to ensure effective reporting and exchange of information between Member States and the EC on the implementation and enforcement of sanctions.
  - Will work with Member States to establish a single contact point for enforcement and implementation issues with cross-border dimensions in 2021.
  - Continue to further ensure that EU funds provided to third countries, international organisations and international financial institutions are not used in violation of EU sanctions.
  - Set up a dedicated system allowing for the anonymous reporting of sanctions evasion, including whistleblowing.
  - Strengthen cooperation on sanctions, in particular with G-7 partners.
  - Consider additional policy options to further deter and counteract the unlawful extra-territorial application of unilateral sanctions by third countries to EU operators.

13/01/2021
Guide on the supervisory approach to consolidation in the banking sector

1. Context

Transactions leading to consolidation are generally initiated and executed by market participants with the goal of optimising their opportunities by forging new combinations of existing business activities. In the banking sector, consolidation transactions are also scrutinised by the prudential supervisor. Its prudential mandate is neither to assess whether consolidation efforts are beneficial as such nor to push for particular types of transactions but to make sure that the resulting business combination complies with prudential requirements and ensures effective and prudent risk management.

In this context, the ECB has published the **Guide on the supervisory approach to consolidation in the banking sector** which intends to clarify, within the current regulatory framework, the principles underpinning the prudential supervisory approach it follows when determining whether the arrangements implemented by a credit institution resulting from a consolidation ensure the sound management and coverage of its risks.

2. Main points

- **Overall approach to the supervisory assessment of consolidation projects**. ECB Banking Supervision examines from a prudential perspective the consolidation projects brought to its attention. This assessment is aimed at ascertaining that:
  - The entity resulting from the business combination will meet all prudential requirements when the transaction is implemented.
  - The business combination resulting from the transaction is sustainable, and therefore likely to allow permanent compliance with the prudential requirements also in the future.

  Depending on the circumstances, the process for the supervisory assessment of consolidation transactions can encompass up to three phases:
  - Early communication: involved parties are expected to present the key characteristics of the proposed business combination to ECB Banking Supervision.
  - Application: the involved parties submit the formal application for business combination and the ECB Banking Supervision assesses the application and takes a decision on whether or not to object to the notified project.
  - Implementation: the consolidation is expected to progress in line with the integration plan, in a sustainable manner and in full compliance with the prudential requirements and conditions, or with commitments resulting from the application phase.
- **Supervisory expectations regarding consolidation projects**. The strategy underlying the consolidation transaction will be assessed on a case-by-case basis, according to its objectives in terms of capital, strategy, business and profitability and risk profile in order to ascertain, to the extent possible, the sustainability of the business model of the combined entity. The governance and organisational structure of the business combination is expected to follow the principles set out in the European Banking Authority (EBA) Guidelines on internal governance under CRD IV and to be adapted in order to manage possible integration challenges in a clear way.
- **Supervisory approach to key prudential aspects of the consolidation transaction**. The supervisory approach that ECB Banking Supervision intends to apply can be communicated as part of the feedback provided by credit institutions during the early communication phase.
  - Pillar 2 capital requirements (P2R) and Pillar 2 guidance (P2G). The supervisory approach for the calculation of the ex post merger P2R and P2G will be guided by the following two key principles:
    - A thorough assessment and mitigation of the main weaknesses of the combined entity and of the execution risk in the business plan.
    - An appropriate level of Pillar 2 capital, which is aligned with the risk profile of the combined entity.
  - Internal models. As a general rule, ECB Banking Supervision grants approval to use internal models for the purpose of calculating capital requirements to a specific legal entity, and this approval is not transferable to another legal entity. In the event of a business combination, subject to a clear model mapping and a credible internal models roll-out plan to address the specific internal model issues created through the merger, as well as other conditions where appropriate, ECB Banking Supervision acknowledges that there will be a limited period of time in which banks resulting from the business combination might continue to use the internal models that were in place before the merger.
- **Ongoing supervision of the newly combined entity**. ECB Banking Supervision monitors the implementation of the integration plan and, where justified, takes swift supervisory action in case of deviation from the agreed plan and timeline.
- **Application of supervisory approach to consolidation transactions involving less significant institutions (LSIs)**. The competence of ECB Banking Supervision vis-à-vis LSIs is limited to business combinations requiring an assessment of a proposed qualifying holding notification, while National Competent Authorities (NCAs) have competence for merger approvals when provided for by national law.

EUROPEAN CENTRAL BANK
EUROSYSTEM

29/01/2021
Results of the 2020 SREP and Supervisory priorities of 2021

1. Context

The ECB has published the outcome of its **2020 Supervisory Review and Evaluation Process (SREP)** which is focused on banks' ability to address the challenges and risks to capital and liquidity arising from the ongoing pandemic. Based on the SREP analysis and taking into account the situation triggered by the pandemic, the ECB has also published the **2021 Supervisory priorities** which draw on an assessment of the key risks and vulnerabilities in the banking sector.

2. Main points

Results of the 2020 SREP

- **Business model**. Bank's profitability fell in 2020, mainly owing to higher impairment flows, lower net interest income and a decline in fees and commissions. On the other hand, decreasing margins intensified the pressure on banks to adjust their cost bases, leading to a number of cost-cutting measures over the course of 2020, such as branch consolidation, innovation projects and remote working arrangements.
- **Internal governance**. Most banks managed to adapt their governance arrangements to adequately manage and monitor risks stemming from the COVID-19 crisis. Nonetheless, some banks were slow to address this issues in relation to: i) lack of adequate involvement of the management body; ii) issues regarding credit risk management identified also within the internal control functions; and iii) sustained structural weaknesses in the area of risk data aggregation and reporting.
- **Credit risk**. Deteriorating economic conditions during the pandemic slowed the pace of the ongoing reduction in non-performing loans but there is also an embedded level of distress in loan books that is not yet fully evident.
- **Capital adequacy**. Banks with low capital headroom, that is with a small margin between their capital ratio and minimum requirements, were subject to recommendations to enhance their capital planning.
- **Banks operational resilience**. Banks broadly kept their businesses running during the crisis, resulting in no significant rise in operational losses due to business disruptions or system failures.

2021 Supervisory priorities

- **Credit risk management**. The ECB Banking Supervision will focus its efforts on the adequacy of banks' credit risk management, operations, monitoring and reporting. Particular emphasis will be placed not only on banks' capacity to identify any deterioration in asset quality at an early stage and make timely and adequate provisions accordingly, but also on their capacity to continue taking the necessary actions to appropriately manage loan arrears and non-performing loans.
- **Capital strength**. The Joint Supervisory Teams (JSTs) will therefore scrutinise the appropriateness of banks' capital planning and challenge the adequacy of their dividend and share buyback policies in this respect. Furthermore, the EU-wide stress test coordinated by the EBA will be conducted in the course of 2021 and will be an important element in gauging banks' capital resilience as part of the supervisory dialogue on capital planning.
- **Business model sustainability**. The ECB Banking Supervision will continue its efforts to challenge banks' strategic plans and the underlying measures taken by banks' senior management to overcome existing shortcomings. Moreover, since the pandemic has accelerated the process of digital transformation, supervisors will be assessing banks' progress in response to these developments. Where appropriate, JSTs will engage in a structured supervisory dialogue with banks' management on the oversight of their business strategies.
- **Governance**. The ECB Banking Supervision will challenge banks on their risk data aggregation capabilities and the risk information reported to management. Furthermore, the ECB will continue its assessment of the prudential impact of money laundering and terrorism financing risks, particularly in relation to banks' internal control frameworks.

04/03/2021
CP on RTS under the ECSP Regulation

1. Context

In 2020, the European Parliament and the Council published Regulation on European crowdfunding service providers for business (ECSP). This Regulation requires ESMA to develop draft regulatory technical standards (RTS) and implementing technical standards (ITS) on a variety of topics.

In this context, the ESMA has published the **Consultation Paper (CP) on Draft RTS under the ECSP Regulation** which regulates for the first time at EU level lending-based and equity-based crowdfunding services.

2. Main points

This CP includes ESMA specifications on:

- **Complaint handling.** It specifies the standard formats and procedures for the complaint handling process by specifying a set of minimum information to be included therein and by proposing that the procedures should be published on the crowdfunding service provide (CSPs') websites.
- **Conflicts of interest**. It specifies: i) the requirements for the maintenance and operation of internal rules to prevent conflicts of interest; ii) the steps to prevent, identify, manage and disclose conflicts of interest; and iii) the arrangements for the disclosure of conflicts of interest.
- **Business continuity plan**. It specifies the measures and procedures for the business continuity plan which includes measures to ensure continuity of the provision of critical services measures and procedures aiming at ensuring the sound administration of agreements and critical business data.
- **Application for authorisation**. It specifies the requirements and arrangements that a legal person shall apply to the competent authorities of the Member State where it is established for authorisation as a CSP.
- **Information to client on default rate of projects**. It defines the methodology for the calculation of the default rate and provides the methodology for the calculation of the actual and expected default rates of the loans facilitated by the CSP by risk category.
- **Entry knowledge test and simulation of the ability to bear loss**. It specifies the arrangements for CSP to: i) carry out the assessment of the appropriateness of crowdfunding services; ii) carry out the simulation of the ability to bear losses; and iii) provide the information to non-sophisticated investor's about the risks involved in a crowdfunding platform.
- **Key investment information sheet**. It specifies the requirements for and content of the model for presenting the key investment information sheet. This information includes a description of the main risks related to the crowdfunding project, such as project risk or sector risk.
- **Reporting by crowdfunding service providers to Member State competent authorities (NCAs**). It sets out the data standards and formats, templates and procedures for reporting information to competent authorities.
- **Publication of national provisions concerning marketing requirements**. It is stablished the contact point, the timeframe and the templates of the notifications that Competent

3. Next Steps

- Comments to this CP can be sent before **28 May 2021.**

23/03/2021

Final Report on the review of transaction and reference data reporting obligations

1. Context

MiFIR requires the European Commission (EC), after consulting ESMA, to present a report to the European Parliament and the Council to assess the functioning of the transaction reporting regime. In September 2020, the ESMA published a Consultation Paper (CP) on the review report on the obligations to report transactions and reference data.

In this context, the ESMA has published the **Final Report on the review of transaction and reference data reporting obligations** which contains recommendations and possible legislative amendments to MiFID II/MiFIR with a view to simplifying the current reporting regimes whilst ensuring quality and usability of the reported data.

2. Main points

- **Recommendations on entities subject to transaction reporting and arrangements for sharing reports.**
  - Alternative Investment Fund Managers (AIFMD) and Undertakings for Collective Investment in Transferable Securities (UCITS) firms. In order to ensure data completeness for market abuse investigations and to ensure a level playing field for market participants, UCITS management companies and AIFMs providing one or more MiFID services to third parties should be subject to transaction reporting.
  - Branches of European Economic Area (EEA) Entities. ESMA's intention is that firms report transactions, in which a branch is involved, to the home NCA only.
  - Arrangements for sharing reports. ESMA considers that provisions which refers to the arrangements for sharing reports should be accompanied with a more general reference to the possibility for NCAs to share the information received.
- **Scope of instruments subject to reporting obligations.**
  - Concept of Traded on a Trading Venue (ToTV).This concept seems to be self-explanatory for instruments that are centrally issued and that are fully standardised, such as shares, but it is less straightforward for OTC derivatives. As a result, ESMA considers that its proposal should be retained and a different criterion to define which OTC instruments should be brought into the scope of the relevant transparency and reporting obligations.
  - Scope of reference data: merging provisions of Market Abuse Regulation (MAR) into MiFIR.
- **Details to be reported**.
  - Trading Venue Transaction Identification. ESMA believes it would be beneficial to explore an alternative solution to the linking of SI transactions as well as transaction chains that limits the burden on the industry and on NCAs.
  - The identifiers to be used for parties. On client identifiers, ESMA confirms that investment firms are expected to provide details and decision maker pertaining to their own clients and the clients of any firm that would have transmitted an order for execution. On client categorisation, ESMA is of the view that the information is relevant to monitor the distribution of particularly complex financial instruments. Regarding the short sale indicator, ESMA considers that its proposal to remove it should be retained.
  - A designation to identify the computer algorithms and a short sale. ESMA retains its recommendation of keeping this data element.
  - Indicators for waivers, OTC post-trade deferrals, commodity derivatives, Buy – back programs. ESMA considers that the proposal to extend the obligation to transactions in non-equity instruments executed on an Systematic Internaliser (SI) should not be retained. Regarding the proposal on OTC post-trade indicator and the commodity derivative indicator, ESMA considers that it should be retained.
- **Interaction with the reporting obligations under EMIR**. ESMA considers that its proposals should be retained and some of the provisions on the obligation to report operations to the competent authority should be deleted.
- **Legal Entity Identifier (LEI) of the issuer of the financial instrument**. ESMA proposes that, market operators should not make financial instruments available for trading based on their own particular trading rules until they have obtained all relevant instruments' reference data (including the issuer's LEI).

3. Next Steps

- This report is submitted to the EC and is expected to feed into any review of the transaction reporting regime in MiFIR.

05/01/2021

Consultation Paper on the Supervisory Statement on ORSA in the context of COVID-19

1. Context

In November 2009, the European Parliament and the Council published Solvency II. This Directive states that the own-risk and solvency assessment shall be an integral part of the business strategy and shall be taken into account on an ongoing basis in the strategic decisions of the undertaking. The performance of an ORSA under the current circumstances is to give insight into the potential impact of the COVID-19 pandemic on the undertaking's risk profile, and it promotes the identification and effective management of the undertakings' risks to ensure they have sufficient capital to absorb possible losses.

In this context, the EIOPA has published the **Consultation Paper on the Supervisory Statement on ORSA in the context of COVID-19** which promotes convergence by guiding undertakings through common supervisory expectations on the ORSA in the current situation triggered by the pandemic, taking into account that the impact on each individual undertaking can differ depending on its specific risk profile.

2. Main points

- **ORSA as a management tool.** The ORSA process and outcomes are expected to be used by the administrative, management or supervisory body (AMSB) in any strategic discussion in general and in particular where developments are expected to materially impact the undertaking. This outcomes can influence strategic decisions on changes for instance to underwriting and pricing practices, to risk mitigation techniques, to investments strategy, to capital management or on improvements of operational and cyber resilience.
- **Timing of the regular ORSA and/or ad-hoc ORSA**. Undertakings should assess and decide if an ad-hoc ORSA is needed based on the analysis of any material changes to the risk profile. Material changes to the undertaking's risk profile can be observed, due to: i) changes in the undertaking's market or credit risk exposure; ii) material changes in underwriting results in lines of business which are more affected by the pandemic; and iii) major amendments to business models, products offered, plans and strategies. If there is any indication of a material impact, leading to a significant change in the risk profile, undertakings should perform an ad-hoc /non-regular ORSA to be submitted to the Competent Authority earlier than the regular one if needed.
- **Scenarios used in the ORSA**. The development of the ORSA, either ad-hoc or regular, reflecting the impact of the COVID-19 pandemic, should:
  - <u>Consider the conditions observed</u> at a given moment and any expected stresses for example on capital markets, claims development for both nonlife business and life-business, and the impact on operational risks.
  - <u>Include an assessment of the soundness of the business model</u> from a forward-looking perspective.

3. Next steps

- Comments to this document can be submitted until **15 March 2021.**

19/02/2021
Supervisory Convergence Plan for 2021

1. Context

The EIOPA has published its **2021 Supervisory Convergence Plan** with the aim to complete the priorities stemming from the previous plan, while allowing for flexibility to continue monitoring and mitigating the impact from the Covid-19 pandemic.

2. Main points

- **Practical implementation of the common supervisory culture and further development of supervisory tools**. EIOPA will, amongst other priorities, continue working on common benchmarks for the supervision of internal models, supervisory assessments of conduct risks but also work on the areas where the need for further development was identified, for example the application of proportionality in Solvency II. Also, the EIOPA will be taking step-by-step measures for integrating the assessment and management of environmental, social and governance risks (ESG) into prudential and conduct supervision.
- **Risks to the internal market and the level playing field which may lead to supervisory arbitrage.** EIOPA intends to continue working on supervisory convergence tools such as assessing internal models outcomes or promoting supervisory convergence in Technical Provisions' calculation. On the other side, the EIOPA will initiate work to establish and address supervisory concerns arising from the recent market development of multi-employer IORP providers. Also, it has been identified certain inconsistencies in the way National Competent Authorities treat reinsurance undertakings with the head office located in third countries, so the EIOPA will identify potential risks to the internal market and, if any, develop adequate tools.
- **Supervision of emerging risks**. The EIOPA will Work on a system for the exchange between Competent Authorities of information regarding cybersecurity and cyber-attacks and will contribute to the establishment of a Digital Operational Resilience Framework. Also, the EIOPA will advance for example by developing a set of principles of digital responsibility, by establishing a system for the exchange between National Competent Authorities of information regarding cybersecurity and cyber-attacks as well as by implementing objectives and goals set in the Cyber Underwriting Strategy.

03/02/2021
2021 EU-wide stress test exercise

1. Context

In March 2020, the EBA decided to postpone the EU-wide stress test exercise to 2021 to allow banks to focus on and ensure continuity of their core operations, including support for their customers. The objective of the EU-wide stress test is to provide supervisors, banks and other market participants with a common analytical framework to consistently compare and assess the resilience of EU banks and the EU banking system to shocks, and to challenge the capital position of EU banks. In November 2020, the EBA has published the Final methodology, draft templates and template guidance for the 2021 EU-wide stress test along with the key milestones of the exercise.

In this context, the EBA has launched the **2021 EU-wide stress test and released the macroeconomic scenarios and the final templates**. This year's EU-wide stress test will provide valuable input for assessing the resilience of the European banking sector. In parallel, the ECB also plans to conduct its own stress test for 53 banks it directly supervises but that are not included in the EBA-led stress test sample. This exercise will be consistent with the EBA's methodology and apply the same scenarios, while also including proportionality elements as suggested by the overall smaller size and lower complexity of these banks.

2. Main points

- **Sample**. The EU-wide stress test will be conducted on a sample of 50 EU banks (one more bank than initially planned) covering roughly 70% of total banking sector assets in the EU and Norway, as expressed in terms of total consolidated assets as of end 2019.
- **Scenarios**. The exercise is carried out on the basis of year-end 2020 figures, and the scenarios will be applied over a period of 3 years from end 2021 to end 2023.
    - Baseline scenario. The baseline scenario for EU countries is based on the projections from the national central banks of December 2020.
    - Adverse scenario. The banks have to apply the adverse scenario defined as a combined result of, inter alia, foreign demand shocks, financial shocks and domestic demand shocks in the EU. The most important shocks of the adverse scenario would lead to:
        - A **decline in EU real GDP by 3.6%** from 2020 to 2023, due to a long-lasting recession.
        - An **increase in the EU unemployment rate of 4.7%** within the same period.
        - A **falling Harmonised Index of Consumer Prices (HICP) in the EU**, with the adverse level being 1.5% lower than the baseline level in 2023.
        - A **decrease in residential property prices by 21.9%** below the baseline level by 2023, which corresponds to a cumulative fall in residential property prices over the scenario horizon by 16.1% at the EU aggregate level. The cumulative fall of commercial real estate prices from the starting point amounts to 31.2% for the EU due to a stronger impact of COVID-19 on the commercial real estate sector (home office and non-financial corporate insolvencies).
        - An **increase of long term rates by 53 bps** in aggregate EU terms at the 3 year horizon.
        - **Equity prices in global financial markets would fall by 50%** in advanced economies and by 65% in emerging economies in the first year.

3. Next Steps

- The EBA expects to publish the results of the exercise by **31 July 2021**.

19/02/2021

GL on conditions for the application of the alternative treatment of institutions' exposures

1. Context

The market of repurchase transactions is a major source of short-term funding for institutions. Due to the amendment introduced by the CRR II, an institution may replace the total amount of its exposures to a collateral issuer due to tri-party repurchase agreements (tri-party repo) facilitated by a tri-party agent, using as an alternative treatment the full amount of the limits that the institution has instructed the tri-party agent to apply to the securities issued by that collateral issuer. This replacement must be conducted under certain conditions determined by the EBA.

In this context, and after the Consultation Paper launched in July 2020, the EBA has published the **Guidelines (GL) specifying the conditions for the application of the alternative treatment of institutions' exposures related to "tri-party repurchase agreements" for large exposures purposes** for those instances where an institution decides to make use of such possibility. The objective is to ensure a prudent and harmonized applications of the provisions provided within the CRR while keeping the approach simple, ensure a level playing field among institutions in the Union, and provide guidance to competent authorities (CAs) in their assessment of compliance.

2. Main points

- **Scope of application**. These GL will apply in relation to institutions' exposures to collateral issuers due to tri-party repos facilitated by a tri-party agent and are addressed to CAs and to financial institutions.
- **Governance arrangements**. These GL establish that institutions should ensure that:
    - The use of the alternative treatment is adequately documented in its policies and procedures.
    - Their management body oversees and monitors the implementation of the alternative treatment.
- **Verification of the establishment of appropriate safeguards by the tri-party agent to prevent breaches of the limits specified by the institution for the securities issued by the collateral issuer**. These GL set out that institutions must ensure minimum elements to be included in the service agreement (e.g. a clear description of the services provided by the tri-party agent with regard to collateral management including securities delivery), and that the content of the safeguards to be put in place by a triparty agent to ensure compliance with the specified limits by the institution includes that, among others, the tri-party collateral management is only performed in accordance with the duly signed service agreement.
- **Determination, revision and monitoring of the limits specified by the institution to the tri-party agent for the securities issued by the collateral issuer**.
    - <u>Determination of the specified limits</u>. Institutions should determine specific limits, expressed as an absolute amount or percentage value of all securities or a specific type of security in the collaterals issuer's portfolio.
    - <u>Revision of the specified limits and its frequency</u>. Institutions should ensure that the service agreement includes the circumstances under which the specified limits could be revised and the frequency of their revision.
    - <u>Monitoring of the specified limits and its frequency</u>. Where institutions make use of the alternative treatment, they should verify that the systems that the tri-party agent has in place to monitor the collateral composition are adequate with regard to the accurate and timely management of the specified limits.
- **Ensuring compliance with the large exposure limits**. These GL establish that institutions should ensure that the use of the alternative treatment does not lead to a breach of the large exposure limits, and where a breach of the specified limits has occurred, the tri-party agent should inform the institution immediately of, among others, the name of the collateral issuer in relation with which the breach has occurred, and the date when the breach occurred.
- **Communication with CAs**. These GL set out that where an institution intends to make use of alternative treatment with a tri-party agent, it should notify ex-ante the CA. In this sense, the CAs should inform the institution within four weeks if it has any material concerns on the use of the alternative treatment (i.e. regarding the institution, the service agreement, and the tri-party agent), and institutions should not use the alternative treatment until the competent authority has satisfied itself that the institution has satisfactorily addressed any material concerns.

3. Next Steps

- These GL will apply from **28th June 2021**.

19/02/2021

GL on large exposure limits ITS on disclosure of indicators of G-SIIs

1. Context

The EBA must issue guidelines and recommendations addressed to competent authorities (CA) or financial institutions with a view to establishing consistent, efficient and effective supervisory practices within the European System of Financial Supervision, and to ensuring the common, uniform and consistent application of Union law. Also, the EBA must develop draft implementing technical standards (ITS) specifying uniform disclosure formats, and associated instructions in accordance with which the disclosures required of the CRR.

In this context, the EBA has launched the **Consultation Paper (CP) on Guidelines specifying the criteria to assess the exceptional cases when institutions exceed the large exposure limits** with the purpose to provide guiding principles to help CA to decide whether the exceptional circumstances leading to a breach of the large exposure limits would justify allowing an institution a limited period of time in which to comply with the limit. On the other side, the EBA has published the **final draft ITS on disclosure of indicators of global systemic importance by G-SIIs.** These standards help to identify which banks are GSIIs and specify the formats and instructions in accordance with which G-SIIs disclose the information required under the CRR.

2. Main points

<u>CP on Draft Guidelines specifying the criteria to assess the exceptional cases when institutions exceed the large exposure limits of CRR</u>

- **Large exposures**. The guidelines clarify that any breach of the large exposure limits of the CRR should always be considered as an exceptional case. To support CA in their assessment and harmonise the approach across the Single Market, the EBA has developed guidelines with criteria to assess such breaches. CA should consider at least the following three criteria, whether:
    - The breach was a rare event.
    - The institution could foresee the event when it had applied a proper and effective risk management.
    - It was caused by reasons beyond the institution's control.

    If the breach does not fulfil those criteria, the CA should not grant the institution more than three months to restore compliance with the large exposure limit. Likewise, the guidelines provide CA with a set of criteria to determine the appropriate time that they could grant institutions to return to compliance with the large exposure limits. When an institution is granted more than three months to comply with the limits, it should present a compliance plan to the CA with a number of measures.

<u>Final draft implementing technical standards on disclosure of indicators of global systemic importance by G-SIIs</u>

- **Indicators of G-SIIs**. As set out in CRR, G-SIIs shall disclose, on an annual basis, the values of the indicators used for determining their score in accordance with the identification methodology referred to in Directive (EU) on access to the activity of credit institutions and the prudential supervision of credit institutions. To facilitate the comparability of information, the implementing technical standards shall seek to maintain consistency of disclosure formats with international standards on disclosures. In particular, it is stipulated that Institutions shall:
    - Disclose information of the indicators used in their year-end Pillar 3 report.
    - Restate and republish the information of the indicators used in their first Pillar 3 report following the final submission of the indicator values to the relevant authorities, where the submitted figures are different respect to those disclosed in the year-end Pillar 3 report.

3. Next Steps

- The Guidelines on large exposures will apply from **1 March 2022**.
- This RTS on disclosure of indicators of global systemic importance by G-SIIs shall enter into force on the **twentieth day** following that of its publication in the Official Journal of the European Union.

02/03/2021
CP on draft ITS on Pillar 3 disclosures on ESG risks

1. Context

Under the Capital requirements regulation (CRR), the EBA must develop draft implementing technical standards (ITS) specifying the requirements to disclose prudential information on environmental, social and governance risks (ESG) and climate change risks, including transition and physical risk.

In this context, the EBA has published **Consultation Paper (CP) on draft ITS on Pillar 3 disclosures on ESG risks** with the strategic objective of defining a single, comprehensive Pillar 3 framework under the CRR that should integrate all the relevant disclosure requirements.

2. Main points

This CP includes:

- **Quantitative disclosures on climate change transition risk**. Includes several templates through which institutions should show:
  - Their exposures towards non-financial corporates (NFCs) that operate in sectors that highly contribute to climate change, exposures towards fossil fuel counterparties and exposures towards counterparties that operate in other carbon related sectors.
  - Information on the energy efficiency of the underlying real estate collaterals, including loans collateralized by commercial and residential real estate, and repossessed real estate collaterals.
  - Information on their plans and potential methodology to implement disclosures on scope 3 emissions.

  When providing this information, institutions are asked to disclose quantitative data on the credit risk quality of the exposures and explain in the narrative accompanying the templates any implications that these exposures may have in terms of operational and liquidity risk for the institution.
- **Quantitative disclosures on climate change physical risk**. Includes template on Exposures in the banking book subject to climate change physical risk. This template includes information by sector of economic activity (NACE classification) and by geography.
- **Quantitative information on mitigation actions**. Includes templates with quantitative information on assets and exposures that are contributing and enabling climate change mitigation and adaptation by supporting institutions' helping them to mitigate their climate change transition and physical risks. These templates are:
  - Assets for the calculation of the Green Asset Ratio (GAR) which includes information necessary for the calculation of the GAR and other relevant KPIs.
  - GAR KPIs under which institutions shall disclose information on the percentage of their total assets covered by the GAR.
  - Other climate change mitigating actions.
- **Qualitative disclosures**. The disclosure requirements are organised by risk category: i) environmental; ii) social; and iii) governance. Under each risk category, the disclosure requirements target governance, business model and strategy, and risk management.

3. Next Steps

- Comments to this CP can be sent before **1 June 2021**.

05/03/2021
GL on money laundering and terrorist financing risk factors

1. Context

In 2015, the European Parlament (EP) and the Council published Directive on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (ML/TF). This Directive mandate the EBA to issue Guidelines addressed to both competent authorities (CA) and to credit and financial institutions on the risk factors to be considered and the measures to be taken in situations where simplified customer due diligence and enhanced customer due diligence are appropriate.

In this context, the EBA has published its **final revised Guidelines on ML/TF risk factors** which set out the factors that firms should consider when assessing the ML/TF risk and support CAs' AML/CFT supervision efforts when assessing the adequacy of firms' risk assessments and AML/CFT policies and procedures.

2. Main points

- **General Guidelines**. They are designed to equip firms with the tools they need to make informed, risk-based decisions when identifying, assessing and managing ML/TF risk associated with individual business relationships or occasional transactions. This Guidelines include key principles applicable to all firms related to:
  - Identifying ML/TF risk factors
  - Assessing ML/TF risk
  - Customer due diligence measures to be applied by all firms
  - Record-keeping
  - Training
  - Reviewing effectiveness
- **Specific Guidelines**. Complements the generic guidelines and sets out risk factors that are of particular importance in certain of specific sectors and provides guidance on the risk sensitive application of customer due diligence measures by firms in those sectors. This guidelines include the guidelines for the following firms:
  - Correspondent relationships
  - Retail banks
  - Electronic money issuers
  - Money remitters
  - Wealth management
  - Trade finance providers
  - Life insurance undertaking
  - Investment firms
  - Providers of investment funds
  - Regulated crowdfunding platforms
  - Payment initiation service providers (PISPs) and account information service providers (AISPs)
  - Firms providing activities of currency exchange offices
  - Corporate finance

3. Next steps

- These GL will apply **three months** after publication in all EU official languages.
- The deadline for competent authorities to report whether they comply with the guidelines will be **two months** after the publication of the translations.

EUROPEAN BANKING AUTHORITY

23/03/2021
CP on draft Guidelines on resolvability

1. Context

In 2016, the Financial Stability Board (FSB) published Guidance on Arrangements to support Operational Continuity in Resolution. In addition, the European Commission (EC) published the Delegated Regulation that complements regulatory technical standards (RTS) specifying the content of recovery plans and resolution plans.

In this context, the EBA has published the **consultation paper (CP) on draft Guidelines on resolvability**, which are based on existing international standards as set out by the FSB and leverage the current practices in place in the EU, in particular within the Banking Union, with the aim to complement the existing legal framework.

2. Main points

- **Minimum requirements relating to structure and operations**.
    - Operational continuity. Institutions should have operational arrangements to ensure the continuity of services supporting critical functions and core business lines needed for the effective execution of the resolution strategy and any consequent restructuring.
    - Access to Financial Market Infrastructure (FMIs). Institutions should have arrangements in place to ensure continued access to clearing, payment, settlement, custody and other services provided by FMIs.
    - Governance in resolution planning. Institutions should appoint a member of the management body that is responsible for the (internal) work on resolution planning and to ensure the implementation of the resolvability work programme.
- **Minimum requirements relating to financial resources**. Institutions should demonstrate their ability to measure and report their liquidity position at short notice and have capabilities to perform liquidity analysis of current positions at the level of material entities and of the group for material currencies.
- **Minimum requirements relating to information systems**.
    - Information systems testing. These guidelines introduce a number of requirements for institutions to be able to provide relevant information to resolution authorities in a timely manner.
    - Information systems for valuation. Institutions should have capabilities to support the timely provision of valuation data at a sufficient level of granularity of granularity to enable valuations to be performed within a suitable timeframe.
- **Minimum requirements relating cross-border issues**. Institutions should be able to provide a list of contracts concluded under third country law. This list should identify the counterparty, the obligations for the institutions and whether the contract is being exempted from contractual recognition or it has included the contractual recognition terms for bail in and stay powers.
- **Resolution implementation**. Institutions, in cooperation with resolution authorities, should demonstrate testing and operationalisation capabilities in relation to: i) bail-in execution; ii) restructuring; iii) governance; and iv) communication.

3. Next steps

- The final guidelines will be published **by first half 2021**.
- Institutions and authorities should comply in full by **1 January 2024**.

24/03/2021
CP on draft Guidelines on resolvability CP on draft revised Guidelines on recovery plans indicators

1. Context

In 2014, the European Parliament and the Council published the Bank Recovery and Resolution Directive (BRRD) which contains a mandate to the EBA to issued Guidelines to specify the minimum list of quantitative and qualitative indicators for the purposes of recovery planning. The EBA published these Guidelines in 2015.

In this context, the EBA has published a **Consultation Paper (CP) on draft revised Guidelines on recovery plans indicators** which provide additional guidance on indicators' calibration, monitoring and breaches notifications.

2. Main points

- **Requirements for the calibration of recovery indicators**. For the calibration of the indicator framework the institution should take into account, among others: i) the overall recovery capacity of available options; ii) the timeframe and complexity of the implementation of recovery options; and iii) the institution's risk management framework.
- **Actions and notifications upon breaching an indicator**. For the indicators' breaches to effectively display their warning potential, institutions should within one business day from the breach of the recovery indicator, alert institutions' management body and notify it to the relevant competent authorities.
- **Arrangements for monitoring recovery indicators**. The monitoring of recovery indicators by the institution should be set at an adequate frequency and allow for the timely submission of the indicators to the competent authorities upon request. When requested by competent authorities, institutions should be able to provide them with values of their full set of recovery indicators (breached or not) at least on a monthly basis, even if the values of the indicators have not changed.
- **Recovery indicators**. Institutions should include in the recovery plan at least the following main indicators: i) capital; ii) liquidity; iii) profitability; and iv) asset quality indicators. For capital indicators, these Guidelines include to the list, the MREL and TLAC. For liquidity indicators, it is removed the cost of wholesale funding indicator and there are included: i) the available unencumbered assets central bank's eligible; and ii) the liquidity position indicator.

3. Next steps

- Comments to this CP can be sent before **18 June 2021**.

20/01/2021

Final Report on the draft ITS under the FICOD on reporting templates for IGT and RC

1. Context

In December 2002, the European Parliament (EP) and the Council approved the Directive 2002/87/EC on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate (FICOD) in order to provide a framework regarding the solvency position and risk concentration, the intra-group transactions, the internal risk management processes, and the fit and proper character of the management at conglomerate level.

In this context, and after the consultation paper published in May 2019, the ESAs have submitted to the European Commission the **Final Report on the draft ITS under the FICOD on reporting templates for intra-group transactions and risk concentration**. The harmonisation of the intra-group transactions and risk concentration templates for conglomerates aim to align the reporting under FICOD in order to enhance supervisory convergence on group specific risks, in particular contagion risk. The draft ITS provide the foundation for the harmonisation of reporting, with one single set of templates and common definitions and instructions to fill in the templates.

Along with this draft ITS, the ESAs also issued annex I (templates on reporting on intragroup transactions) and annex II (instructions) to align the reporting under FICOD.

2. Main aspects

- **Scope and frequency**. This draft ITS establishes that:
    - Regulated entities or mixed financial holding companies may be requested by the coordinator (i.e. appointed from among the competent authorities involved) to submit information regarding significant risk concentration and significant intra group transactions more frequently than on an annual basis or to submit information on an ad hoc basis. Further, they shall ensure that the data reported are consistent with the data submitted under the requirements of the relevant sectoral legislation.
    - Corrections to the data shall be submitted to the coordinator without undue delay.
    - The coordinator, after consultation with the relevant competent authorities, shall specify the type of transactions regulated entities or mixed financial holding companies shall report.
- **Format of reporting on significant risk concen**tration. This draft ITS sets out that regulated entities or mixed financial holding companies shall submit information as specified in templates 6 to 8 of annex I (i.e. exposures by counterparties; exposure by currency, sector and country; and exposure by asset class and rating) according to the instructions of annex II. Moreover, in order to report information on how conflicts of interests and risks of contagion at the level of the financial conglomerate regarding significant intra-group transactions are managed regulated entities or mixed financial holding companies shall submit information to the coordinator.
- **Format of reporting on significant intra-group transactions**. This draft ITS establishes that regulated entities or mixed financial holding companies shall submit information as specified in templates 0 to 5 of annex I (i.e. summary; equity-type transactions, debt and asset transfer; derivatives; off-balance sheet and contingent liabilities; insurance-reinsurance; and P&L) according to the instructions of annex II.
- **Transmission**. This draft ITS sets out that regulated entities or mixed financial holding companies shall submit the above-mentioned information in the data exchange formats specified by the coordinator (e.g. it should be applied the reporting currency used for the preparation of the consolidated financial statements).

3. Next steps

- The proposed date of entry into force of the draft ITS is **1 January 2022**.

05/02/2021

Final Report on RTS on the content methodologies and presentation of disclosures under SFDR

1. Context

Following the adoption of the 2015 Paris Agreement on climate change and the United Nations (UN) 2030 Agenda for Sustainable Development, the European Commission (EC) has expressed in the Action Plan "Financing Sustainable Growth" its intention to clarify fiduciary duties and increase transparency in the field of sustainability risks and sustainable investment opportunities. Furthermore, the Sustainable Finance Disclosure Regulation (SFDR) was published in December 2019. This Regulation aims to provide greater transparency on the degree of sustainability of financial products to actually channel private investment towards sustainable investments while preventing green washing.

In this context, and after the consultation paper (CP) issued in April 2020, the ESAs have published the **Final Report on RTS on the content, methodologies and presentation of disclosures under SFDR** with the aim of strengthen protection for end-investors by improving Environmental, Social and Governance (ESG) disclosures to end-investors on the principal adverse impacts of investment decisions and on the sustainability features of a wide range of financial products. This will help to respond to investor demands for sustainable products and reduce the risk of greenwashing.

2. Main aspects

- **Entity level principal adverse impact reporting**. This RTS provides a specification for the content, methodology and presentation of the information in respect of the sustainability indicators in relation to adverse impacts on the climate and other environment-related adverse impacts in the field of social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. In particular, this draft RTS includes the following aspects:
  - A mandatory reporting template to use for the statement on considering principal adverse impacts of investment decisions on sustainability factors, as well as the actions taken and planned to mitigate these impacts.
  - A set of indicators for both climate and environment-related adverse impacts and adverse impacts in the field of social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.
  - A statement to be published where adverse impacts of investment decisions are not considered by financial market participants and advisers on their websites.
  - Requirements for financial advisers in line with their obligations.
- **Product-level pre-contractual disclosures of environmental or social characteristics and sustainable investment objectives**. This RTS set out the details of the content and presentation of the information to be disclosed at the pre-contractual level in the sectoral documentation. In particular, this draft RTS includes the following aspects:
  - A requirement to use a mandatory reporting template for the presentation of pre-contractual disclosure.
  - A list of items to be included in the reporting indicating clearly the type of product and how the environmental or social characteristic (or combination thereof) or the sustainable investment objective of the product are achieved.
  - Additional items of disclosure where the product designates an index as a reference benchmark.
  - Requirements for products making sustainable investments regarding how the product complies with the do not significantly harm principle in relation to the principal adverse impact indicators.
- **Product-level website disclosures**. This RTS set out the details of the content and presentation of information to be publicly disclosed on the website by the financial market participant. In particular, this draft RTS includes the following aspects:
  - Set out where and how the financial market participant must publish the information on the website.
  - A list of items to be included in the disclosure, focusing on the methodology employed, the data sources used, and any screening criteria employed.
  - Requirements for products making sustainable investments regarding how the product complies with the do not significantly harm principle in relation to the principal adverse impact indicators.
- **Product-level periodic disclosures**. This RTS set out the details of the content and presentation of information to be disclose. In particular, this draft RTS includes the following aspects:
  - A requirement to use a mandatory reporting template for the presentation of the periodic disclosure.
  - A list of items to be included in the reporting, focusing on the success of the product in attaining its environmental or social characteristic (or combination thereof) or sustainable investment objective.
  - Requirements for products making sustainable investments regarding how the product complies with the do not significantly harm principle in relation to the principal adverse impact indicators.

3. Next steps

- The EC is expected to endorse the RTS within. **3 months of their publication**.
- The ESAs have proposed in these draft RTS that the application date of the RTS should be **1 January 2022**.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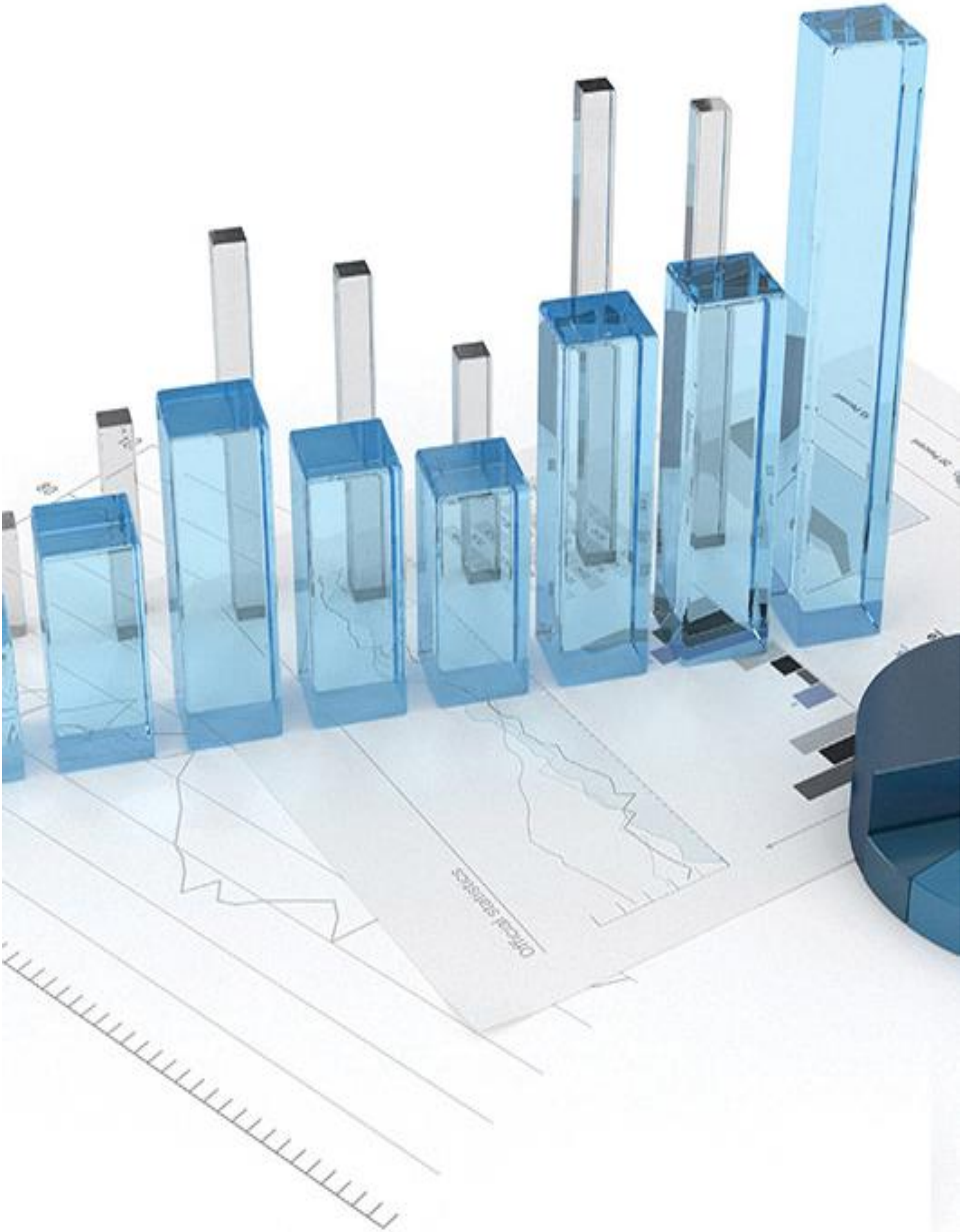
Official statistics

BANCO DE ESPAÑA
Eurosistema

03/02/2021

Consulta pública del Proyecto de circular por la que se modifica la Circular 2/2016, de 2 de febrero, a las entidades de crédito, sobre supervision y solvencia

1. Context

Royal Decree-Law 22/2018 introduced into the Spanish legal system additional macroprudential tools to address potential vulnerabilities for the financial system, so that the financial supervisory authorities could have the necessary instruments to help mitigate potential shocks with a potential systemic impact. Furthermore, Royal Decree 102/2019 includes the possibility that the BoS could adopt certain macroprudential tools: i) capital buffer requirements; ii) the establishment of limits to sector concentration; and iii) the establishment of conditions on the granting of loans and other operations. For its part, the Basel Committee on Banking Supervision (BCBS) published on November 2019 guiding principles for the operationalisation of a sectoral countercyclical capital buffer (SCCyB).

In this context, the BoS has launched the public consultation of the **draft Circular on supervision and solvency of credit institutions** with the aim of developing certain aspects of the macroprudential tools that the current legislation makes available to the BoS. Specifically, this Circular incorporates into the countercyclical buffer framework a large part of the BCBS guiding principles published in November 2019.

2. Main aspects

- **Countercyclical capital buffer**. This draft Circular regulates the establishment of the countercyclical capital buffer on one or several sectors, which represents a technical improvement of the countercyclical capital buffer by allowing its application both on all exposures and on some sectors, or even on both simultaneously. For the activation and determination of the countercyclical buffer on specific sectors, a broad set of indicators is identified with the capacity to act as early warning indicators of sectoral imbalances in Spain, correlated with increases in systemic risk in the financial system. In particular, the following categories of indicators are considered:
    - Sectoral credit volume indicators (measures of credit growth, intensity and gaps).
    - Asset price indicators (evolution and specialized imbalance measures for each sector).
    - Sectoral macro-financial imbalance indicators (indebtedness, net wealth, financing capacity or need, savings rate, and consumption and investment gaps, among others).
- **Sectoral limits on the concentration of exposures**. Two additional sectors have been added to include exposures to the financial sector in the sectoral segmentation of the credit portfolio. Sector concentration is defined in terms of the weight that such exposure has on the institution's CET1, so that an absolute limitation on exposures is not established, but depends on the institutions' resources to cover potential losses. These limits may be required for a specific sector, or for several of them jointly, and may be in force together with other macroprudential tools. The operation of this tool involves the specification of certain temporary thresholds that institutions may not exceed. To determine the risk thresholds, the BoS will take into account, among others, the following criteria:
    - The evolution of the aggregate exposure in each sector.
    - Its historical weight in the total exposure portfolio and its recent evolution.
    - Its relevance in GDP and sector value added.
    - Its weight in the aggregate CET1.
- **Establishment of conditions on the granting of loans and other transactions**. The BoS may, among other measures, set limits on the maximum indebtedness that a borrower may obtain:
    - Given the collateral provided (loan to value).
    - Considering the available income that can be used to pay its debt (debt service to income).
    - Based on the level of debt to income (debt to income).
    - Given the term to maturity of the operation.

  These limits may be activated individually or jointly, and may be in force simultaneously with other macroprudential instruments. Likewise, these limits may be different for certain groups, both in the case of individuals and legal entities. Likewise, the measures may consider a certain percentage of loans to be excluded from the limitations.

3. Next steps

- Comments to this public consultation can be submitted until **February 23, 2021**.

03/02/2021
Circular 12021 y Circular 22021

1. Context

In 2015, the BoS published Circular 8/2015 on information to determine the bases for calculating contributions to the Deposit Guarantee Fund (FGD) for credit institutions. Furthermore, in 2020, the Ministerial Order regulating revolving credit was published, which introduced a series of new features that affect both the regulation of the Central Credit Register (CIR) and the official reference interest rates.

In this context, the BoS has published **Circular 1/2021** with the aim of incorporating new regulations introduced by the Ministerial Order of revolving credit. The BoS has also published **Circular 2/2021** with the aim of introducing amendments relating to information on cash deposits and on the recording of deposits received.

2. Main aspects

Circular 1/2021

- **Amendments relating to the CIR**. Amendments are included to improve the volume and immediacy of information provided to reporting institutions to enable them to make a more robust assessment of the creditworthiness of their customers.
    - The amount of the accumulated risk of a holder in an institution is reduced from 9,000 to 1,000 euros, which will be included in the information that the BoE will return to the institutions for the assessment of their customers' solvency.
    - A maximum time limit for making return information available to reporting institutions and real estate credit intermediaries is included, which will be the 21st day of each month.
    - Payment institutions and electronic money institutions are added as reporting entities to the CIR.
    - The scope of the information to be sent to the CIR by the new reporting institutions is determined, which will coincide with the reduced reporting model that already applies to real estate lenders and credit institutions operating under the freedom to provide services.
- **Amendments in reference interest rates**. A number of changes are introduced to increase the choice of official interest rates available to institutions, both for use in lending and as a substitute in such contracts.
    - Four indices based on different maturities of the Euribor (one-week, one-month, three-month and six-month), another based on the Euro short-term rate (€STR) and any other index expressly established for this purpose by resolution of the General Secretariat of the Treasury and International Finance are added.

Circular 2/2021

- **Amendments relating to the reporting of institutions attached to the FGD**. Amendments are introduced concerning the reporting of cash deposits and the recording of deposits received.
    - The minimum frequency with which institutions and branches must update, in the detailed register of deposits received, the information relating to the balances held by investment firms in cash and cash-in-transit accounts opened at the institution or branch attached to the FGD, in the name of the investment firm on behalf of its clients, is amended.
    - The annex on Information for determining the basis for calculating contributions to the FGD is amended by the inclusion of a template including the breakdown by country of residence of branches of eligible and guaranteed deposits.

3. Next steps

- The Circular 1/2021 has come into force on the **day of its publication** in the BOE.
- The Circular 2/2021 will enter into force on **30 June 2021**.

BANCO DE ESPAÑA
Eurosistema

25/03/2021

Proyecto de circular sobre modelos de estados reservados en materia de conducta de mercado y transparencia

1. Context

In 2015, the Government published the Royal Decree on the regulation, supervision and solvency of credit institutions, which empowers the BoS to require natural or legal persons subject to its supervision, with the form and periodicity to be determined, the statements and information it deems necessary to comply with the supervisory function of the standards of conduct, transparency and customer protection.

In this context, the BoS has launched the public consultation on the draft circular on model confidential statements on market conduct, transparency and customer protection and on the register of complaints, with the aim of establishing the content and frequency of the information to be submitted.

2. Main aspects

- **Templates and criteria for the preparation and presentation of reserved statements on matters of conduct**.
    - Recognition and valuation criteria. The accounting criteria, including the recognition and valuation rules, for the preparation of the reserved statements on matters of conduct shall be those applicable in accordance with the accounting regulations applicable to each entity.
    - Sectorization of balances according to holders. A minimum sectorization scheme is included in the states reserved for households and microenterprises.
    - Compliance and filing of confidential statements on conduct matters with the BoS. Institutions may not modify the established statement models, nor suppress any of their items, which must always appear, even if they have a null value.
    - States reserved in matters of conduct. Institutions must send the BoS the reserved statements, structured in three blocks differentiated by: i) type of banking products and services, including payment products and services marketed by the institutions; ii) fees and interest income; and iii) complaints filed with the institutions.
- **Development and internal control of information on behavioral issues**. All information on marketed products and banking services, including payment services, provided to their customers must be perfectly identified in the institutions' database. Institutions shall take the utmost care in the preparation of their reserved statements, in order to avoid rectifications after they have been sent to the BoS.
- **Register of complaints available to the BoS**. Institutions must keep a register sufficient and adequate to collect all the complaints provided for in the Law on Financial System Reform Measures, received at any instance, with the data requested in the annex on the minimum information content of the Complaints Register, so that they can be made available to the BoS when required.

3. Next steps

- Comments to this public consultation can be submitted until **19 April 2021**.

12/01/2021
Real Decreto-Ley 362020 de la Administración Pública y del Plan de Recuperación

1. Context

Following the World Health Organisation's declaration of the international pandemic caused by COVID-19, the Member States of the European Union (EU) have rapidly taken coordinated emergency measures to protect the health of their citizens and prevent the collapse of the economy. In this regard, the European Council agreed on the creation of a European Recovery Instrument, which will involve 140 billion euros in transfers and loans for Spain for the period 2021-2026.

In this context, the Spanish Government has published **Royal Decree-Law 36/2020 approving urgent measures for the implementation of the Recovery, Transformation and Resilience Plan** with the aim of establishing the general provisions required to facilitate the programming, budgeting, management and implementation of actions that can be financed with European funds, in particular those coming from the European Recovery Instrument. The present royal decree law is applicable to the entities that integrate the Public Sector.

2. Main aspects

<u>Circular 1/2021</u>

- **Strategic Projects for Economic Recovery and Transformation (PERTE).** Projects of a strategic nature with a high capacity to drive economic growth, employment and competitiveness in the Spanish economy may be recognised as PERTE projects. The declaration of a project as a PERTE will be made at the proposal of the holder or holders of the department or departments responsible for the subject matter, accompanied by an explanatory report describing the planning of support and public-private collaboration measures and describing how they fit into the Plan for the Recovery, Transformation and Resilience of the Spanish Economy. The criteria for declaring a project as PERTE include:
    - To <u>combine knowledge, experience, financial resources and economic actors.</u>
    - That it has <u>an important innovative character</u> or contributes significant added value in terms of R&D&I.
    - <u>It is quantitatively or qualitatively important</u>, particularly large in size or scope, or involves a very high level of technological or financial risk.
- **State register of entities interested in PERTE**. The State Register of Entities interested in the PERTE is created under the Ministry of Finance. All the entities linked to the development of an PERTE will be registered in this register, regardless of their public or private legal nature and the way they are constituted. Registration in the register may be considered a necessary requirement to be a beneficiary of grants.
- **Common process standards for accreditation as a PERTE**. The regulation of each PERTE must include the definition and scope of the process and ensure the principles of publicity, equality and non-discrimination.
- **New technologies as management tools for the Recovery**, Transformation and Resilience Plan. The creation of a single web portal is envisaged as an instrument capable of centralising and coordinating the distribution of all the information on this Plan to the various stakeholders and agents related to it.

3. Next steps

- This Royal Decree Law has come into force on the **day of its publication in the BOE**.

17/03/2021
Real Decreto 5/2021, de medidas extraordinarias en respuesta a la pandemia de COVID-19

1. Context

The COVID-19 epidemic has caused a significant reduction in the income of many non-financial companies. In order to protect the production system and avoiding a structural impact, in the past few months different packages of measures have been adopted to support companies and the self-employed.

In this context, the Government has approved the Royal Decree-Law 5/2021, on extraordinary measures to support business solvency in response to the COVID-19 pandemic. The aim of this is to establish a framework for agile action to avoid a negative impact on public finances and the balance sheets of the financial system, as well as to avoid a negative structural impact that could hinder the recovery of the Spanish economy.

2. Main aspects

- **COVID line of direct aid to the self-employed and companies**. The self-employed and companies with registered office in Spanish territory, whose annual volume of operations in 2020 has fallen by at least 30% with respect to 2019 and whose activity is included in the National Classification of Economic Activities (CNAE) will be able to have access to direct aid. This line has an endowment of 7,000 million euros, of which 5,000 are for all the Autonomous Communities, except for the Balearic and Canary Islands, whose line is 2,000 million.
- **Line for the restructuring of COVID financial debt**. These measures are complementary to those adopted so far, such as the lines of guarantees channeled through the Official Credit Institute (ICO). The measures contained in this line, articulate 3 levels of possible action around the financing guaranteed, to reinforce business solvency:
    - An extension of the maturity terms of financing operations that have received a public guarantee.
    - Maintenance of the public guarantee in the event of the conversion of outstanding principal operations into financing operations with a public guarantee.
    - Transfers to companies and the self-employed for the reduction of guaranteed financing incurred during the pandemic.

  These aids will be financed from a new COVID financial debt restructuring line, provided with a maximum of 3,000 million euros.
- **Fund for the recapitalization of companies affected by COVID**. This fund is endowed with 1 billion euros and will provide support exclusively in the form of debt, equity and hybrid equity instruments, or a combination thereof, to non-financial companies experiencing temporary difficulties as a result of the COVID-19 pandemic.

3. Next steps

- This Royal Decree-law has entered into force **the same day that of its publication** in the Official Journal (BOE).

16/02/2021
2021 Stress Test Scenarios

1. Context

The Fed's stress tests evaluate the resilience of large banks by estimating their losses, revenues, expenses and resulting capital levels under hypothetical recession scenarios into the future, with the aim to ensure that large banks are able to lend to households and businesses even in a severe recession. In 2020, the Fed ran two separate stress tests to assess the strength of large banks. The Fed found that large banks were generally well capitalized under a range of hypothetical events.

In this context, the Fed has released the **hypothetical scenarios for its 2021 bank stress tests** which describes two supervisory scenarios (baseline and severely adverse) that the Fed will use to conduct its 2021 stress tests. This publication also details additional components (e.g. the global market shock component and the counterparty default component) that the largest and most complex firms must incorporate into the supervisory scenarios.

2. Main aspects

- **General aspects**. The scenarios start in the first quarter of 2021 and extend through the first quarter of 2024. Each scenario includes 28 variables which are the same as the set of variables provided in the last year's supervisory scenarios. The variables describing economic developments within the US include:
    - Six measures of economic activity and prices (e.g percent changes in real and nominal GDP).
    - Four aggregate measures of asset prices or financial conditions (e.g. indexes of house prices).
    - Six measures of interest rates (e.g. the rate on 3-month Treasury bills).
- **Baseline Scenario**. The baseline scenario for the US is an economic expansion over the 13-quarter scenario period. Quarterly real GDP growth averages 4 percent (annual rate) in 2021, slows to 2,5% by the end of 2022, and slows further to about 2,25% at the end of the scenario period. The unemployment rate declines gradually from 6,75% at the end of 2020 to 4,5% at the end of the scenario period. Quarterly CPI inflation is relatively steady over the 13-quarter period, ranging from 1,75% to 2,25% at an annual rate. Accompanying the economic expansion, short-term Treasury rates are assumed to gradually rise from 0% to 0,75% by the end of the scenario period.
- **Severely Adverse Scenario**. Under the severely adverse scenario, the US unemployment rate climbs to a peak of 10,75% in the third quarter of 2022, a 4 percentage point increase relative to its fourth quarter 2020 level. Real GDP falls 4% from the fourth quarter of 2020 to its trough in the third quarter of 2022. The decline in activity is accompanied by lower CPI inflation, which quickly falls to an annual rate of about 1% in the second quarter of 2021 and stays at that level for another quarter before gradually rising to 2,25% by the end of the scenario period. In line with the sharp decline in real activity, the 3-month Treasury rate remains near zero throughout the scenario.
- **Global Market Shock Component**. The global market shock is a set of hypothetical shocks to a large set of risk factors reflecting general market distress and heightened uncertainty. Firms with significant trading activity must consider the global market shock as part of their supervisory severely adverse scenario and recognize associated losses in the first quarter of the projection horizon.
- **Counterparty Default Component**. Firms with substantial trading or custodial operations will be required to incorporate a counterparty default scenario component into their supervisory severely adverse stress scenario for 2021 and recognize associated losses in the first quarter of the projection horizon. This component involves the unexpected default of the firm's largest counterparty.

22/01/2021

Stress testing the UK banking system: 2021 Key elements and stress test guidance

1. Context

Following the COVID-19 outbreak, the Bank of England (BoE) cancelled the 2020 concurrent stress test and instead undertook desktop analysis of the resilience of the UK banking sector to the unfolding stress. In December 2020, the Financial Policy Committee (FPC) judged that UK banks, in aggregate, have capital buffers that allow them to lend in, and remain resilient to, a wide range of possible outcomes for the UK and global economies. In 2021 the solvency stress test will be carried out with the aim of update and refine this assessment of the FPC.

In this context, the PRA has published the **Key elements of 2021 stress test** which will help to ensure that risks identified by supervisors of individual banks are reflected in the scenario. Moreover, the PRA has published a Guidance for participating banks for conducting their own analysis for the 2021 stress test.

2. Main aspects

Stress testing the UK banking system: key elements of the 2021 UK stress test scenarios

- **Key features of the 2021 solvency stress-test scenario**.
  - Summary of the stress-test scenario. The PRA poses a severe path for the economy in 2021–25 on top of the economic shock associated with the COVID-19 pandemic. The UK stress incorporates a second dip on top of that seen in 2020, with GDP falling sharply again at the beginning of 2021. The scenario shows cumulative UK GDP losses of 37% when combined with the shocks already seen in 2020 and incorporates large property price falls and a significant rise in unemployment. Also, the traded risk stress will be consistent with the macroeconomic scenario, but there will be no separate traded risk scenario and Banks will be assessed against known misconduct costs.
  - UK lending in the stress. An important macroprudential goal of the stress test is to help the FPC assess whether the banking system is sufficiently well capitalised to support the real economy in the face of severe adverse shocks. The importance of this goal has been particularly apparent over the course of 2020 following the outbreak of COVID-19.
  - Quantitative review. There will be two components to the 2021 exercise: i) a delivery assessment, which focuses on submission quality across the different risk areas; and ii) a review of progress addressing Bank feedback from the 2019 annual cyclical scenario (ACS) qualitative review, when participating banks were assessed against the Basel Committee on Banking Supervision stress-test principles.

Stress testing the UK banking system: 2021 guidance for participating banks and building societies

- **Banks participating in the 2021 stress test**. The 2021 stress test will cover eight major UK banks and building societies: Barclays, HSBC, Lloyds Banking Group, Nationwide, NatWest Group, Santander UK Group Holdings, Standard Chartered and Virgin Money UK.
- **Scope of consolidation**. The scope of consolidation is the perimeter of the banking group as defined by the Capital Requirements Regulation (CRR)/Capital Requirements Directive V, which includes investment banks.
- **Time horizon and reference data**. The 2021 stress test will cover a five-year horizon. Banks are expected to submit projections as at 31 December for each subsequent year-end unless agreed otherwise with the Bank.
- **Guidance on modelling risks and income**. This document provides guidance on the following aspects: balance sheet modelling, credit risk and IFRS 9, traded risk, structured finance, interest income and interest expense, other income and costs, operational risks and misconduct costs, pension risk, Foreign Exchange Rate Movements (SFX),Contingent leverage risk to the leverage ratio, and UK impact.
- **Management actions and mandatory distribution restrictions**. Banks are asked to consider what realistic strategic and business-as-usual management actions could be taken in response to the stress scenario; and should submit a description of all material business-as-usual actions.
- **Qualitative review**. In 2021 the BoE will carry out a Delivery Assessment with an additional review of firms' progress against feedback from the 2019 qualitative review.

3. Next steps

- The projections for credit impairments and credit risk-weighted assets should be submitted by participating banks and building societies to BoE by **April 2021**.
- The additional stressed projections will be submitted in June, as usual, with bank-specific results published in **2021 Q4**.

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

16/02/2021
Consultation Paper 5/21 on Implementation of Basel standards

1. Context

In response to the financial crisis of 2008, the Basel Committee on Banking Supervision (BCBS) agreed a series of reforms to the financial services regulatory framework intended to enhance the resilience of internationally active banks, known as the Basel III standards. Some of the standards were implemented into EU law and subsequently converted into UK law during the transition period for the UK's exit from the EU. However, some Basel III standards were not implemented in the EU before the end of the transition period and so remain to be implemented in the UK.

In this context, the PRA has published the **Consultation Paper (CP) 5/21 on Implementation of Basel standards** which sets out the PRA's proposed rules in respect of the implementation of Basel III in the UK through a new PRA Capital Requirements Regulations (CRR) rule instrument, which is based on the European CRR (the unchanged parts are not included in the CP).

2. Main aspects

- **Scope of application**. This CP applies to banks, building societies and investment firms.
- **Market risk**. The PRA proposes to adopt the BCBS Fundamental Review of the Trading Book, thereby updating the requirements for the trading book and on allocating positions to the trading book and the non- trading book.
- **Collective investments undertakings** (CIUs). The PRA proposes implementation of the Basel III capital requirements for firms' equity exposures to CIUs in the non-trading book. In particular, to introduce Standardised Approach and Internal Ratings Based Approach to Credit Risk (IRB).
- **Counterparty credit risk**. The Basel III standards specify that the counterparty credit risk exposures (SA-CCR) be implemented by firms that do not use the Internal Models Method (IMM) and also revise the methodology for calculating capital requirements for firms' exposures to a qualifying CCP (QCCP). The PRA proposes to implement the SA-CCR, as well as these revised standards in PRA rules.
- **Operational risk**. The PRA has identified an ambiguity in the calculation used for the Business Indicator Approach (BIA) and proposes to amend the methodology to make explicit the treatment of leasing assets.
- **Liquidity coverage ratio** (LCR). The BCBS introduced the LCR requirement to ensure that firms have an adequate stock of unencumbered liquid assets. In this sense, the PRA proposes to replicate in PRA rules the LCR requirements of the CRR and Delegated Acts with the objective of promoting firms' short-term liquidity resilience.
- **Net stable funding ratio** (NSFR). The BCBS introduced the NSFR to help ensure that firms maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. To ensure the framework remains proportionate for smaller firms, the PRA proposes to introduce a simplified NSFR for small and non-complex institutions.
- **Reporting and disclosure**. In order to maintain the continued relevance of the reporting requirements contained in the local version of COREP and FINREP, the PRA proposes to incorporate these reporting requirements into PRA rules. In addition, the PRA proposes to incorporate all Pillar 3 requirements to create a single source of disclosure requirements for UK firms.

3. Next steps

- Comments to this CP can be submitted until **3 May 2021**.

2Q Publications of the quarter
International publications

20/04/2021
- **Climate-related risk drivers and their transmission cannel**
- **Climate-related risk measurement methodologies**

1. Context

The BCBS has published the **Report on Climate-related risk drivers and their transmission channel**. This report explores how climate-related risk drivers, including physical risks and transition risks, can arise and affect both banks and the banking system via micro- and macroeconomic transmission channels. The BSBC has also published the **Report on Climate-related financial risks – measurement methodologies**. This report provides an overview of conceptual issues related to climate-related financial risk measurement and methodologies, as well as practical implementation by banks and banking supervisors.

2. Main points

<u>Climate-related risk drivers and their transmission channels</u>

- **Climate-related risk drivers**.
  - <u>Physical risk drivers</u>. The Report highlights as drivers of physical risk the changes that impact economies. They can be categorised as acute risks, which are related to extreme weather events (e.g floods, wildfires and storms, including hurricanes, cyclones and typhoons as well as extreme precipitation), or chronic risks associated with gradual shifts in climate (e.g rising sea levels, rising average temperatures, and ocean acidification).
  - <u>Transition risk drivers</u>. The Report highlights as transition risk drivers the societal changes arising from a transition to a low-carbon economy. They can arise through: i) changes in public sector policies; ii) innovation; and iii) changes in the affordability of existing technologies or investor and consumer sentiment towards a greener environment.
- **Transmission channels**. Transmission channels are the causal chains linking climate risk drivers to the financial risks faced by banks and the banking sector. Transmission channels can be classified as Microeconomic and Macroeconomic. The first ones include the causal chains by which climate risk drivers affect banks' individual counterparties, potentially resulting in climate-related financial risk to banks and to the financial system. The macroeconomic transmission channels are the mechanisms by which climate risk drivers affect macroeconomic factors and how these, may have an impact on banks through an effect on the economy in which banks operate.
- **Geographical heterogeneity, amplifiers and mitigants**. The effects of climate change may be amplified by interactions between different climate risk drivers, between different transmission channels and the climate-related aspects of amplification arising from the financial system itself.
  - <u>Geographical heterogeneity</u> is driven by several factors: i) differences in the likelihood and severity of climate risk drivers themselves; ii) structural differences in economies; and iii) markets that affect the relative importance of various transmission channels.
  - <u>The impacts of the climate-related financial risks can be amplified in a number of ways</u>. This includes through interactions and interdependencies between climate risk drivers, through feedback of financial risks, and through the combined impact of risk drivers transmitted through more than one channel.
  - <u>Financial mitigants</u> can moderate or offset banks' exposure to climate-related financial risks through both proactive and reactive actions.

<u>Climate-related financial risks – measurement methodologies</u>

- **Methodological considerations**. It reviews the methodological concepts that financial institutions and supervisors face when conducting exposure mapping and measurement of climate-related financial risks:
  - <u>Conceptual considerations</u>.
  - <u>Types of data needed</u>.
  - <u>The role and characteristics of a microprudential climate risk classification</u>.
  - <u>Conceptual modelling and risk measurement approaches</u>.
  - <u>Characteristics of scenario analysis and stress testing methodologies</u>.
- **Measurement methodologies of climate-related financial risks**. It presents measurement methodologies of climate-related financial risks being used or developed by either banks or supervisors. It first discusses methodologies used to map and measure exposure to climate-related financial risks and then elaborates on the methodologies used to quantify climate-related financial risks, scenario analysis, stress testing and sensitivity analysis. Measurement methodologies are discussed separately for banks, supervisors and third parties, though these respective approaches share many similarities and overlaps. However, they may differ in terms of objectives.
- **Areas for future analytical exploration**. It discusses some of the more prominent areas for future analytical exploration and development outlined in this report, for both risk exposure monitoring and forward-looking assessment methodologies. Particular attention is given to three key elements: i) challenges in the conceptual sphere, ii) data availability; and iii) modelling complexity.

10/06/2021
Climate scenarios for forward looking climate risks assessment

1. Context

On June 2020, the NGFS published a Guide to climate scenario analysis for central banks and supervisors which provides practical advice on using scenario analysis to assess climate risks to the economy and financial system. The scenario analysis can be used to stress test financial firms and the financial system and to explore structural changes to the economy.

In this context, the NGFS has published a new **set of climate scenarios** which provide a framework to assess and manage the future financial and economic risks that changes to our climate might bring.

Main points

- **Climate scenarios**. The NGFS explore a set of six scenarios:
  - Net Zero 2050. Limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO_2 emissions around 2050.
  - Below 2°C. Gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.
  - Divergent Net Zero. Reaches net zero around 2050 but with higher costs due to divergent policies introduced across sectors leading to a quicker phase out of oil use.
  - Delayed transition. Assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C.
  - Nationally Determined Contributions (NDCs). Includes all pledged policies even if not yet implemented.

  Current Policies. Assumes that only currently implemented policies are preserved, leading to high physical risks.
- **Transition risks, physical risk and economic impacts indicators**. Scenarios are characterised by their overall level of transition and physical risk.
  - Transition risks. Eliminating most greenhouse gas emissions will affect all sectors of the economy, and gives rise to transition risks for the economy and financial system. key indicators of the level of transition risk are the shadow emissions price, government policy intensity and changes in technology and consumer preferences.
  - Physical risks. These risks affect the economy through: i) temperature rise; ii) precipitation; iii) heat and labour productivity; iv) crop yields and food security; v) gross domestic product (GDP) loss estimates from chronic risks; vi) exposure to severe weather; and vii) direct losses from tropical cyclones.
  - Economic impacts. The NGFS scenarios capture the economic impacts from transition risk and physical risk. Transition risks are captured through these main channels: i) energy; ii) policy; and iii) uncertainty. While there is a high degree of uncertainty around the impacts from physical climate risk on the economy.

3. Next steps

- The NGFS will continue to develop the scenarios to make them more comprehensive, with the aim to be as relevant as possible for economic and financial analysis.

International Accounting Standards Committee Foundation®

01/06/2021
Exposure Draft Management Commentary

1. Context

The IASB published in 2010 the Management Commentary which is a report that complements an entity's financial statements. It provides management's insights into factors that have affected the entity's financial performance and financial position and factors that could affect the entity's ability to create value and generate cash flows in the future. Since 2010, the information needs of investors and creditors have evolved.

In this context, the IASB has published a **proposed framework for companies preparing management commentaries** which would enable entities to bring together in one place the information investors need to assess an entity's long-term prospects.

2. Main points

- **Management commentary**. The following areas of content are included in the management commentary proposed:
    - Business model. Management commentary shall provide information that enables investors and creditors to understand how the entity's business model creates value and generates cash flows. Also, among the metrics that management uses to monitor key features the scale of the entity's operations, such as its production capacity, stands out.
    - Strategy. Management commentary shall provide information that enables investors and creditors to understand management's strategy for sustaining and developing the entity's business model. Among the metrics management uses to monitor key aspects of that strategy, it stands out the progress towards long-term aims.
    - Resources and relationships. Management commentary shall provide information that enables investors and creditors to understand the resources and relationships on which the entity's business model. Among the metrics the quantity of a resource used during the reporting period stands out.
    - Risks. Management commentary shall provide information that enables investors and creditors to understand the risks of events or circumstances that could disrupt: i) the entity's business model; ii) the management's strategy for sustaining or developing that model; and iii) the entity's resources or relationships. Among the metrics, the entity's exposure to a risk stands out.
    - External environment. Management commentary shall provide information that enables investors and creditors to understand how the entity's external environment has affected the entity's business model and the entity's resources or relationships. Among the metrics, the factors and trends such as, external market share statistics stands out.
    - Financial performance and financial position. Management commentary shall focus on key aspects of the entity's financial performance and financial position. Among the metrics, amounts presented in the entity's financial statements, such as line items, totals and subtotals stands out.

3. Next steps

- Comments to this proposal can be sent before **23 November 2021**.

06/05/2021
Guidance on liquidity and funding in resolution

1. Context

In April 2020, the SRB published the document Expectations for Banks that sets out the capabilities the SRB expects banks to demonstrate in order to show that they are resolvable. As outlined in this document, Banks are expected to develop methodologies to estimate ex-ante the liquidity needs for the implementation of the resolution strategy. Also, banks are expected to be able to measure, report and forecast their liquidity position, and be able to identify and mobilise assets that could be used as collateral to obtain liquidity in resolution anticipating any legal, regulatory and operational obstacles.

In this context, the SRB has published the **Guidance on liquidity and funding in resolution** which focuses on the estimation of liquidity needs, and aims to enhancing banks' resolvability and preparedness for a potential resolution.

2. Main points

- **Identification of key liquidity entities and main liquidity flows in resolution**. Banks are expected to identify their key liquidity entities (KLEs) in resolution and to explain why these entities are expected to be relevant for liquidity in resolution, or not. Banks should ensure that the scope of KLEs analysis comprises: i) all relevant legal entities within the meaning of the liability data reporting (LDR) guidance; and ii) other entities or organisational forms that could be relevant for liquidity in resolution, such as significant branches especially outside of the Euro Area, insurance and re-insurance companies. Based on the identified KLEs, banks are expected to provide an analysis/map of the liquidity and funding set-up for the group in resolution.
- **key drivers of the liquidity position in resolution**. Banks are expected to provide a list of key drivers of the liquidity position in resolution at the level of the resolution group and at the level of the main KLEs, under different time horizons. The objective of this assessment is to perform a qualitative identification of the drivers of liquidity in resolution, where banks should describe the liquidity dynamics that could arise in resolution.
- **Methodologies for the estimation of the liquidity position in resolution**. Banks are expected to develop methodologies to estimate ex ante, under different assumptions, the liquidity and funding needed for the implementation of the resolution strategy, for that banks are expected to develop: i) impact of the resolution strategy and of the resolution tools; ii) counterparties' behaviour in resolution; iii) financial obligations related to access to critical Financial Market Infrastructure (FMIs); iv) intraday liquidity needs; v) financial obligations related to operational continuity; vi) impact of rating agencies' actions; vii) liquidity value of different asset classes; viii) legal, regulatory and operational obstacles to the transferability of liquidity between KLEs; ix) legal and operational obstacles to pledge available collateral in a timely manner; and x) contractual suspension or termination that counterparties may exercise.

EUROPEAN COMMISSION

27/04/2021

- **EU Taxonomy Climate Delegated Act**
- **Proposal for a Corporate Sustainability Reporting Directive (CSRD)**
- **Amending Delegated Acts on sustainability preferences, fiduciary duties and product governance.**

1. Context

The EC published in 2019 the European Green Deal, which sets out a series of climate and energy targets for 2030, and contains a commitment for Europe to become climate neutral by 2050. Furthermore, in 2020 the EC published the Taxonomy Regulation which provides uniform criteria for companies and investors to determine which economic activities can be considered environmentally sustainable. The Taxonomy creates a common language that investors can use everywhere when investing in projects and economic activities that have a substantial positive impact on the climate and the environment. Furthermore, this Regulation requires financial and non-financial entities covered by the Non-Financial Reporting Directive (NFRD) to include information in their non-financial reporting statements on how, and to what extent, their activities are associated with environmentally sustainable economic activities.

In this context, the EC has published the **EU Taxonomy Climate Delegated Act** which support sustainable investment by making it clearer which economic activities most contribute to meeting the EU's environmental objectives. Furthermore, the EC has published a proposal for a **Corporate Sustainability Reporting Directive** which will allow financial firms, investors and the broader public to use comparable and reliable sustainability information. Finally, it has published six amending **Delegated Acts on fiduciary duties on fiduciary duties, investment and insurance advice**, will ensure that financial firms, include sustainability in their procedures and their investment advice to clients.

2. Main points

<u>EU Taxonomy Climate Delegated Act</u>

- **Conditions and climate criteria**. This Delegated Regulation contains the technical screening criteria for determining the conditions under which an economic activity qualifies to climate change mitigation. These criteria should ensure that the economic activity makes a positive impact on the EU's climate objective or reduces negative impact on this objective. In this regard, the EC outlines the criteria that should be taken into account within the main sectors with the greatest potential for achieving these climate objectives:
  - <u>Forest sector</u>. Technical screening criteria for forest activities should be complemented, reviewed to take better into account biodiversity friendly practices.
  - <u>Manufacturing sector</u>. The criteria for this sector should be specified both for manufacturing activities associated with the highest levels of greenhouse gas emissions and for manufacturing of low-carbon products and technologies.
  - <u>Energy sector</u>. The technical screening criteria for this sector should signal the decarbonisation path for the electricity or heat generation activities to ensure that the greenhouse gas emissions are reduced or avoided.
  - <u>Building sector</u>. The criteria should therefore be laid down for the construction of new buildings, for building renovation, installation of different energy efficiency equipment, on-site renewables, provision of energy services, and for the acquisition and ownership of buildings.
  - <u>Information and communication sector</u>. The criteria should be laid down for data processing and hosting activities that emit high volumes of greenhouse gas, and for data-driven solutions that enable reductions in greenhouse gas emissions in other sectors.
  - <u>Research, development and innovation sector</u>. The criteria for these activities should focus on the potential of processes and technologies for reducing greenhouse gas emissions.
  - <u>Other economic activities</u>. The criteria for determining whether an economic activity contributes substantially to climate change adaptation should be laid down for engineering activities and related technical consultancy dedicated to adaptation to climate change, research, development and innovation, non-life insurance consisting in underwriting of climate-related perils, and reinsurance.
- **Significant environmental harm**. The EC determines the technical screening criteria for determining whether an economic activity causes no significant harm to one or more of the environmental objectives:
  - <u>Use and protection of water and marine resources</u>. The criteria should aim at avoiding that activities are detrimental to the status of bodies of water or the status of marine waters.
  - <u>Pollution prevention and control</u>. The criteria should reflect sector specificities to address the relevant sources and types of pollution into air, water or land.
  - <u>Protection and restoration of biodiversity and ecosystems</u>. The criteria should be specified for all activities that can pose risks to the status or condition of habitats, species or ecosystems and should require that environmental impact assessments or appropriate assessments are undertaken and the conclusions achieved from such assessments are implemented.

2. Main points (cont.)

Proposal for a Corporate Sustainability Reporting Directive (CSRD)

- **Amendments to the Directive on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings**.
  - It modifies the personal scope of the reporting requirements, extending their application to all large companies and all companies with securities listed on EU regulated markets, except micro-companies. In order to alleviate the reporting burden for listed small and medium-sized enterprises, they are to start reporting in accordance with this Directive 3 years after its entry into application.
  - It specifies in greater detail the information that companies should disclose.
  - It specifies that companies should report qualitative and quantitative information, forward-looking and retrospective information,
  - requires the statutory auditor to perform a limited assurance engagement on a company's sustainability reporting, including on the compliance of the sustainability reporting with the reporting standards.
- **Amendments to Directive on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market**. It introduces the requirement to include sustainability reporting in the management report. Furthermore, empower the Commission to adopt measures to establish a mechanism for the determination of the equivalence of sustainability reporting standards used by non-EU issuers.
- **Amendments to Directive on statutory audits of annual accounts and consolidated accounts**.To ensure that all information is published as part of companies' management reports, and disclosed in a digital, machine-readable format.

Amending Delegated Acts on sustainability preferences, fiduciary duties and product governance

- **The changes introduces in the three áreas are highlighted**.
  - Investment and insurance advice. When an adviser assesses a client's suitability for an investment, they now need to discuss the client's sustainability preferences.
  - Fiduciary duties. Amendments clarify the obligations of a financial firm when assessing its sustainability risks, such as the impact of floods on the value of investments.
  - Investment and insurance product oversight and governance. Manufacturers of financial products and financial advisers will need to consider sustainability factors when designing their financial products.

23/04/2021
Proposal for a Regulation on a European approach for Artificial Intelligence

1. Context

For years, the Commission (EC) has been facilitating and enhancing cooperation on Artificial Intelligence (AI) across the EU to boost its competitiveness. In 2020, the EC published the White Paper on AI which sets out policy options on how to achieve the twin objective of promoting the uptake of AI and of addressing the risks associated with certain uses of such technology. The White Paper was accompanied by a 'Report on the safety and liability implications of Artificial Intelligence, the Internet of Things and robotics' concluding that the current product safety legislation contains a number of gaps that needed to be addressed.

In this context, the EC has published the **Proposal for a Regulation on a European approach for AI** which aims to implement the development of an ecosystem of trust by proposing a legal framework for AI.

2. Main points

- **Scope of application**. This Regulation applies to: i) providers placing on the market or putting into service AI systems in the EU, irrespective of whether those providers are established within the EU or in a third country; ii) users of AI systems located within the EU; and iii) providers and users of AI systems that are located in a third country, where the output produced by the system is used in the EU.
- **Classification of AI practices**. The regulation follows a risk-based approach, differentiating between uses of AI that create: i) an unacceptable risk; ii) a high risk; and iii) low or minimal risk.
    - Prohibited AI practices. The prohibitions covers practices that have a significant potential to manipulate persons through subliminal techniques beyond their consciousness or exploit vulnerabilities of specific vulnerable groups.
    - High risk AI systems. The classification of an AI system as high-risk is based on the intended purpose of the AI system, in line with existing product safety legislation. The classification rules and identifies two main categories of high-risk AI systems: i) AI systems intended to be used as safety component of products that are subject to third party ex-ante conformity assessment; and ii) other stand-alone AI systems with mainly fundamental rights implications.
- **Transparency obligations**. Transparency obligations will apply for systems that: i) interact with humans; ii) are used to detect emotions or determine association with (social) categories based on biometric data; or iii) generate or manipulate content ('deep fakes').
- **Measures in support of innovation**. National Competent Authorities are encourage to set up regulatory sandboxes and sets a basic framework in terms of governance, supervision and liability.
- **Governance**. At national level, Member States will have to designate one or more national competent authorities and, among them, the national supervisory authority, for the purpose of supervising the application and implementation of the regulation.
- **Codes of conduct**. Providers of non-high-risk AI systems may create and implement the codes of conduct themselves. Those codes may also include voluntary commitments related, for example, to environmental sustainability.

3. Next Steps

- This Regulation shall enter into force on the **twentieth day** following that of its publication in the Official Journal of the EU.

13/05/2021
Regulation establishing the Digital Europe Programme

1. Context

The Tallinn Digital Summit of September 2017 and the Conclusions of the European Council of October 2017 indicated the need for the Union to invest in digitising its economies and addressing the skills gap to maintain and enrich European competitiveness and innovation. In February 2018, the European Commission (EC) published a Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020 which outlines a programme for Europe's digital transformations to deliver strong progress towards smart growth in areas such as high-quality data infrastructure, connectivity and cybersecurity.

In this context, the EP and the Council have published the **Regulation establishing the Digital Europe Programme** laying down a financial envelope for the Programme for the period 2021-2027. The general objectives of the Programme should be to support the digital transformation of industry and to foster better exploitation of the industrial potential of policies on innovation, research and technological development, for the benefit of citizens and businesses across the EU.

2. Main points

- **Objectives and budget**. The Programme shall have five interrelated specific objectives: i) the high performance computing; ii) the artificial intelligence; iii) cybersecurity and trust; iv) advanced digital skills; and v) deployment and Best Use of Digital Capacity and Interoperability. The financial envelope for the implementation of the Programme shall be 7,588 million euros distributed for each of the objectives.
- **Eligibility**. The following legal entities will be eligible to participate in the Programme: i) established in a Member State or an overseas country or territory linked to a Member State; or ii) established in a third country associated to the Programme.
- **Grants**. The award criteria shall take into account: i) the maturity of the action in the project development; ii) the soundness of the implementation plan proposed; and iii) the need to overcome financial obstacles such as a lack of market finance.
- **Blending Operations and other combined funding**. Blending operations under the Programme shall be carried out in accordance with Regulation establishing the InvestEU. An action that has received a contribution from another EU programme, including funds under shared management, may also receive a contribution under the Programme, provided that the contributions do not cover the same costs.
- **Programming, monitoring, evaluation and control**. The EC shall establish a methodology to provide for indicators for accurately assessing progress made towards the achievement of the general objectives. Evaluations of the Programme shall contain a qualitative assessment of the progress made towards the achievement of these general objectives.
- **Delegated acts**. The power to adopt delegated acts is conferred to the EC in relation to the technical description of the Programme and in relation to measurable indicators to monitor the implementation and to report on the progress of the Programme towards the achievement of its specific objectives.

3. Next Steps

- This Regulation shall enter into force on the day of its publication in the Official Journal of the EU.

EUROPEAN CENTRAL BANK
EUROSYSTEM

22/04/2021
Results of its targeted review of internal models (TRIM)

1. Context

The ECB, in cooperation with the National Competent Authorities (NCAs) launched in 2016 the targeted review of Internal Models (TRIM). The TRIM aimed to assess whether the Pillar I internal models used by significant institutions (SIs) within the Single Supervisory Mechanism (SSM) are appropriate in the light of the applicable regulatory requirements and whether their results are reliable and comparable.

In this context, the ECB has published the **Results of its targeted review of Internal Models (TRIM)**. This report is based on the final outputs of TRIM and contains a summary of the project's key activities.

2. Main points

Observations and findings. The following main weaknesses were identified for the different types of risk:

- **Credit risk models related to retail and small and medium enterprise (SME) portfolios**. Institutions generally have the capabilities to build adequate IRB models. More specifically, for the probability of default (PD) parameter, more than 70% of investigations ended without severe findings on the calculation of one-year default rates and the long-run average default rate (LRA DR).
- **Credit risk models related to low-default portfolios**. They were identified findings in relation to the rating assignment process and risk quantification. Most deficiencies concern the calibration methodology and the calculation of long-run average default rates. One of the reasons for these deficiencies is that there are considerably fewer internal observations available for this type of portfolio (when compared with retail and SME portfolios), which means that institutions have to make greater use of other observations (e.g. external default data) in order to calculate default rates and, subsequently, PDs.
- **Market risk**. The greatest number of findings related to the value-at-risk (VaR) and stressed value-at-risk (sVaR) methodology, regulatory back-testing and the scope of the internal models approach (IMA). The majority of finding in relation to VaR and sVaR concerned shortcomings in data cleansing processes, cases where risk factors were missing or inadequately modelled and inadequate pricing methods for particular products in the VaR model.
- **Counterparty credit risk**. validation and governance were the topics with the highest number of findings. There were also findings on specific modelling topics such as trade coverage, the margin period of risk, collateral, initial margin, and risk factors and calibration. In relation to validation, some weaknesses were related to back-testing owing to inappropriate coverage or lack of follow-up action.

Outcomes. Overall, the outcomes of the TRIM confirmed that banks can continue to use internal models to calculate risk-weighted assets. However, limitations were needed to ensure a level of own funds as well as certain weaknesses to be addressed. In the future, banks will need to continue to invest in high-quality models. For that purpose, it is particularly important that banks further strengthen their internal validation function.

EUROPEAN CENTRAL BANK
EUROSYSTEM

17/06/2021
Draft Guide to fit and proper assessments

1. Context

Since November 2014 the ECB has been responsible for taking decisions on the appointment of all members of the management bodies of the significant credit institutions under its direct supervision. In this regard, the ECB published a Guide to fit and proper assessment in May 2017, and its revised version one year later with the aim to explain in greater detail the policy stances, supervisory practices and processes applied by the ECB when assessing the suitability of members of the management bodies of significant credit institutions.

In this context, the ECB has launched a public consultation on the revised version of its **Guide to fit and proper assessments**. The revised Guide introduces definitions, changes to the criteria (both qualitative and qualitative) and to the calculation of total remuneration. In addition, introduces supervisory expectations on climate and environment-related risks and explains the ECB's approach to diversity.

2. Main points

- **Scope**. This Guide covers fit and proper assessments of members of the management body, both in their management function (executives) and supervisory function (nonexecutives) of all significant institutions; and in the case of licensing or qualifying holdings.
- **Assessment criteria**. The fitness and propriety of members of the management body is assessed against 5 criteria:
    - Experience. It is assessed with reference to the number of years of experience and the level of managerial experience. The assessment uses information on previous positions, taking into account the length of service, size of the entity, responsibilities held, and number of subordinates among others.
    - Reputation. An appointee is considered to be of good repute if there are no objective and demonstrable grounds to suggest otherwise. Nonetheless, relevant criminal or administrative records are taken into account for the assessment of good repute, honesty and integrity.
    - Conflicts of interest and independence of mind. The supervised entity and the appointee should notify the Competent Authority (CA) of any conflicts of interest. Furthermore, the CA will assess the materiality of the conflict of interest. Conflicts of interest can be: i) personal; ii) business, professional or commercial; iii) financial; and iv) political.
    - Time commitment. The institution should provide all relevant and necessary details that enable the CA to assess whether the appointee has sufficient time to commit to the mandate, to do so, they must provide a minimum set of information.
    - Collective suitability. The institution must carry out an assessment of the collective suitability of the management body. An effective collective suitability will include an appropriate understanding for example of the business of the credit institution, climate-related and environmental risk or gender diversity.
- **Fit and proper-related authorisations**. CAs may authorise members of the management body to hold one additional non-executive directorship. Holding such an additional directorship should be the exception rather than the rule.
- **Situations that trigger a fit and proper assessment other than new initial appointments**. Make reference to changes of role, renewals, departures from office and reassessments.
- **Interviews**. Interviews are one of the tools used in the information gathering phase. In this regard:
    - Interviews are mandatory in the case of new appointments for CEO and Chairman positions at stand-alone banks and the top banks of groups, and in all other cases interviews are optional.
    - An informative interview covers all elements of suitability and if there are still concerns after this interview, a second specific interview focusing on the facts that gave rise to the concerns may be conducted.
- **Notifications, decisions and ancillary provisions**. The ECB invites institutions to provide the ECB with their suitability assessments for executive members of the management body before making appointments. Furthermore, the ECB has the power to include recommendations, conditions and/or obligations in relation to an appointee.

3. Next steps

Comments to this consultation can be submitted by **2 August 2021**.

09/04/2021
Report on the review of transaction and reference data reporting obligations

1. Context

MiFIR requires the European Commission (EC), after consulting ESMA, to present a report to the European Parliament and the Council to assess the functioning of the transaction reporting regime. In September 2020, the ESMA published a Consultation Paper (CP) on the review report on the obligations to report transactions and reference data.

In this context, the ESMA has published the **Final Report on the review of transaction and reference data reporting obligations** which contains recommendations and possible legislative amendments to MiFID II/MiFIR with a view to simplifying the current reporting regimes whilst ensuring quality and usability of the reported data.

2. Main points

- **Recommendations on entities subject to transaction reporting and arrangements for sharing reports**.
  - Alternative Investment Fund Managers (AIFMD) and Undertakings for Collective Investment in Transferable Securities (UCITS) firms. In order to ensure data completeness for market abuse investigations and to ensure a level playing field for market participants, UCITS management companies and AIFMs providing one or more MiFID services to third parties should be subject to transaction reporting.
  - Branches of European Economic Area (EEA) Entities. ESMA's intention is that firms report transactions, in which a branch is involved, to the home NCA only.
  - Arrangements for sharing reports. ESMA considers that provisions which refers to the arrangements for sharing reports should be accompanied with a more general reference to the possibility for NCAs to share the information received.
- **Scope of instruments subject to reporting obligations**.
  - Concept of Traded on a Trading Venue (ToTV).This concept seems to be self-explanatory for instruments that are centrally issued and that are fully standardised, such as shares, but it is less straightforward for OTC derivatives. As a result, ESMA considers that its proposal should be retained and a different criterion to define which OTC instruments should be brought into the scope of the relevant transparency and reporting obligations.
  - Scope of reference data: merging provisions of Market Abuse Regulation (MAR) into MiFIR.
- **Details to be reported**.
  - Trading Venue Transaction Identification. ESMA believes it would be beneficial to explore an alternative solution to the linking of SI transactions as well as transaction chains that limits the burden on the industry and on NCAs.
  - The identifiers to be used for parties. On client identifiers, ESMA confirms that investment firms are expected to provide details and decision maker pertaining to their own clients and the clients of any firm that would have transmitted an order for execution. On client categorisation, ESMA is of the view that the information is relevant to monitor the distribution of particularly complex financial instruments. Regarding the short sale indicator, ESMA considers that its proposal to remove it should be retained.
  - A designation to identify the computer algorithms and a short sale. ESMA retains its recommendation of keeping this data element.
  - Indicators for waivers, OTC post-trade deferrals, commodity derivatives, Buy – back programs. ESMA considers that the proposal to extend the obligation to transactions in non-equity instruments executed on an Systematic Internaliser (SI) should not be retained. Regarding the proposal on OTC post-trade indicator and the commodity derivative indicator, ESMA considers that it should be retained.
- **Interaction with the reporting obligations under EMIR**. ESMA considers that its proposals should be retained and some of the provisions on the obligation to report operations to the competent authority should be deleted.
- **Legal Entity Identifier (LEI) of the issuer of the financial instrument**. ESMA proposes that, market operators should not make financial instruments available for trading based on their own particular trading rules until they have obtained all relevant instruments' reference data (including the issuer's LEI).

3. Next steps

- This report is submitted to the EC and is expected to feed into any review of the transaction reporting regime in MiFIR.

11/05/2021
2021 insurance stress test

1. Context

The EIOPA started to run Insurance Stress Test in 2011. Since then, further stress test have been conducted in 2014, 2016 and 2018 with the overall objective of assessing the resilience of the European insurance industry against adverse market developments. EIOPA tailors the goal, scope and scenarios of each exercise according to the foreseen evolutions in market conditions and their potential negative implications for insurers.

In this context, the EIOPA has launched the **2021 stress test exercise** which aims to assess the resilience of the participants to the adverse scenarios by a capital and liquidity perspective in order to provide supervisors with information on whether these insurers are able to withstand severe but plausible shocks.

2. Main points

- **Sample**. The stress test will be conducted on a target sample defined in cooperation with the National Competent Authorities (NCAs) encompasses 44 undertakings covering 75% of the EU-wide market based on total assets in the Solvency II.
- **Methodology**. The reference date is 31 December 2020 and the principal components of the methodology are:
  - Capital component. The capital component relies on the Solvency II framework as common ground for the assessment of the resilience of the insurance industry against adverse developments.
  - Liquidity component. The methodological approach to the assessment of the baseline and post stress liquidity position is based on a hybrid stocks / flows assessment of the liquidity sources and liquidity needs. Liquid assets will be estimated both in the baseline and in the post -stress position via liquidity haircuts automatically applied to the different asset classes.
  - Simplifications and approximations. In the recalculation of the post stress balance sheet and liquidity position, simplifications/approximations can be allowed within certain limits and provisions. The use of simplifications shall be implemented after a discussion with the group supervisor.
  - Management actions. The post-stress capital and liquidity positions should be calculated under two different assumptions: i) the fixed balance sheet (without reactive management actions); and ii) the constrained balance sheet (with reactive management actions).
- **Scenario, shocks and their application**. The exercise encompasses a set of insurance shocks:
  - Market shocks. These shocks are assumed to represent one-off, instantaneous and simultaneous shifts in asset prices relative to their end-2020 levels. The market stress parameters refer to the following risk drivers: i) swap rates; ii) sovereign bond yields; iii) corporate bond and covered bond yields; iv) equity prices; v) real estate prices; vi) residential mortgage-backed securities yields; and vii) other asset prices.
  - Insurance specific shocks. These insurance shocks are applied to specific business lines: i) mass lapse chock; ii) mortality shock; iii) pandemic morbidity shock and increase of non-life cost of claims; iv) shock to reinsurance in-flows; and v) reduction in written premia.

3. Next steps

- The deadline for the submission of the results to the National Authorities is the **13 August 2021**.
- The outcome of the 2021 stress test will be published in **December 2021**.

25/06/2021
Report on Artificial Intelligence Governance Principles

1. Context

The EIOPA established the Consultative Expert Group in 2019, as a follow-up of its thematic review on the use of Big Data Analytics in motor and health insurance, with a mandate to examine Artificial Intelligence (AI) in insurance from an ethical perspective. On the other hand, as data has become a valuable resource and as technology has advanced and enabled the use of AI to gain more insight into consumer behaviour, the EIOPA recognises that insurance companies address the wider implications of the use of AI to ensure fairness and good consumer outcomes.

In this context, the EIOPA has launched the **Report on AI Governance Principles** to promote an ethical and trustworthy AI in the European insurance sector. In addition to setting out principles, the Report provides guidance to insurers on how to implement key principles throughout the lifecycle of an IA application.

Main points

- **AI use case impact assessment**. Insurance firms should conduct an AI use case impact assessment in order to determine the governance measures required for a specific AI use case. The AI impact assessment helps insurance firms understand the potential outcome of AI use cases and subsequently, determine in a proportionate manner the mix of governance measures necessary to implement ethical and trustworthy AI systems within their organizations.
- **Fairness and non-discrimination**. Insurance firms should adhere to principles of fairness and non-discrimination when using AI and should be aware of:
    - Financial inclusion issues.
    - Ways to avoid reinforcing existing inequalities.
    - Assess and develop measures to mitigate the impact of rating factors and avoiding the use of certain types of price and claims optimisation practices.
    - Fair use of data which respects the principles of human autonomy by developing AI systems that support consumers in their decision-making process.
    - Monitor and mitigate biases from data and AI systems.
    - Use more explainable algorithms.
    - Develop fairness and non-discrimination metrics in high-impact AI applications.
- **Transparency and explainability**. Insurance firms should use explainable AI models. Insurance firms should transparently communicate the data used in AI models to consumers and ensure that they are aware that they are interacting with an AI system and its limitations.
- **Human Oversight**. Insurance firms should assign and document clear roles and responsibilities for the staff involved in AI processes. It is also important that insurance firms assess the impact of AI on the work of employees and provide staff with adequate training.
- **Data governance of record keeping**. Insurance firms should ensure that data used in AI systems is accurate, complete and appropriate and they should apply the same data governance standards regardless of whether data is obtained from internal or external resources.
- **Robustness and Performance**. Insurance firms should use robust AI systems taking into account their intended use and the potential to cause harm.

15/06/2021
Revised Guidelines on major incident reporting under PSD2

1. Context

In November 2015, the European Parliament and the Council published the revised Payment Services Directive (PSD2). PSD2 confers on the EBA the mandate to develop, in close cooperation with the European Central Bank (ECB), Guidelines addressed to payment service providers (PSPs) on the classification and notification of major operational or security incidents, and to competent authorities (CAs) on the criteria to assess their relevance and the details to be shared with other domestic authorities. In this sense, in 2017, the EBA published Guidelines on the incident reporting under PDS2, that must be revised every 2 years.

In this context, the EBA has published the revised **Guidelines on major incident reporting under the PSD2** which specify the criteria to be used for the classification of major operational or security incidents by PSPs. This revised Guidelines introduce changes to some of the original classification criteria, simplify the submission of an incident report, and introduce a standarised file for the submission of the incident report.

2. Main points

- **Guidelines addressed to PSPs on the notification of major operational or security incident to the CA in their home Member State**.
    - Classification as a major incident. PSPs should classify as major those operational or security incidents that fulfil one or more criteria at higher impact level or three or more criteria at lower impact level.
    - Notification process. PSPs should: i) submit an initial report to the CA in the home Member State after an operational or security incident has been classified as major. PSP should classify the incident the incident has been detected but no later than 24 hours after the detection of the incident; ii) submit the intermediate report when regular activities have been recovered and business is back to normal, informing the CA of this circumstance; iii) submit a final report when the root cause analysis has taken place.
    - Delegated and consolidated reporting. PSPs wishing to delegate reporting obligations under PSD2 to a third party should inform the CA in the home Member State and ensure the fulfilment of certain conditions.
    - Operational and security policy. PSPs should ensure that their general operational and security policy clearly defines all the responsibilities for incident reporting under PSD2.
- **Guidelines addressed to CAs on the criteria for assessing the relevance of the incident to be shared with other domestic authorities**.
    - Assessment of the relevance of the incident. CAs in the home Member State should assess the relevance of a major operational or security incident to other domestic authorities, using certain criteria as primary indicators of the incident. For example, the field of competence.
    - Information to be shared. CAs should provide information about major operational or security incidents to the relevant domestic authorities identified.
- **Guidelines addressed to CAs on the criteria for assessing the relevant details of the incident reports to be shared with the EBA and the ECB**.
    - Information to be shared. CAs should always provide the EBA and the ECB with all reports received from payment service providers affected by a major operational or security incident by using a standardised file made available on the website of the EBA.
    - Communication. CAs should at all times preserve the confidentiality and integrity of the information stored and exchanged and their proper authentication towards the EBA and the ECB.

3. Next steps

- This Guidelines will apply from **1 January 2022**.

24/05/2021
EU-wide pilot exercise on climate risk

1. Context

In 2020 the Taxonomy Regulation was published. It provides uniform criteria for companies and investors to determine which economic activities can be considered environmentally sustainable. Additionally, it establishes a common language that these investors will use when investing in projects and economic activities that have a positive impact on the climate and the environment. On the other hand, the revised CRR/CRD package gives the EBA the mandate to develop qualitative and quantitative criteria to assess the impact of ESG risks.

In this context, the EBA launched in 2020 a pilot exercise on climate risk focused on the identification and quantification of exposures from a climate perspective on transition risk. Following the exercise, the EBA has published the **results of EU-wide pilot exercise**. Its main objective is to explore data and methodological challenges to categorise exposures on the basis of selected climate risk factors.

2. Main points

- **Scope, sample and data coverage**. The EBA pilot exercise on climate risk is the first EU-wide exercise for the banking sector. This exercise is based on a sample of 29 voluntary participating banks that have reported information aligned with the definitions used in supervisory reporting. The data analysed covers large corporate exposures to non-financial obligors domiciled in EU countries under both the standardised approach (SA) and the internal ratings based (IRB) approach.
- **Portfolio classification approaches**. Two classification methods have been applied:
    - A sector-based classification approach. The exposures have been classified into the so-called Climate Policy Relevant Sectors (CPRS) based on the sector of the counterparty. This classification CPRS consists of eight categories: i) fossil fuel, ii) utility; iii) energy-intensive; iv) buildings; v) transportation; vi) agriculture; vii) finance; and viii) others.
    - A greenhouse gas (GHG) emission-based classification approach. To complement the CPRS analysis, an alternative classification approach, based on the GHG emission intensity of the obligor is applied.
- **Main results**. More than half of banks' exposures are allocated to sectors that might be sensitive to transition risk, and are concentrated in some specific sectors. The parallel analysis, based on GHG, reveals that 35% of the total exposures submitted in the exercise correspond to obligors with GHG emissions intensity classified as medium/high, high or very high. In addition, the scenario analysis shows that the impact of climate-related risks across banks has different magnitudes and is concentrated in some particular sectors.

3. Next steps

- The main findings of the pilot exercise will form the basis of a broader discussion on how to design a climate risk stress test exercise for the EU banking sector.

01/06/2021
Consultation Paper on draft ITS on IRRBB disclosure

1. Context

The Capital Requirements Regulation (CRR) requires institutions to disclose, as from 28 June 2021, quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities. In addition, this Regulation contains a mandate to the EBA to develop draft implementing technical standards (ITS) specifying uniform disclosure formats, and associated instructions in accordance with which the disclosures requirements.

In this context, the EBA has published a **Consultation Paper on draft Implementing Technical Standards (ITS) on interest rate risk on positions not held in the trading book (IRRBB) disclosure**, which seeks to ensure stakeholders are informed about institutions' interest rate risks in the non-trading book and provide comparable disclosures that should help institutions comply with the requirements laid down in the CRR.

2. Main points

- **Disclosure of information on IRRBB**. These ITS include a disclosure table and a disclosure template:
  - The table IRRBBA on qualitative information on interest rate risks of non-trading book activities based on institutions' internal measurement systems (IMS) methodology. This table provides information on a bank's IRRBB risk management objective and policy. Specifically, this table enables users of that information: i) to monitor the sensitivity of the institution's economic value of equity and net interest income to changes in interest rates; ii) to understand the key assumptions used in the calculation of the IRRBB exposure values and produced by the institution's internal measurement system; and iii) to have an insight into the institution's overall IRRBB objective and management.
  - The template IRRBB on Interest rate risks of non-trading book activities provides quantitative IRRBB information including the impact of interest rate supervisory shocks scenarios on their change in economic value of equity and net interest income, calculated on the basis of a set of common modelling and parametric assumptions.

3. Next steps

- Comments to this Consultation Paper can be sent before **30 August 2021**.

08/06/2021

Consultation paper on draft RTS on Individual Portfolio Management of loans offered by crowdfunding service providers

1. Context

On October 2020, the European Parliament (EP) and the Council published Regulation on European crowdfunding service provider for business (ECSPR). This Regulation contains a mandate to the EBA to submit draft Regulatory Technical Standards (RTS) to specify some information that shall be provided to investors in order to be appropriately informed about the risks they are exposed to when they invest in individual portfolio management of loans.

In this context, the EBA has published a consultation paper on **draft RTS on Individual Portfolio Management of loans offered by crowdfunding** which specifies the information that crowdfunding service providers shall provide to investors in relation to the method to assess credit risk, and on each individual portfolio management of loans.

2. Main points

- **General provisions in terms of the quality of data to be disclosed**. Crowdfunding service providers shall ensure that the information provided to investors in relation to Individual portfolio management of loans is accurate, reliable and updated on continuous basis.
- **Information on the method to assess credit risk**. Crowdfunding service providers must undertake an adequate assessment of credit risk of the crowdfunding projects and the project owner at the moment the crowdfunding offer is made, and to base such credit risk assessment on sufficient information. The elements to be included in the method to assess credit risk are: i) the credit risk of individual projects selected for the investor’s portfolio; ii) the credit risk of the investor’s portfolio as a whole; iii) the credit risk of the project owners selected for the investor’s portfolio.
- **Information to be provided on each individual portfolio**. The crowdfunding provider will need to disclose a very detailed set of information on the loans included in each individual portfolio, including: i) the weighted average annual interest rate on loans in a portfolio; ii) the distribution of loans according to risk category, in percentage and absolute numbers; iii) for every loan of which a portfolio is composed, key information, including at least an interest rate or other compensation to the investor; iv) for every loan of which a portfolio is composed, risk mitigation measures; v) any default on credit agreements by the project owner within the past five years; and vi) any fees paid in respect of the loan by the investor, the crowdfunding service provider or the project owner.
- **Information on the policies and procedures on contingency funds**. Where a crowdfunding service provider has established and operates a contingency fund for its activity related to the individual portfolio management of loans, it shall have in place adequate policies and procedures and organisational arrangements so to ensure that the contingency fund is managed prudently and can fulfill its objectives.

3. Next steps

- Comments to this consultation paper can be sent before **4 September 2021**.
- Following the consultation period, the EBA is expected to submit the final draft RTS to the EC in **October 2021**.

10/06/2021
Study of the cost of compliance with supervisory reporting requirement

1. Context

In 2020, the EBA conducted an in-depth analysis aimed at assessing the effectiveness of current reporting, including the measures targeting a containment of the reporting cost, and identifying further areas for proportionality in the reporting framework. This analysis was conducted following the mandate of the Capital Requirements Regulation (CRR) to the EBA to measure the costs that credit institutions incur when complying with the supervisory reporting requirements.

In this context, the EBA has published a **study of the cost of compliance with supervisory reporting requirement** in the European Economic Area (EEA) where the EBA has identified numerous recommendations collectively leading to a potential reduction of the banks' reporting costs by up to 15-24%.

2. Main points

- **Changes to the development process for the EBA reporting framework**.
    - Complexity of regulatory requirements. One of the key concerns regarding supervisory reporting requirements highlighted by the institutions was the complexity of reporting. The EBA recommendation is to signposting of overall regulatory requirements applicable to different proportionality categories of institutions.
    - Stability of supervisory reporting. Concerns regarding the frequent changes made to the reporting requirements were expressed by the institutions and so, the EBA's objective is to maintain stability and a better 'packaging' of changes in the overall regulatory framework.
    - Understanding of supervisory reporting. Several industry trade bodies raised the issue that the standards defining the reporting requirements, including the EBA Implementing Technical Standards (ITS) on supervisory reporting, leave too much room for interpretation. To address these concerns, the EBA will consider improving the way reporting requirements are presented for public consultation.
- **Changes to the design of EBA supervisory reporting requirements and reporting content**.
    - Reporting at individual and consolidated level. Institutions raised the issue of having to comply with reporting obligations simultaneously at the level of a single legal entity and at consolidated level considering all entities in the prudential, liquidity, resolution. To solve it, the EBA proposes to investigate the possibility of enabling simplified reporting also at consolidated level where compatible with the level of application of underlying legislation**.**
    - Reporting content. Institutions suggested changes on the design of the requirements and reporting content. The EBA gives different recommendations on core and supplementary reporting, reporting frequency, asset encumbrance, additional liquidity monitoring metrics and reporting requirements least used by data recipients.
- **Coordination and integration of data requests and reporting requirements**. Reducing overlaps and duplication between the EBA supervisory reporting framework and reporting to other stakeholders, as well as on Ad hoc requests was another of the issues flagged. The EBA recommends commitment to better coordinate additional reporting requirements or data requests using the same definitions and developing a best practice guidance for competent authorities.
- **Changes to the reporting process, including the wider use of technology**. Another issue relates to better internal risk data aggregation capabilities and the need for better IT and data infrastructures is a to do to be taken into consideration. The EBA recommends raising awareness of institutions, and in particular small and non-complex institution/institutions (SNCI), about possible use cases of FinTech/RegTech.

3. Next steps

- The recommendations will be incorporated into the EBA work programme. Each of the measures will be implemented on different dates within a timetable included in the document.

25/06/2021
Report on management and supervision of ESG risks for credit institutions and investment firms

1. Context

The revised CRR/CRD package gives the EBA the mandate to develop a report providing uniform definitions of ESG risks, and appropriate qualitative and quantitative criteria for the assessment of the impact of environmental, social and governance (ESG) risks on the financial stability of institutions in the short, medium and long term. The EBA is also mandated to elaborate on the arrangements, mechanisms and strategies to be implemented by institutions to identify, assess and manage ESG risks and to assess their potential inclusion in the review and evaluation performed by competent authorities.

In this context, the EBA has published its **Report on ESG risks management and supervision** which identifies evaluation methods that are needed for effective risk management and recommends integrating ESG risks into business strategies, governance and risk management as well as supervision in a timely manner.

2. Main points

- **Quantitative and qualitative indicators, metrics and methods to assess ESG risks**. Provides a non-exhaustive list of ESG indicators together with a description of several tools and methodologies to support the identification, evaluation and assessment of ESG risks. The EBA has identified three different approaches for the assessment of ESG risks: i) portfolio alignment method; ii) risk framework method; and (iii) exposure method.
- **Management of ESG risks by institutions**. The EBA sees a need to enhance, in a risk-based and proportionate manner, the incorporation of ESG risks into institutions' business strategies, internal governance arrangements and risk management frameworks.
    - Business strategies. The impacts of ESG risks should be appropriately taken into account in order to ensure the resilience of business models over the short-, medium- and long-term time horizons. The EBA recommendation for institutions are: i) to incorporate ESG risk-related considerations when setting business strategies, in particular by extending the time horizon for strategic planning to at least 10 years, by testing their resilience to different scenarios; ii) implement ESG risk-related strategic objectives and/or limits, including related key performance indicators.
    - Internal governance. The EBA recommends that institutions integrate ESG risks in governance structures, establishing clear working procedures for business lines, internal control functions, the relevant committee(s) and management body.
    - Risk management. The EBA recommends that institutions incorporate ESG risks into their risk management framework, taking into account an assessment of their materiality over different time horizons, for example by: i) embedding material ESG risks in the risk appetite framework; or ii) managing ESG risks as drivers of financial risks.
- **ESG factors and ESG risks in supervision**. The EBA sees a need to reflect ESG risks in the supervisory evaluation of institutions. To this end, it is necessary to extend the time horizon of the supervisory assessment of the resilience of institutions' business models, applying at least a 10 year horizon to capture physical risks, relevant public policies or broader transition trends.

3. Next steps

- This report has been transmitted to the EP, the Council and the EC, and will be used by the EBA as a basis for the development of Guidelines on the management of ESG risks by institutions and the supervision of ESG risks by EU competent authorities.

28/06/2021
Consultation on amendments to reporting on securitisation, asset encumbrance and G-SIIs

1. Context

In June of 2021, the EBA published the Report on the Study on the Cost of compliance with supervisory reporting requirements with the objective of making proposals to reduce the costs of compliance with supervisory reporting requirements. These proposals were agreed by the EBA Board of Supervisors and will be gradually implemented.

In this context, the EBA has published a public consultation to amend its **Implementing Technical Standards (ITS) on Supervisory Reporting**. This consultation paper proposes changes to asset encumbrance reporting and proposes changes to COREP securitisation and G-SII reporting.

2. Main points

- **COREP securitisations**.
    - Revised securitisations framework. A number of new concepts which competent authorities will have to take into account in the context of securitisations are introduced. These concepts are: i) non-performing exposures (NPE) securitizations; ii) transparent and standardised (STS) securitizations on the balance sheet; iii) excess spread; and iv) collateralisation practices.
    - Other amendments to COREP Own Funds. Other amendments on matters of intangible software assets exempted from the deduction from CET1 capital and other minor technical amendments are introduced.
- **Asset encumbrance**.
    - Level of asset encumbrance to create a level playing field between entities applying different accounting standards. It is suggested to keep the scope of items covered by asset encumbrance reporting unchanged. Furthermore, the formula for determining the level of asset encumbrance is amended, in order to exclude those fiduciary assets both from the numerator and the denominator of the ratio, when assessing whether an institution exceeds the threshold of 15%.
- **Reporting for the purposes of identifying G-SIIs and assigning G-SII buffer rates**. It is suggested to extend the obligation to report core information for the purposes of identifying G-SIIs and assigning G-SII buffer rates in accordance with an EU-specific methodology to standalone entities that meet the relevant criteria. The aim of this extension is therefore to ensure that also standalone institutions are covered by this specific reporting obligation.

3. Next steps

- Comments to this consultation can be sent until **23 September 2021**. The first reference date for the application of these technical standards is foreseen to be **December 2022**.

29/06/2021
- **Updates on the monitoring of Additional Tier 1 instruments**
- **Consultation to amend technical standards on credit risk adjustments**

1. Context

The EBA has published the its **updated Report on the monitoring of Additional Tier 1 (AT1) instruments** including an update on the monitoring of the implementation of the EBA's Opinion on legacy instruments and its considerations on environmental, social and governance (ESG) capital bons. The objective of this update is to further strengthen the robustness and quality of EU institutions' own funds and eligible liabilities instruments.

Also, the EBA has published a public consultation on amendments to its **Regulatory Technical Standards (RTS) on credit risk adjustments** in the context of the calculation of the Risk Weight (RW) of defaulted exposures under the Standardised Approach (SA).

2. Main points

Updated Report on the monitoring of Additional Tier 1 instruments

- **AT1 monitoring**. The EBA's guidance focuses on a few areas of AT1 instruments where there might be different interpretations which is the case for some provisions related to triggers for loss absorption, where the appropriate level of application (solo, sub-consolidated or consolidated level) needs to be specified.
- **Opinion on the instruments issued prior to the entry into force of the CRR (legacy instruments)**. In the context of the end of the transitional period for legacy instruments, the EBA develops a new section where the attention is on the need to keep the capital structure simple
- **Instruments with ESG features**. The EBA has added a new section with recommendations to ensure that the institutions' own funds and eligible liabilities instruments issued with ESG features are compliant with the Capital Requirements Regulation (CRR) eligibility criteria and Bank Recovery and Resolution Directive (BRRD) requirements.

Public consultation on amendments to Regulatory Technical Standards (RTS) on credit risk adjustments

- **Risk Weight**. The EC asks the EBA to consider the appropriate prudential treatment of the risk weight (RW) for defaulted exposures following the sale of a non-performing asset under the SA for credit risk. Under the current regulatory framework, the capital charge for a defaulted exposure may, under certain circumstances, increase after its sale from a risk weight of 100% on the seller's balance sheet to a risk weight of 150% on the balance sheet of the credit institution buying the assets.
- **Proposed amendments**. It is proposed to modify the credit risk adjustments under the SA by introducing a change in the recognition of these adjustments that ensures that the RW can remain the same before and after the sale. In particular, the price discount arising from the sale will be recognised as a credit risk adjustment for the purpose of determining the RW.
- **CRR3.** By implementing this change, the EBA aims at clarifying the regulatory treatment of sold NPL assets. However, the EBA also recommends that the treatment set out in this RTS be included in the EC's considerations to the revised proposal for the future Capital Requirements Regulation (CRR3) proposal.

3. Next steps

- Comments to this consultation can be sent until **23 September 2021**. The first reference date for the application of these technical standards is foreseen to be **December 2022**.

29/06/2021
Proyecto de Circular por la que se modifican las Circulares a entidades de crédito y a establecimientos financieros sobre normas de información financiera pública y reservada, y modelos de estados financieros.

1. Contexto

En diciembre de 2020, la Comisión Europea (EC) publicó el Reglamento por el que se establecen normas técnicas de ejecución para la aplicación de CRR y por el que se introducen cambios a Finrep. Además, en enero de 2021 la EC publicó el Reglamento por el que se modifica el Reglamento relativo a la aplicación de normas internacionales de contabilidad y por el que se adoptan determinadas normas internacionales de contabilidad.

En este contexto, el BdE ha lanzado la consulta pública del **proyecto de circular por la que se modifican las Circulares a entidades de crédito y a establecimientos financieros sobre normas de información financiera pública y reservada, y modelos de estados financieros.** El objetivo de esta actualización es preservar la convergencia de la normativa contable española de las entidades financieras con las Normas Internacionales de Información Financiera adoptadas por la EU, así como mantener la alineación y evitar solapamientos con otras normas y directrices europeas.

2. Principales aspectos

- **Actualización de la Circular a entidades de crédito sobre normas de información financiera pública y reservada, y modelos de estados financieros.** Las principales modificaciones hacen referencia a:
  - Los criterios de reconocimiento, valoración y presentación. Se modifica el modo de determinar el importe en libros bruto para los activos financieros a valor razonable con cambios en otro resultado global.
  - Simplificación de los requerimientos de envío de estados financieros. Se modifica la norma relativa a los estados individuales reservados. En concreto, se realizan los cambios necesarios para recoger el régimen simplificado de requerimientos de envío de estados financieros reservados aplicable a las sucursales de entidades de crédito extranjeras que operen en España cuya sede central se encuentre en un Estado miembro del Espacio Económico Europeo.
  - Actualización de los estados reservados relativos a los requerimientos de datos estadísticos de la EU. Se modifican los estados reservados que las entidades de crédito deben enviar al BdE.
  - Incorporación de nuevos requerimientos de datos. Se modifica el anexo relativo a los estados individuales reservados mediante la incorporación de modificaciones puntuales a fin de introducir nuevos requerimientos de datos para verificar el cumplimiento de normas o recopilar información estadística, así como para realizar los ajustes técnicos y las correcciones identificadas como necesarias.
  - Actualización de las soluciones alternativas para la estimación colectiva de las coberturas de la pérdida por riesgo de crédito. Se modifica el anexo relativo al análisis y cobertura del riesgo de crédito. La actualización recoge la evolución de los datos de las operaciones declaradas por las entidades al BdE y, además, en el caso de las soluciones alternativas, incorpora previsiones actualizadas sobre las condiciones macroeconómicas futuras.
- **Actualización de la Circular a establecimientos financieros de crédito, sobre normas de información financiera pública y reservada, y modelos de estados financieros**. Se suprime la disposición adicional única relativa a las previsiones con finalidad prudencial.

3. Próximos pasos

- Los comentarios a esta consulta pública pueden remitirse hasta el **13 de julio de 2021**.
- Esta Circular entrará en vigor a los **20 días** de su publicación en el BOE con las siguientes especificidades:
  - Los cambios en los estados individuales reservados se aplicarán con el **31 de enero de 2022** como primera fecha de referencia para los estados de frecuencia mensual, el **31 de marzo de 2022** para los de frecuencia trimestral, el **30 de junio de 2022** para los de frecuencia semestral y el **31 de diciembre de 2022** para los de frecuencia anual.
  - La actualización de los requerimientos de datos estadísticos se aplicará con el **31 de enero de 2022** como primera fecha de referencia para los estados con frecuencia mensual y el **31 de marzo de 2022** para aquellos con frecuencia trimestral.
  - Los cambios al anexo relativo al análisis y cobertura del riesgo de crédito se aplicarán desde el **30 de junio de 2022**.

CONGRESO DE LOS DIPUTADOS

21/05/2021
Ley 7/2021 de cambio climático y transición energética

1. Context

In 2015, the Paris Agreement was signed with the mission of promoting the international response to the threat of climate change, and establishes the objective of a maximum temperature increase in the 21st century of 2ºC with respect to pre-industrial levels. In addition, that same year the 2030 Agenda for Sustainable Development was established at the United Nations (UN), which sets out 17 sustainable development goals. Both agreements mark the beginning of a global agenda towards sustainable development.

In this context, the General Courts has approved **Law 7/2021 on climate change and energy transition** with the aim of ensuring compliance with the objectives of the 2015 Paris Agreement and facilitating the decarbonization of the Spanish economy.

2. Main points

- **Energy transition and fuels**. No new exploration authorisations, hydrocarbon research permits or exploitation concessions will be granted for hydrocarbons. In addition, no new authorisations shall be granted to carry out any activity for the exploitation of hydrocarbons in which the use of high-volume hydraulic fracturing is envisaged. Five years before the end of the term of an exploitation concession, the person or entity holding the concession shall submit a report to the Ministry for Ecological Transition and the Demographic Challenge reflecting the potential for conversion of its facilities or their location to other subsoil uses. In addition, coherence will be required between public aid or incentives and climate change mitigation objectives.
- **Emission-free mobility and transportation**. Development of the 2050 decarbonization strategy. The necessary measures will be adopted so that new cars and light commercial vehicles, not intended for commercial use, reduce their emissions. Municipalities with more than 50,000 inhabitants and island territories will plan measures to reduce emissions derived from mobility. The installation of electric recharging infrastructures in service stations whose annual sales of gasoline and diesel exceed 5 million liters, must have a power equal to or greater than 50 kW.
- **National Plan for Adaptation to Climate Change (PNACC)**. It is the basic planning instrument to address the effects of climate change in Spain. The PNACC will be developed through Work Programs, to be implemented in five-year periods. The specific objectives of the PNACC will include:
    - Development of climate scenarios.
    - Collection, analysis and dissemination of information on vulnerability and adaptation to climate change in different socio-economic sectors, ecological systems and territories.
    - Promotion and coordination of the participation of all actors involved in adaptation policies.
    - The definition of a system of indicators of impacts and adaptation to climate change.
    - Preparation of regular monitoring and evaluation reports on the PNACC and its work programmes.

09/04/2021

Consultation Paper (CP) 7/21 on Credit risk: The identification of the nature, severity, and duration of an economic downturn for the purposes of Internal Ratings Based (IRB) models

1. Context

In 2018, the European Banking Authority (EBA) published the draft RTS on economic downturn, and in 2020 its opinion on the EC's amendments relating to the final draft RTS. As the final RTS has not entered into force before the end of the transition period for the UK's exit from the EU, and therefore it did not get automatically converted into UK law, the PRA considers that it is appropriate to introduce requirements for identifying an economic downturn in order to foster greater comparability of capital requirements across firms.

In this context, the PRA has published the **Consultation Paper (CP) 7/21 on the identification of the nature, severity, and duration of an economic downturn for the purposes of Internal Ratings Based (IRB) models**, which sets out the Prudential Regulation Authority's (PRA) proposed approach to implementing new requirements relating to the specification of the nature, severity,and duration of an economic downturn in the internal ratings based (IRB) approach to credit risk.

2. Main points

- **The nature of economic downturns**. The PRA is proposing a consistent set of economic indicators that would be considered relevant for all exposures, as the PRA considers them to be key indicators of an economic cycle: i) gross domestic product (GDP); ii) unemployment rate; iii) externally provided aggregate default rates, where available; and iv) externally provided aggregate credit losses, where available.
- **The severity of an economic downturn**. For the purpose of specifying the severity of the economic downturn, and for identifying the most severe values associated with each relevant economic indicator, the PRA proposes to require firms to use a historic time period that is sufficiently long to provide values that are representative of the values that may be taken by those economic indicators in the future, including in a future severe downturn. Additionally, the PRA proposes to require firms to consider a period of at least 20 years in order to promote consistency of firms' downturn estimates.
- **The duration of an economic downturn**. For the purposes of specifying the duration of an economic downturn, the PRA proposes that a single downturn period should be long enough to cover all the peaks or troughs related to the most severe 12-month values observed for the different economic indicators associated with that single downturn period.

3. Next steps

- Comments to this CP can be submitted until **7 July 2021**.

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

25/05/2021
Business Plan 2021/22

1. Context

The PRA has adopted the **Business Plan 2021/22** which sets out its eight strategic objectives for the coming year. This strategy will be achieved in close co-operation with other parts of the bank, the Financial Conduct Authority (FCA) and international counterparts.

2. Main points

- **Robust prudential standards and supervision**. Have in place robust prudential standards, and hold regulated firms, and those who run them, accountable for meeting these standards.
- **Adapt to market changes**. Adaptation to changes in the markets in which we the PRA is involved, and pre-empt and mitigate potential risks to the achievement of objectives. Also, continue to work on setting out expectations for firms and building internal expertise on climate change, including climate disclosures.
- **Financial resilience**. Ensure that firms are adequately capitalised, and have sufficient liquidity, for the risks they are running or planning to take.
- **Operational resilience**. Develop the PRA's supervision of operational resilience in order to mitigate the risk of disruption to the provision of important business services.
- **Recovery and resolution**. Ensure that banks and insurers have credible plans in place to enable them to recover from stress events, and that firms work to remove barriers to their resolvability to support the management of failure, proportionate to the firm's size and systemic importance.
- **Competition**. Facilitate effective competition by actively considering the proportionality of the PRA's approach as it contributes to the safety and soundness of the UK financial system.
- **Withdrawal from the EU**. Maintain a sustainable and resilient UK financial regulatory framework following the UK's exit from the EU.
- **Efficiency and effectiveness**. Operate effectively and efficiently by ensuring that resources are allocated to work that best advances the PRA's strategy and reduces the greatest risks to the delivery of the PRA's statutory objectives.

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BANK OF ENGLAND

10/06/2021
Key elements of the 2021 Biennial Exploratory Scenario: Financial risks from climate change

1. Context

The Bank of England (BoE) runs regular stress tests to help assess the resilience of the UK financial system and individual institutions. There are two types of exercise, the annual solvency stress tests and biennial exploratory scenarios (BES). Running BES allows to probe the resilience of the UK financial system to a wide range of risks.

In this context, the BoE has published the **key elements of the 2021 Climate Biennial Exploratory Scenario (CBES)** which aims to test the resilience of the current business models of the largest banks and insurers, and the financial system to the physical and transition risks from climate change.

2. Main points

- **Key features of the CBES exercise**. The CBES explores the resilience of large UK banking groups and building societies, large life insurers and large UK general insurers. The CBES will explore the vulnerability of current business models to future climate policy pathways and the associated changes in global warming. In doing so, it will help to identify the potential risks posed to those business models over time. To do this, participants will measure the impact of the scenarios on their end-2020 balance sheets, which represents a proxy for their current business models.
- **Description of the CBES scenarios**. All climate scenarios are subject to significant uncertainty, both from estimating the precise extent of transition and physical risks resulting from the conditioning assumptions, and from estimating the impact of these risks on macroeconomic and financial variables. The CBES uses three scenarios to explore the two key risks from climate change: transition risks and physical risks:
    - Early action scenario. The transition to a net-zero emissions economy starts in 2021 so carbon taxes and other policies intensify relatively gradually over the scenario horizon. Global carbon dioxide emissions (and all greenhouse gas emissions in the UK) drop to net-zero around 2050.
    - Late action scenario. The transition is delayed until 2031, at which point there is a sudden increase in the intensity of climate policy. In this case, the transition to reach a net zero around 2050 is more abrupt and therefore disorderly.
    - The no additional action scenario. This scenario explores physical risks from climate change. Here, there are no new climate policies introduced beyond those already implemented prior to 2021.

3. Next steps

- Before the final results are published, the BoE expects to run a second round of the exercise, which would launch around the end of **January 2022**.
- The BoE expects to publish the CBES results in **May 2022**.

25/06/2021
2021 Supervisory Stress Test Results

1. Context

The Fed's stress tests evaluate the resilience of large banks with the aim to ensure that large banks are able to lend to households and businesses even in a severe recession. In early 2021, the Fed published hypothetical scenarios describing the scenarios and additional components that will be used to conduct the 2021 stress test.

In this context, the Fed has released the **2021 stress test results** which include information such as revenues, expenses, losses or capital ratios under adverse economic and financial conditions for each firm.

2. Main points

- **Supervisory Scenarios**
    - Severely adverse scenario. It is characterized by a severe global recession accompanied by a period of heightened stress in commercial real estate and corporate debt markets consistent with the Scenario Design Framework.
    - Global market shock and counterparty default components. The Fed applied a global market shock to the trading and private equity portfolios of firms with large trading exposures. The global market shock is a set of hypothetical shocks to a large set of risk factors reflecting general market distress and heightened uncertainty.
- **Supervisory Stress Test Framework and Model Methodology**.
    - Modeling framework. The Fed estimates the effect of supervisory scenarios on the regulatory capital ratios of banks participating in the supervisory stress test by projecting net income and other components of regulatory capital for each bank over a nine-quarter projection horizon.
    - Capital action assumptions. The common stock dividend payments are assumed to be zero over the projection horizon.
    - Data inputs. Detailed data on projected pre-provision net revenue (PPNR), loans, securities, trading and counterparty risk, and losses related to operational risk events and business plan changes are collected.
- **Stress Test Results under the Severely Adverse Scenario**. Describes the Fed's projections of losses, revenues, expenses, and capital positions for the 23 banks that participated in the results of the stress test 2021 under the severely adverse scenario.
    - Projected losses. The Fed projects that Banks as a group would experience $474 billion in losses on loans and other positions in the aggregate over the nine quarters of the projection horizon.
    - Projected PPNR. Banks are projected to generate $298 billion in PPNR cumulatively over the nine quarters of the projection horizon. The ratio of projected cumulative PPNR to average assets varies across banks, this variation reflects differences in business focus across the institutions.
    - Net Income and Regulatory Capital Treatment. Projected PPNR and provisions for loan losses are the primary determinants of projected pre-tax net income. Projections of pre-tax net income under the severely adverse scenario imply negative net income at most individually and for the banks as a group over the nine-quarter projection horizon.

09/07/2021
Delegated Act supplementing Article 8 of the Taxonomy Regulation, Sustainable Finance Strategy and proposal for a European Green Bond

EUROPEAN COMMISSION

1. Context

The EC published in 2019 the European Green Deal, which sets out a series of climate and energy targets for 2030, and contains a commitment for Europe to become climate neutral by 2050. Furthermore, in 2020 the EC published the Taxonomy Regulation which provides uniform criteria for companies and investors to determine which economic activities can be considered environmentally sustainable. This Regulation empowers the EC to adopt delegated acts to determine the technical screening criteria for the climate targets listed therein and to specify the information to be disclosed by non-financial and financial undertakings.

In this context, the EC has published **the Delegated Act supplementing Article 8 of the Taxonomy Regulation** specifying the content, methodology and presentation of information to be disclosed by large financial and non-financial companies on the share of their business, investments or lending activities that are aligned with the EU Taxonomy. In addition to the Delegated Act, the EC has published a proposal for an **EU green bond standard** that will create a high quality voluntary standard for bonds financing sustainable investments and a **new sustainable finance strategy** that sets out several initiatives to tackle climate change.

2. Main points

EU Taxonomy Climate Delegated Act supplementing article 8 of the Taxonomy Regulation

- **Content and presentation of the information that should be disclosed.** The Delegated Regulation covering the Key Performance Indicators (KPIs) and related methodologies focuses on the disclosure of information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable. The disclosure of information applies to: i) non-financial undertakings, ii) asset managers; iii) credit institutions; iv) investment firms; and v) insurance and reinsurance undertakings.
- **Disclosure rules common to all financial undertakings.** The exposures to central governments, central banks and supranational issuers shall be excluded from the calculation of the numerator and denominator of KPIs of financial undertakings. Also, derivatives shall be excluded from the numerator of KPIs of financial undertakings.
- **Disclosure rules common to all financial and non-financial undertakings.** Financial undertakings and non-financial undertakings shall include additional disclosures accompanying the KPIs. The information to be disclosed shall cover the annual reporting period from the previous calendar year of the date of disclosure.
- **Entry into force.**
  - From 1 January 2022 until 31 December 2022, non-financial undertakings shall only disclose the proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in their total turnover, capital and operational expenditure.
  - From 1 January 2022 until 31 December 2023, financial undertakings shall only disclose:
    - The proportion in their total assets of exposures to Taxonomy **non-eligible** and **Taxonomy-eligible** economic activities.
    - The proportion in their total assets of the exposures to **central governments, central banks** and supranational issuers and of derivatives.
    - The proportion in their total assets of the exposures to undertakings that are **not obliged to publish non-financial information.**
    - The **qualitative disclosures** for asset managers, credit institutions, investment firms and insurance and reinsurance undertakings.
  - From 1 January 2023, the KPIs of non-financial undertakings shall be disclosed.
  - From 1 January 2024, the KPIs of financial undertakings shall be disclosed.

Regulation on European Green Bond Standard

- **European Green Bond Standard and requirements.** It sets out how companies and public authorities can use green bonds to raise funds on capital markets to finance investments, while meeting tough sustainability requirements. There are four key requirements in the proposed framework:
  - The funds raised by the bond should be allocated fully to projects aligned with the EU Taxonomy.
  - There must be full transparency on how bond proceeds are allocated.
  - All EU green bonds must be checked by an external reviewer to ensure compliance with the Regulation and that funded projects are aligned with the Taxonomy.
  - External reviewers providing services to issuers of EU green bonds must be registered with and supervised by the European Securities Markets Authority.

2. Main points (cont.)

Sustainable Finance Strategy

- Sustainable Finance Actions. The strategy includes 6 types of actions:
    - Extend the existing sustainable finance toolbox to facilitate access to transition finance.
    - Improve the inclusiveness of small and medium-sized enterprises (SMEs), and consumers, by giving them the right tools and incentives to access transition finance.
    - Enhance the resilience of the economic and financial system to sustainability risks.
    - Increase the contribution of the financial sector to sustainability.
    - Ensure the integrity of the EU financial system and monitor its orderly transition to sustainability.
    - Develop international sustainable finance initiatives and standards, and support EU partner countries.

3. Next Steps

- The Delegated Act will be transmitted for scrutiny by the EP and the Council for a period of **4 months.**
- The proposal for regulation of the EC will be submitted to the EP and Council as part of the co-legislative procedure.
- The EC will report on this strategy's implementation by the **end of 2023.**

23/07/2021
Anti-money laundering and countering the financing of terrorism rules

EUROPEAN COMMISSION

1. Context

The EC published in May 2020 an Action Plan for a comprehensive Union policy on AML and CFT which sets out the EC's commitments to strengthen EU standards in this area. To implement this action plan, the EC must carry out a package of legislative proposals.

In this context, the EC has published a **Regulation establishing a new EU AML/CFT Authority, a Regulation and Directive on AML/CFT**, and a revision of **Regulation on Transfers of Funds to trace transfers of crypto-assets**. The aim of this package is to improve the detection of suspicious transactions and activities, and to close loopholes to launder illicit proceeds or finance terrorist activities through the financial system.

2. Main points

Regulation establishing a new EU AML/CFT Authority

- **Main points.** The new EU-level Anti-Money Laundering Authority (AMLA) will be the central authority coordinating national authorities to ensure the private sector correctly and consistently applies EU rules. AMLA will also support Financial Intelligence Units (FIUs) to improve their analytical capacity around illicit flows and make financial intelligence a key source for law enforcement agencies. The AMLA will:
    - Establish a single integrated system of AML/CFT supervision across the EU.
    - Directly supervise some of the riskiest financial institutions that operate in a significant number of Member States.
    - Monitor and coordinate national supervisors responsible for other financial entities.
    - Support cooperation among national Financial Intelligence Units.

Regulation on AML/CFT

- **Main points.** This Regulation will harmonise AML/CFT rules across the EU and includes:
    - More detailed rules on Customer Due Diligence (CDD).
    - Rules in relation to the third country policy, by which the EC will identify third countries with significant strategic deficiencies in their national AML/CFT regimes and designated as 'high-risk third countries'.
    - The requirements applicable to persons who no longer hold prominent public functions.
    - Detailed rules are provided to identify the beneficial owner(s) of corporate and other legal entities.
    - Clearer rules are provided on how transactions to FIUs are to be identified.
    - A provision preventing traders in goods or services from accepting cash payments of over EUR 10 000 for a single purchase.

Directive on AML/CFT

- **Main points.** This Directive replace the 2015 Directive on ALM/CFT. Among the novelties, it can be highlighted:
    - The requirement on the EC to conduct periodically an assessment of AML/CFT risks at EU level is maintained, however with the frequency of the assessment extended to every four years.
    - The obligation on Member States to create and maintain mechanisms to allow identification of holders of bank accounts is continued, but Member States must notify to the Commission not only the characteristics of such mechanisms but the criteria governing which information is included in such registers.
    - Clarifications on the financial analysis function of FIUs and on their operational independence are included.

Revision on Regulation on Transfers of Funds to trace transfers of crypto-assets

- **Main points.** The proposed reform will extend AML/CFT rules to the entire crypto sector, obliging all service providers to conduct due diligence on their customers. The amendments will ensure full traceability of crypto-asset transfers, such as Bitcoin, and will allow for prevention and detection of their possible use for ALM or CFT. In addition, anonymous crypto asset wallets will be prohibited, fully applying EU AML/CFT rules to the crypto sector.

3. Next steps

- The legislative package will now be discussed by the European Parliament and Council.
- The future AML Authority should be operational in **2024**.

24/09/2021
Amendments to Solvency II Directive and new Insurance Recovery and Resolution Directive

EUROPEAN COMMISSION

1. Context

On January 2016, the Solvency II Directive entered into force. Since then, the EC monitored the application of the Directive and consulted extensively with stakeholders on possible areas for review. On February, the EC formally requested technical advice from EIOPA to prepare for the review of the Solvency II Directive. This technical advice was published on December 2020.

In this context, the EC has published **a legislative proposal to amend the Solvency II**, which aim is to strengthen European insurers' contribution to the financing of the recovery, progressing on the Capital Markets Union and the channeling of funds towards the European Green Deal. Furthermore, the EC has published a **legislative proposal for a new Insurance Recovery and Resolution Directive** which aim is to ensure that insurers and relevant authorities in the EU are better prepared in cases of significant financial distress.

2. Main points

<u>Proposal to amend the Solvency II Directive</u>

- **Main points.** The review of Solvency II Directive pursue to provide incentives for insurers to contribute to the long-term sustainable financing of the economy; improve risk-sensitivity and mitigate excessive short-term volatility in insurers' solvency positions. The main specific provisions of the proposal are
    - <u>Proporcionality</u>. Smaller insurers will be excluded from the scope of the Directive and will fall under national regimes. That is, entities whose annual gross written premium income does not exceed 15 million euros.
    - <u>Quality of supervision</u>. It is ensured that each refusal of an authorization to take up the business of insurance, including the reason, shall be notified to EIOPA.
    - <u>Reporting</u>. The reporting requirements for low-risk profile undertakings, is adapted to facilitate the access to exemptions and limitations on reporting for these entities.
    - <u>Long-term guarantee measures</u>. It introduces a new extrapolation method of the relevant risk-free interest rate term structure.
    - <u>Macro-prudential tools</u>. It introduces macroeconomic considerations on the Own Risk and Solvency Assessment by insurers.
    - <u>European Green Deal</u>. It introduces that insurers will have to identify any material exposure to climate change risks and, where relevant, to assess the impact of long-term climate change scenarios on their business.

<u>Proposal for a new Recovery and Resolution Directive</u>

- **Main points**. The proposal lays out a comprehensive set of measures, which aim to ensure that National resolution authorities are designated in each Member State and that have harmonised resolution tools and powers. The main provisions of the proposal are:
    - <u>Scope of application</u>. This proposal addresses crisis management in relation to all insurance and reinsurance undertakings established in the EU that are subject to the Solvency II framework.
    - <u>Set-up of resolution authorities</u>. It requires Member States to set up insurance resolution authorities, equipped with a minimum harmonised set of powers to undertake all the relevant preparatory and resolution actions.
    - <u>Resolution</u>. The proposal establishes resolution conditions. For example, An insurance or reinsurance undertaking should be placed in resolution when it is failing or likely to fail and there is no prospect that private sector alternatives or supervisory measures can avert failure.
    - <u>Relations with third countries</u>. To the extent that insurers in the EU are active in third countries and vice versa this proposal foresees cooperation between EU authorities and third country authorities.
    - <u>Penalties</u>. Member States should provide for administrative sanctions and other administrative measures to ensure compliance by insurers.

3. Next steps

- The legislative package will now be discussed by the European Parliament and Council.
- The Restructuring and Resolution Directive proposal requires Member States to transpose these provisions into national law within **18 months** from the entry into force of the Directive.

02/07/2021
European Regulation that stablishes the framework for achieving climate neutrality

1. Context

In November 2016, the Paris Agreement entered into force, setting a long-term temperature goal to strengthen the global response to the threat of climate change. In April 2020, the EP published its Resolution on the European Green Pact calling for the transition to a climate-neutral society to be undertaken by 2050 at the latest. The EP has also repeatedly called on the EU to strengthen its climate change target for 2030.

In this context, the EP and the Council have published the **Regulation establishing the framework for achieving climate neutrality** with the objective of establishing a framework for the progressive and irreversible reduction of greenhouse gas emissions by sources and the enhancement of greenhouse gas removals by sinks under EU law. The Regulation establishes a binding EU climate neutrality objective by 2050, with the aim of achieving the long-term temperature objective set out in the Paris Agreement.

2. Main points

- **Climate neutrality objective.** Emissions and removals of greenhouse gases covered by EU law will be in balance by 2050 at the latest, so that by that date net emissions must be reduced to zero, and thereafter the EU will aim to achieve negative emissions. The EU and Member States will take the necessary measures at EU and national level respectively to enable the collective achievement of the target.
- **Scientific advice on climate change**. The European Scientific Advisory Board on Climate Change was established in the European Environment Agency (EEA) Regulation and will serve as the EU's reference for scientific expertise related to climate change.
- **Intermediate EU climate targets**.
    - 2030 climate target. The EU's binding 2030 climate target will be a domestic reduction in net greenhouse gas emissions of at least 55% compared to 1990 levels.
    - 2040 climate target. An EU-wide 2040 climate target will be set within six months of the first global stocktake under the Paris Agreement.
- **Adaptation to climate change**. Relevant EU institutions and Member States will ensure continued progress in increasing adaptive capacity, strengthening resilience and reducing vulnerability to climate change. Member States will adopt and implement national adaptation strategies and plans, taking into account the EU strategy on adaptation to climate change. They shall take into account the particular vulnerability of relevant sectors, including agriculture, water and food systems and food security.
- **Assessment of progress**. The EC will evaluate no later than 30 September 2023:
    - Community progress. The collective progress made by all Member States towards achieving the climate neutrality objective.
    - National progress. National measures that have been identified as relevant to the achievement of the climate neutrality objective, national long-term strategies and biennial progress reports submitted in accordance with the EU Energy and Climate Action Governance Regulation.

3. Next steps

- The EP and the Council have adopted the European Climate Law, which will be signed and enter into force **20 days** after its publication in the Official Journal of the EU.

19/07/2021
Consultation Paper on draft Guidelines for reporting under EMIR

1. Context

On December 2020, the ESMA submitted to the European Commission (EC) draft Implementing Technical Standards (ITS) and Regulatory Technical Standards (RTS) under the EMIR REFIT Regulation. The report covers data reporting to Trade Repositories (TRs), procedures to reconcile and validate the data and access by the relevant authorities to data.

In this context, the ESMA has published the **Consultation Paper on draft Guidelines for reporting under EMIR** which complements the draft ITS and RTS and provides clarifications concerning responsibility for reporting, reporting logic and the correct population of fields for different reporting scenarios and different products.

2. Main points

- **Scope**. This Guidelines will apply to financial and non-financial counterparties, to trade repositories and to competent authorities.
- **General principles that apply to EMIR reporting**. This Guidelines provides high-level approaches to reporting. They include references to different action and event types to be used for reporting and provide guidance on reportability of derivatives. In addition, they incorporate clarifications on reporting in the case of voluntary delegation as well as under provisions on allocation of responsibility on reporting.
- **Reporting per product type**. The ESMA clarifies the reporting of specific products, such as swaptions, FX swaps and forwards, non-deliverable forwards (NDFs), contracts for difference (CFDs), or equity, credit and commodity derivatives.
- **Tables of fields to be reported under EMIR**. In order to provide more granular and detailed guidance on the reporting, the ESMA explains how the relevant fields for particular topics should be reported. The three main tables in which the fields are explained are on the following topics: i) counterparty data; ii) common data; and iii) all relevant types collateral data.
- **Guidelines on derivatives data management**. The ESMA includes guidance on topics such as generation of the Trade State Report, reconciliation, feedback on data quality and authorities' access to data.

3. Next steps

- Comments to this consultation can be sent before **30 September 2021**.
- The final report on these Guidelines is expected to be published by the **end of 2021** or **early 2022.**

30/07/2021

Consultation on the amendments of supervisory reporting and disclosure requirements under Solvency II

1. Contexto

In December 2020, the EIOPA published the Opinion on the 2020 review of Solvency II which propose a number of amendments to ensure that the regulatory framework remains fit for purpose. However, there is a need to implement amendments to reporting requirements within the current legal framework, without waiting for the Solvency II review. EIOPA's analysis to maintain the adequacy of this framework has concluded that it is important to modify the reporting requirements without waiting for the Solvency II review because of the crucial improvements that these amendments would bring to insurers.

In this context, the EIOPA has published a **consultation on the amendments of supervisory reporting and disclosure requirements under Solvency II**. These proposed amendments involve changes to the EC Implementing Regulations published in 2015 on reporting and disclosure.

2. Principales aspectos

- **Disclosure.** The main changes to the EC implementing Regulation laying down ITS with regard to the procedures, formats and templates of the solvency and financial condition report, are:
    - <u>Means of disclosure</u>. A new section in relation to means of disclosure is added, and by which Insurance and reinsurance undertakings shall include in the same file the narrative part of the solvency and financial condition report and the templates referred to in this ITS.
    - <u>Templates for the solvency and financial condition report of individual undertaking</u>. Insurance and reinsurance undertakings shall publicly disclose as part of their solvency and financial condition report several templates. Some of these templates have been modified, such as the one specifying information on premiums, claims and expenses by country.
    - <u>Consistency of information</u>. Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies are responsible for the quality of the information disclosed.
    - <u>Entry into force</u>. The entry into force of the Implementing Regulation is amended to 31 December 2022.
- **Reporting**. The main changes to the EC implementing Regulation laying down ITS with regard to the templates for the submission of information to the supervisory authorities, include:
    - <u>Changes to the quantitative reporting templates for individual undertakings and groups</u>. The proposals include the simplification of quarterly reporting for all undertakings, elimination of some reporting templates for all undertakings and new thresholds to promote better risk-based and proportionate reporting requirements.
    - <u>Entry into force</u>. The entry into force of the Implementing Regulation is amended to 31 December 2022.

    The changes proposed by the EIOPA will lead to: i) a reduction of reporting costs for the majority of insurance undertakings; ii) inclusion of information needed for supervisory purposes focusing on emerging risks; and iii) a more fit-for-purpose reporting.

3. Próximos pasos

- Los comentarios a este documento de consulta pueden enviarse antes del **17 de octubre de 2021**.

09/07/2021
Draft final report on Guidelines on assessment of suitability, internal governance and remuneration policies

1. Context

The EBA has published its **revised Guidelines on remuneration policies** which takes into account the amendments introduced by the fifth Capital Requirements Directive (CRD V) in relation to gender-neutral remuneration policies. Furthermore, the EBA has published its **revised Guidelines on internal governance** which also take into account the amendments introduced by CRD V and the Investment Firms Directive (IFD) in particular with regard to gender diversity, money laundering, financing terrorist risk and the management of conflicts of interest.

Finally, the EBA together with the European Securities and Markets Authority (ESMA) have published **their revised final joint Guidelines on the assessment of the suitability of members of the management body and key function holders**.

2. Main points

Draft final report on Guidelines on remuneration policies under CRD

- **Remuneration policies.** These Guidelines specify the requirements, governance arrangements and processes to be applied in relation to remuneration policies. The main new features are:
  - Gender-neutral remuneration policy. The Guidelines specify the sound and gender-neutral remuneration policies that institutions and investment firms should have in place for all their staff and for staff whose professional activities have a material impact on the institutions' risk profile.
  - The remuneration framework. This framework applies on a consolidated basis to financial institutions that are subject to a specific remuneration framework (for example, firms subject to the Investment Firms Directive (IFD), the Undertakings for Collective Investment in Transferable Securities Directive (UCITS), or the Alternative Investment Fund Managers Directive (AIFMD)).
  - Severance payments and retention bonuses. The Guidelines revised the section on severance payments, in particular there are included new situations under which additional payments are allowed.

Draft final report on Guidelines on internal governance under CRD

- **Internal governance.** These Guidelines specify the internal governance arrangements, processes and mechanisms that institutions and investment firms should implement to ensure their effective and prudent management. The main novelties include:
  - Money laundering and terrorist financing. These Guidelines clarify that identifying, managing and mitigating money laundering and financing of terrorism risk is part of sound internal governance arrangements and credit institutions' risk management framework.
  - Loan framework regarding loans to members of the management body. The EBA is providing guidance on how to properly manage loans to members of the management body which may constitute a specific source of actual or potential conflict of interest and other transactions with members of the management body and their related parties.
  - Gender diversity. The EBA is providing guidance on the code of conduct to ensure that credit institutions take all necessary measures to avoid any form of discrimination and guarantee equal opportunities to staff of all genders. In addition, institutions should monitor the gender pay-gap.

Draft final report on joint EBA and ESMA Guidelines on the assessment of suitability

- **Assessment of suitability.** The Guidelines provide common criteria to assess the individual and collective knowledge, skills and experience of members of the management body as well as their good repute, honesty and integrity, and independence of mind. The main novelties include:
  - Money laundering and terrorist financing. These Guidelines clarify that assessing the knowledge, experience and skill requirements of the management body include identifying, managing and mitigating money laundering and financing of terrorism risks.
  - Composition of the management body. Institutions should respect the principle of equal opportunities for any gender and take measures to improve a more gender balanced composition of staff in management positions.
  - Recovery and resolution framework. These Guidelines ensure that during resolution, the suitability of newly appointed members of the management body is conducted in an appropriate timeframe, considering the urgency of the situation, and that there is an appropriate interaction between competent authorities and resolution authorities.

3. Next steps

- The EBA Guidelines on remuneration policies, internal governance and assessment of suitability apply from **31 December 2021.**

20/09/2021
Revised Guidelines on the stress test of DGSs and Guidelines on large exposure breaches

1. Context

The EBA has published the revised **Guidelines on the stress tests of deposit guarantee schemes (DGSs)** with the aim of harmonizing the approaches across Member States, and enhancing the comparability of test results. These Guidelines are based on the conclusions and areas for improvement indicated in the peer review of the DGS stress test conducted by the EBA in 2020.

On the other hand, the EBA has published its final **Guidelines to assess breaches of the large exposure limits**, with the purpose to provide guiding principles to help competent authorities (CA) to decide whether the exceptional circumstances leading to a breach of the large exposure limits would justify allowing an institution a limited period of time in which to comply with the limit.

2. Main points

Final report on revised Guidelines on DGS stress tests

- **Objectives and content of DGS stress test.** These Guidelines specify the minimum principles and content of stress tests that deposit guarantee schemes must perform. The main new features of this Guidelines are the following:
    - DGSs are required to stress test their ability to perform all the interventions allowed under their legal mandates, and to access all of their funding sources.
    - The cooperation between DGSs and other authorities is strengthened, by requiring DGSs to stress test scenarios where such cooperation is necessary.
    - There are included extra stress scenarios and extra indicators to encourage the DGSs to stress test scenarios with additional business continuity challenges. Although the list provided is not exhaustive, some examples are pandemics, ICT failures or other similar events. Furthermore, on a voluntary bases DGSs can add extra indicators as they deem relevant.

Final Report on Guidelines to assess breaches of the large exposure limits

- **Large exposures**. The Guidelines clarify that any breach of the large exposure limits of the CRR should always be considered as an exceptional case. To support CA in their assessment and harmonise the approach across the Single Market, the EBA has developed Guidelines with criteria to assess such breaches. CA should consider at least the following three criteria, whether:
    - The breach was a rare event.
    - The institution couldn't foresee the event when it had applied a proper and effective risk management.
    - It was caused by reasons beyond the institution's control.

If the breach does not fulfil those criteria, the CA should not grant the institution more than three months to restore compliance with the large exposure limit. Likewise, the Guidelines provide CA with a set of criteria to determine the appropriate time that they could grant institutions to return to compliance with the large exposure limits. When an institution is granted more than three months to comply with the limits, it should present a compliance plan to the CA with a number of measures.

3. Next steps

- The EBA Guidelines on the DGS stress test will apply from **15 September 2021**. The EBA Guidelines on large exposure breaches will apply form **1 January 2022.**

EUROPEAN CENTRAL BANK
EUROSYSTEM

24/09/2021
Economy-wide climate stress test results

1. Context

In March 2021, the ECB published the preliminary results of the first economy-wide climate stress test to assess the exposure of euro area banks to future climate risks by analysing the resilience of their counterparties under various climate scenarios.

In this context, the ECB has published the final **results of its wide climate stress test**, which show that companies and banks benefit from adopting green policies in order to foster a transition to a sustainable, zero-emission economy. The exercise reveals that an orderly and rapid transition minimizes costs and maximizes profits and offsets the short-term cost of transitioning to a zero-carbon economy.

2. Main points

- **Methodological framework**. The climate stress test provides a comprehensive methodology for assessing the impact of alternative scenarios over a 30-year time horizon. It is a top-down exercise, as it relies solely on internal datasets and models, and has been conducted centrally by ECB staff
- **Scenarios**. The ECB's economy-wide climate stress test applies three main scenarios which differ from one another in their associated levels of transition risk and physical risk.
  - Orderly transition scenario. Policy measures are well calibrated so that transition costs and physical risk are limited. This is the best scenario in terms of potential economic impact.
  - Hot house scenario. No regulation or policy to limit climate change is introduced, leading to extremely high physical risks resulting in very limited transition costs and extremely high natural catastrophe costs.
  - Disorderly transition scenario. This implies a delay in the implementation of necessary climate policy measures. The transition risks and their associated costs are significant, and the climate policy measures are introduced abruptly.
- **Macroeconomic and climate projections under the scenarios**.
  - Real GDP. The projected levels of real GDP in the adverse scenarios are below those in the orderly transition scenario, and these differences widen over the forecast horizon.
  - Greenhouse gas emissions. Projected levels of carbon emissions under the hot house world scenario are well above those under the baseline scenario over the entire forecast horizon.
  - Energy prices. Green energy production would be relatively more efficient in the orderly transition scenario, which would allow energy prices to rapidly adopt a downward trend. This would mean that energy prices in the baseline scenario would eventually fall below those associated with the hot house scenario.
- **Conclusions**. The early adoption of policies to drive the transition to a zero-carbon economy brings benefits in terms of investing in and rolling out more efficient technologies. The results show that when comparing the effects of transition and physical risks, the latter would be more important in the long run, especially if transition policies towards a more sustainable economy are not introduced. The results also show that impact on banks' expected losses is mostly driven by physical risk and is potentially severe. Finally, if climate risks are not mitigated, the costs to companies arising from extreme weather events could rise substantially, and greatly increase their probability of default.

3. Next steps

- The results and methodology will inform the **2022** supervisory climate stress test for the banks that the ECB directly supervises.

14/07/2021
Proyecto de Circular a los establecimientos financieros de crédito sobre liquidez, normas prudenciales y obligaciones de información

1. Context

Royal Decree 309/2020 on the legal regime for credit financial institutions stipulates that the BoS is to develop the solvency and shareholding structure reporting requirements. It also establishes that the BoS is to determine the specific cases in which credit financial institutions must carry out the annual internal capital self-assessment report (IAC) and the BoS the supervisory review and evaluation (SREP).

In this context, the BoS has launched the public consultation on the **draft circular to financial credit institutions on liquidity, prudential rules and reporting obligations**, with the aim of completing the regulations for financial credit institutions with regard to liquidity and solvency reporting obligations.

2. Main points

- **Scope of application.** This Circular applies to credit financial institutions, to consolidable groups of credit financial institutions with a parent company in Spain and to single liquidity sub-groups of credit financial institutions.
- **Liquidity regulation. They are set up:**
    - Liquidity buffer rules concerning: i) the composition and calculation of the buffer; ii) general impediments to asset liquidity; iii) the operational management of liquid assets; iv) asset valuation rules; v) the consequences of non-compliance with liquid asset eligibility requirements; vi) alternative approaches to liquidity treatment; vii) liquidity outflows and inflows; and viii) the minimum value of the buffer.
    - Rules relating to the structure of funding sources as regards: i) the net stable funding ratio and the general rules for its calculation; ii) the calculation of available stable funding; and iii) the calculation of required stable funding.
- **Regulation on financial credit institutions.** It sets out the circumstances under which credit financial institutions must carry out the annual internal capital self-assessment report and the BoS the supervisory review and evaluation.
- **Solvency reporting obligations to the BoS.** Provisions are included relating to the information that institutions must provide to the BoS in relation to the composition of the assets, liabilities and equity reflected in their financial statements and, where applicable, of other balances which, although not reflected, are used in the calculation of own funds and their requirements.
- **Authorisation of financial credit institutions.** The guarantees required for the authorisation of financial credit institutions subject to the control of foreign persons are established.

3. Next steps

- Comments to this public consultation can be submitted until **30 July 2021.**
- This Circular will enter into force **three months after** its publication in the Official State Journal (BOE).

GOBIERNO DE ESPAÑA MINISTERIO DE ECONOMÍA, INDUSTRIA Y COMPETITIVIDAD

01/06/2021
Order establishing the regulatory bases for the granting of aid in the field of artificial intelligence and announcing the granting of aid to finance projects of the R&D Missions Programme in artificial intelligence.

1. Context

Following the COVID-19 pandemic, the Government has drawn up a roadmap for the recovery of economic growth and job creation through the Recovery, Transformation and Resilience Plan. This Plan is structured into ten leveraged policies. One of these policies is related to the science and innovation pact, which encompasses the national Artificial Intelligence strategy.

In this context, the MINECO has published the **Ministerial Order establishing the regulatory bases for the granting of aid in the field of Artificial Intelligence**, which contains the call for the granting of aid and whose objective is to finance industrial research or experimental development projects for the digital transformation of the economy.

2. Main Points

Bases for the granting of aid

- **Scope, objective and beneficiaries**. This order applies to projects that are developed entirely in Spanish territory and will remain in force until they are replaced by a new plan or agenda. The purpose of the projects covered by this order must be the transition towards a data economy. The beneficiaries may be companies, research and knowledge dissemination organisations or business associations. Beneficiaries must meet a series of requirements and obligations in order to be eligible for aid.
- **Characteristics of the aid**. The aid for the development of projects covered by these regulatory bases will be granted in the form of grants.
- **General aid scheme**. Projects must be carried out in the form of cooperation. In other words, more than one of the entities mentioned as beneficiaries must participate. This mean, the aid scheme regulates subcontracting, representation, withdrawal by the interested parties and publicity of the aid.
- **Aid management procedure**. The award procedure is that of competitive concurrence provided for in the General Law on Grants. The competent body to call and resolve is the Secretary of State for Digitalisation and Artificial Intelligence and the deadline for submission of applications begins on the day on which the call takes effect. To submit the application forms and electronic documents are required, which will be available at the MINECO headquarters. In addition, the procedure includes a pre-assessment phase, evaluation, a provisional and final resolution proposal, and finally the resolution of the award.

Call for the award of grants to finance projects under the Artificial Intelligence R&D Missions Programme

- **Missions Programme**. This call for proposals establishes the Artificial Intelligence R&D Missions Programme. The call is aimed at large R&D projects, carried out in cooperation involving both public and private entities, in order to address large country missions in thematic areas in the following areas: agri-food, health, environment, energy and employment. The call has a budget of €50 million in the form of a grant. Industrial research projects can obtain support of up to €20 million and experimental development projects up to €15 million, which must have a budget of between €10 and €20 million and a maximum duration of up to 31 December 2024.

3. Next steps

- This resolution entered into force on the **same day** of its publication in the Official State Journal.

19/07/2021
Business Plan 2021/22

1. Context

The FCA has adopted the Business Plan 2021/22 which sets its main priorities around three main objectives focusing on consumers, the wholesale market and markets in general.

2. Main points

- **Consumer priorities. Focuses on**:
  - Enabling consumers to make effective investment decisions. The Consumer Investments Strategy will be published.
  - Ensuring consumer credit markets work well. Competition will be promoted by monitoring how firms support customers in financial difficulty and take action where needed.
  - Making payments safe and accessible. The FCA will work with the Government and industry to maintain access to cash.
  - Delivering fair value in a digital age. A digital markets strategy will be developed and harmful business practices will be investigated and stopped.
  - New consumer duty. Responses to the Consultation Paper on a new consumer duty will be considered in order to help that firms put their customers' interests at the centre of their business models.
- **Wholesale market priorities.** Focuses on:
  - Reviewing rules in primary and secondary markets. The FCA rules will be better adapted to suit UK markets, while maintaining high and internationally consistent standards.
  - Completing the transition from LIBOR. The FCA will help to ensure that Firms and markets complete an orderly transition away from LIBOR.
  - Tackling market abuse and financial crime. The FCA will help to prevent market abuse and reduce the risks of financial crime by continuing to allocate significant resource to monitor the transactions in financial instruments reported.
  - Improving asset management and non-bank finance. There will be increased the supervision of whether asset managers present the environmental, social and governance (ESG) properties of funds fairly, clearly and in ways that are not misleading.
- **Priorities across all markets**. Focuses on:
  - Diversity and inclusion. The FCA will continue to publish key indicators of diversity.
  - ESG. The Government's commitment to achieving a net-zero economy by 2050 will be supported by adapting the FCA's regulatory framework.
  - International priorities. International cooperation with other supervisors and global standard-setting bodies will be maintained.
  - Financial resilience. The Investment Firms Prudential Regime for investment firms will be introduced.
  - Operacional resilience. Firms' progress in implementing the operational resilience requirements will be assessed and areas for improvement will be identified.

20/07/2021
Diversity and inclusion on company boards and executive committees

1. Context

In 2012 the European Commission (EC) proposed a Directive which would require a quota of 40% for women's representation on listed company boards. However, this proposal did not receive sufficient support in the European Council. In 2020, in the US, NASDAQ proposed to the Securities Exchange Commission (SEC) a new listing rule to require all companies on NASDAQ's US Exchange to publicly disclose consistent, transparent, diversity statistics on their board of directors. In addition to these proposals, there have also been moves to promote greater gender diversity in other jurisdictions. However, in the UK, the listing rules do not set explicit expectations on diversity of listed companies' boards.

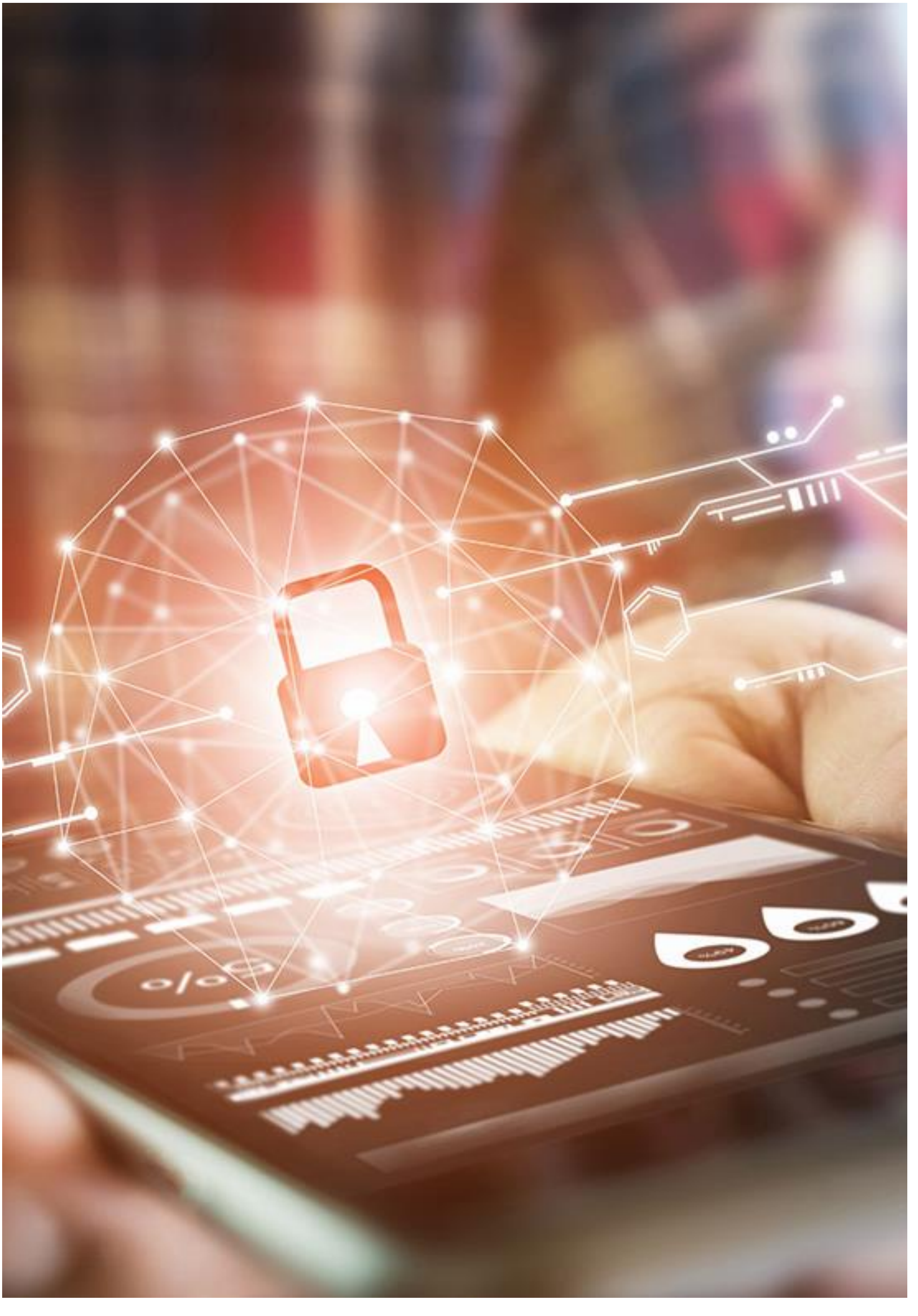
In this context, the FCA has published the **Consultation Paper (CP) on Diversity and inclusion on company boards and executive committees** with the aim to increase transparency by establishing better, comparable information on this aspect.

2. Main points

- **New Listing Rule requirements**. The FCA is proposing to create new provisions within the Listing Rules for UK and overseas issuers with equity shares, or certificates representing equity shares, admitted to the premium or standard segment of the FCA's Official List. The targets that are being consulting on are:
    - <u>At least 40% of the board should be women.</u>
    - <u>At least one of the senior board positions</u> (Chair, Chief Executive Officer (CEO), Senior Independent Director (SID) or Chief Financial Officer (CFO)) should be a woman.
    - <u>At least one member of the board should be from a non-White ethnic minority background</u> (as referenced in categories recommended by the Office for National Statistics (ONS)).
- **Proposed amendments to disclosure guidance and transparency rules (DTRs) requirements.** The FCA proposes to require certain UK issuers admitted to UK regulated markets and to certain overseas listed companies, to disclose in their corporate governance statement the diversity policy applied to their board. This will involve:
    - Include how any diversity policies apply to the key committees of the board, specifically the committees on remuneration, audit and nominations.
    - Clarify that the aspects of diversity to which the diversity policy may relate could include, for example, ethnicity, sexual orientation, disability and socio-economic background.

3. Next steps

- Comments to this CP can be sent before 20 October 2020.
- Subject to the feedback to this CP, the FCA will aim to publish a Policy Statement before the end of 2021.



4Q Publications of the quarter
Global publications

05/11/2021
International Sustainability Standards Board and publication of prototype disclosure requirements

1. Context

In answer to the growing and urgent demand to improve the global consistency and comparability of companies' sustainability disclosures to meet the needs of investors and other capital market participants, the IFRS Foundation began working towards the creation of an international sustainability standards board in October 2019.

In this context, the IFRS have approved the amendments to the Constitution required to establish the **International Sustainability Standards Board (ISSB)** within the Foundation's governance structure to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs. Furthermore, the IFRS will consolidate the **Climate Disclosure Standards Board (CDSB)** and the **Value Reporting Foundation (VRF).** Finally, it has also published the **prototypes for climate disclosure requirements and general sustainability disclosure requirements** developed by the Technical Readiness Working Group (TRWG).

2. Principales aspectos

<u>International Sustainability Standards Board and Consolidation with CDSB and VRF</u>

- **Disclosure**. The ISSB will develop IFRS Sustainability Disclosure Standards, including disclosure requirements that address companies' impacts on sustainability matters relevant to assessing enterprise value and making investment decisions. The ISSB's standards will enable companies to provide comprehensive sustainability information for the global financial markets.
- **Informed by experts advice**. Technical advice on sustainability matters will be provided to the ISSB by a new Sustainability Consultative Committee, whose members will include the International Monetary Fund, the Organisation for Economic Co-operation and Development, the United Nations, the World Bank and additional expert members.
- **Global footprint**. The ISSB will have a global and multi-location presence. All regions, the Americas, Asia-Oceania and EMEA (Europe, the Middle-East and Africa) will be covered.
- **Consolidation**. The IFRS Foundation will complete consolidation of the CDSB and the VRF by June 2022.

<u>Prototypes on climate and general disclosure requirements</u>

- **Prototype climate-related disclosures**. These disclosure requirements require an entity to disclose information about its exposure to climate-related risks and opportunities in relation to the following aspects:
    - <u>Governance</u>. The governance processes, controls and procedures the entity uses to monitor and manage climate-related risks and opportunities.
    - <u>Strategy</u>. The climate-related risks and opportunities that could enhance, threaten or change the entity's business model, strategy and financial position and performance over the short, medium and long term.
    - <u>Risk Management</u>. How climate-related risks are identified, assessed, managed and mitigated by the entity.
    - <u>Metrics and targets</u>. The metrics and targets used to manage and monitor the entity's performance in relation to climate-related risks and opportunities over time.
- **Prototype general requirements**. To achieve the objective to require entities to provide material information about the entity's exposure to sustainability-related risks and opportunities that is useful to users, the Standard includes:
    - Requirement to disclose a complete, neutral and accurate depiction of <u>an entity's significant sustainability risks and opportunities</u>.
    - Definition of materiality, focused on the <u>information that serves the needs of users and drives enterprise value</u>.
    - Disclosure of information about significant sustainability-related risks and opportunities built on a consideration of <u>an entity's governance, strategy and risk management and supported by metrics and targets</u>.
    - Further requirements and guidance that support the provision of <u>comparable and connected information</u>.

3. Próximos pasos

- They FSB will commence shortly a search for the additional board positions, up to the full complement of 14 members. The ISSB's work is expected to commence as soon as the Chair and Vice-Chair(s) have been appointed.
- The prototypes for climate and general sustainability requirements disclosure will serve as technical and operational input for ISSB consideration.

26/11/2021
2021 list of G-SIBs

1. Contexto

In November 2011 the FSB published an integrated set of policy measures to address the systemic and moral hazard risks associated with systemically important financial institutions (SIFIs). In that publication, the FSB identified an initial group of global systemically important banks (G-SIBs) which are updated annually. In addition, the BCBS published a revised version of its methodology, which is expected to be implemented by 2022.

In this context, the FSB has published the **2021 list of G-SIBs**, using end-2020 data and the assessment methodology designed by the BCBS. In parallel with these publications, the BCBS has released **additional information** regarding the end-2020 G-SIB assessment.

2. Principales aspectos

FSB - 2021 list of G-SIBs

- Compared with the list of G-SIBs published in 2020, **the number of banks identified as G-SIBs remains 30**
    - Three banks have moved to a higher bucket: JP Morgan Chase has moved from bucket 3 to bucket 4, BNP Paribas has moved from bucket 2 to bucket 3 and Goldman Sachs has moved from bucket 1 to bucket 2.
- **The FSB applies the following requirements** to G-SIBs:
    - Higher capital buffer requirements.
    - The Total-Loss Absorbing Capacity (TLAC) requirements set out in the Basel III framework.
    - Resolvability requirements, which include group-wide resolution planning and regular resolvability assessments.
    - Higher supervisory expectations for risk management functions, risk data aggregation capabilities, risk governance and internal controls.

BCBS - Additional information

- The **BCBS has also published** the following information regarding the **assessment methodology** used for the purpose of the list of G-SIBs:
    - A list of the banks included in the assessment sample, and the links to the disclosures of those banks.
    - The denominators of each of the 12 high-level indicators used to calculate the scores for sample banks.
    - The 12 high-level indicators for each bank in the sample used to calculate these denominators.
    - The cut-off score used to identify the G-SIBs in the updated list and the thresholds used to allocate G-SIBs to buckets for the purpose of calculating the specific higher loss-absorbency requirements.

3. Próximos pasos

- The FSB will update the list of G-SIBs again in **November 2022**.

IOSCO

28/10/2021
Outsourcing principles to ensure operational resilience

1. Contexto

Since the publication of IOSCO´s principles on outsourcing for market intermediaries in 2005 and for markets in 2009, new developments in markets and technology have focused regulatory attention on risks related to outsourcing and the need to ensure the operational resilience of regulated entities (trading venues, market intermediaries, market participants and credit rating agencies).

In this context, the IOSCO has published the **final report on principles on Outsourcing** which comprise a set of fundamental precepts and seven principles. These Principles are intended to be technology-neutral and provide regulated entities with sufficient flexibility to implement them according to the nature and size of their business model. On the other hand, the report also addresses the impact of COVID-19 on outsourcing and operational resilience.

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2. Principales aspectos

- **Principles**. A regulated entity should:
  - Conduct suitable due diligence processes in selecting an appropriate service provider and in monitoring its ongoing performance.
  - Enter into a legally binding written contract with each service provider, the nature and detail of which should be appropriate to the materiality or criticality of the outsourced task to the business of the regulated entity.
  - Take appropriate steps to ensure both the regulated entity and any service provider establish procedures and controls to protect the regulated entity's proprietary.
  - Take appropriate steps to ensure that service providers protect confidential information and data related to the regulated entity and its clients from intentional or inadvertent unauthorised disclosure to third parties.
  - Be aware of the risks posed and should manage them effectively.
  - Take appropriate steps to ensure that its regulator, its auditors, and itself are able to obtain promptly, upon request, information concerning outsourced tasks that is relevant to contractual compliance and/or regulatory oversight.
  - Include in its contract with service providers and ensure that it maintains appropriate exit strategies. written provisions relating to the termination of outsourced tasks
- **Impacto de la pandemia de COVID-19 en la externalización y la resiliencia operacional**. Durante la pandemia de COVID-19, la actividad de externalización demostró en general ser resiliente. La externalización puede haber mejorado la resiliencia operacional de algunas entidades financieras, especialmente en los casos en que estas se situaban en zonas con una infraestructura informática menos desarrollada.

30/11/2021
Final report on ESG Ratings and Data producers

1. Context

The use of ESG ratings and data products has grown considerably in response to investors' mounting interest in investing in companies that take account of sustainability in the way they are run. In this context, on July 2021 the IOSCO published a consultation report proposing recommendations to mitigate the risks associated with ESG ratings and data products and to address some of the existing challenges faced by providers, users and target companies.

In this context, IOSCO has published the **final report on ESG Ratings and Data producers**, which analyzes the market, providers and users of these ratings, and provides a series of recommendations for securities market regulators, providers and users of these products and services.

2. Main points

- **Market overview of ESG ratings and products**. The Overview of the ESG ratings and data products market describes the types of companies that act as these product providers. Currently, the global market is concentrated around a small number of providers with a global presence, alongside a larger number of providers with a more regional focus or offering more specialized services.
- **ESG ratings and data product providers**. Analysis of the practices and experiences of these providers. In particular, it is considered how providers obtain their ESG data and the methods used in the industry (e.g. some providers have based their business practices around the application of AI and ML techniques to improve their data collecting). There are identified some of the key challenges in this area and provides an overview of the business models used in the industry.
- **Private and public users of ESG ratings and data products**. There are summarized some of the opinions provided mainly by large private and public users. These views include, how these users consume this information, whether and how they conduct due diligence on this information, and whether they identify any issues related to governance and management of conflicts of interest.
- **Companies and providers of ESG ratings and data products**. Exploration of how ratings and ESG data product providers engage with companies. There are three phases during which companies can interact with ESG ratings and data products providers: i) data collection; ii) data assessment; and iii) pre-publication of the final ESG ratings or data products.
- **Recommendations**. These recommendations are categorized into:
  - <u>Recommendations on possible regulatory and supervisory approaches</u>. Regulators could consider focusing more attention on the use and providers of ESG ratings and data products that may be subject to their jurisdiction.
  - <u>Recommendations on the internal processes of providers</u>. ESG ratings and data products providers could consider adopting and implementing written policies and procedures designed to help ensure their decisions are independent, free from political or economic interference.
  - <u>Recommendations concerning the use of ESG ratings and data products</u>. Market participants could consider conducting due diligence or gathering and reviewing information on the ESG ratings and data products that they use in their internal processes.
  - <u>Recommendations on how the providers interact with the entities that are subject to the ESG ratings and data products</u>. ESG ratings and data products providers could consider improving information gathering processes with entities covered by their products.

BANK FOR INTERNATIONAL SETTLEMENTS

19/11/2021
Principles for the effective management and supervision of climate-related risks

1. Context

On April 2021, the BCBS conducted analytical work to better understand the risk features of climate change and its potential implications for individual banks and the broader banking system. As a result, the Committee published two: The report on Climate-related risk drivers and their transmission channels and the report on Climate-related financial risks – measurement methodologies. The Committee is now examining the extent to which climate-related financial risks can be addressed within the Basel Framework, identifying potential gaps in the current framework and how to address them.

In this context, the BCBS has published a **Consultation Paper on the Principles for the Effective Management and Supervision of Climate-related Financial Risks**. The Committee seeks to promote a principles-based approach to improving risk management and supervisory practices of climate-related financial risks. The approach is based on the review of the current Basel Framework, in particular on the Basel Core Principles (BCP) and Supervisory Review Process (SRP), and draws from existing supervisory initiatives undertaken by individual prudential authorities and other international bodies.

2. Main Points

Principles for the management of climate-related financial risks

- **Corporate governance. (Principles 1-3).**
  - Banks should develop a process for assessing the potential financial and environmental impact of climate-related risk drivers and their consideration into a bank's strategy.
  - The board should assign climate-related responsibilities to members and committees.
  - Banks should also adopt policies and procedures to ensure effective management of climate-related financial risks.
- **Internal control framework (Principle 4).**
  - Banks should incorporate climate-related financial risks into their internal control frameworks across the three lines of defense. The aim is to be able to ensure sound, comprehensive and effective identification, measurement and mitigation of material climate-related financial risks.
- **Capital and liquidity adequacy (Principle 5).**
  - Banks should identify and quantify climate-related financial risks and incorporate those assessed as relevant into their internal capital and liquidity adequacy assessment processes.
- **Risk management process (Principle 6).**
  - Banks should identify, monitor and manage all climate-related financial risks that could materially impair their financial condition, including their capital resources and liquidity positions.
  - Banks should ensure that their risk appetite and risk management frameworks consider all material climate-related financial risks to which they are exposed and establish a reliable approach to identifying, measuring, monitoring and managing those risks.
- **Management monitoring and reporting (Principle 7).**
  - Risk data aggregation capabilities and internal risk reporting practices should account for climate-related financial risks.
  - Banks should seek to ensure that their internal reporting systems are capable of monitoring material climate-related financial risks and producing timely information to ensure effective board and senior management decision-making.
- **Comprehensive management of credit risk (Principle 8).**
  - Banks should understand the impact of climate-related risk drivers on their credit risk profiles and ensure credit risk management systems and processes consider material climate-related financial risks**.**
- **Comprehensive management of market, liquidity, operational and other risks (Principle 9-11).**
  - Banks should understand the impact of climate-related risk drivers on their market risk positions, on their liquidity risk profiles and on their operational risk to ensure that market risk management systems and processes consider material climate-related financial risks.
- **Scenario analysis (Principle 12).**
  - Banks should make use of scenario analysis, including stress testing, to assess the resilience of their business models and strategies to a range of plausible climate-related pathways and determine the impact of climate-related risk drivers on their overall risk profile.

2. Main Points (Cont.)

Principles for the supervision of climate-related financial risks

- **Prudential regulatory and supervisory requirements for banks (Principle 13-15)**.
  - Supervisors should determine that banks' incorporation of material climate-related financial risks into their business strategies, corporate governance and internal control frameworks is sound and comprehensive.
  - Supervisors should determine that banks can adequately identify, monitor and manage all material climate-related financial risks as part of their assessments of banks' risk appetite and risk management frameworks.
  - Supervisors should determine that banks comprehensively identify and assess the impact of climate-related risk drivers on their risk profile and ensure that material climate-related financial risks are adequately considered in their management of credit, market, liquidity, operational, and other types of risk.
- **Responsibilities, powers and functions of supervisors (Principle 15-18)**.
  - Supervisors should utilize an appropriate range of techniques and tools and adopt adequate follow-up measures in case of material misalignment with supervisory expectations.
  - Supervisors should ensure that they have adequate resources and capacity to effectively assess supervised banks' management of climate-related financial risks.
  - Supervisors should consider using climate-related risk scenario analysis, including stress testing, to identify relevant risk factors and data gaps, size portfolio exposures, and inform the adequacy of risk management approaches.

3. Next Steps

- The comments should be submitted by **16 February 2022**.

4Q Publications of the quarter

European publications

21/10/2021
2022 Annual Work Programme

EUROPEAN COMMISSION

1. Context

The EC has adopted the **2021 Work Programme** which is designed to make Europe greener, fairer, more digital and more resilient. The programme will be implemented on the basis of six policy priorities around which 42 legislative initiatives are developed.

2. Main points

- **European Green Deal**. The EC will continue to work on making Europe climate neutral by 2050. To this end, the EC will propose a regulatory framework for certification of carbon removals, follow up on the zero pollution action plan to improve water and air quality and will advance the circular economy. Furthermore, The EC will also mobilise resources, next to the already proposed Social Climate Fund, doubling the external funding for biodiversity.
- **Europe fit for the digital age**. The EC will follow up on its path to the digital decade to deliver on the EU's digital transformation by 2030. The EC will propose a European Cyber Resilience Act to establish common cybersecurity standards and begin building an EU space-based global secure communications system to provide additional EU-wide broadband connectivity and secure independent communications to Member States.
- **Economy that works for people**. The EC will follow up on the European Pillar of Social Rights Action Plan as a guide towards quality jobs, fair working conditions and a better work-life balance. Furthermore, it will deliver proposals on instant payments to foster their full uptake as well as facilitating access to capital for businesses in the EU.
- **Stronger Europe in the world**. The EC will prepare a defense package which will include a roadmap on security and defense technologies for boosting research, technology development and innovation and reducing the EU’s strategic dependencies in critical technologies. The EC will work towards global energy transition and healthier oceans, and a new strategy on international energy engagement and an action plan on international ocean governance will be tabled.
- **Promoting our European way of life**. The EC will continue to deliver on building a Security Union and will report regularly on progress in the area of security. In particular, the priorities will focus on a future-proof security environment capable of tackling evolving threats, protecting Europeans from terrorism, and a strong European security ecosystem. The EC will also present an EU strategy for universities and propose ways for a deeper and more sustainable transnational cooperation in higher education.
- **A new push for European democracy**. The EC will also take further steps to safeguard media freedom and pluralism, by tabling a European Media Freedom Act, and will continue to guard the rule of law. Furthermore, it will continue its efforts on the design of the new interinstitutional EU Ethics Body.

29/10/2021
Banking Package 2021

EUROPEAN COMMISSION

1. Context

Basel III is the agreement reached by the EU and its G-20 partners in the Basel Committee on Banking Supervision to increase the resilience of banks to potential economic shocks in response to the financial crisis. . The initial phase starts in December 2010 with the publication of the original text (revised in 2011), in January 2013 the revised Liquidity Coverage Ratio (LCR) text is published, followed in October 2014 by the Net Stable Funding Ratio (NSFR) and in January 2016 the text on Minimum Capital Requirements for Market Risk (revised in January 2019). In 2017, the latest reforms were agreed upon and has had several phases in its implementation, with the vast majority of these rules having been adopted in the EU.

In this context, the EC has published the **Banking Package 2021**, which is the last phase of the final implementation of Basel III in the EU. These new rules will ensure that EU banks become more resilient to potential future economic shocks, while contributing to Europe's recovery from the COVID-19 pandemic and the transition to climate neutrality. This package is composed of three proposals that complete the reform of banking regulation, and introduce changes to the **Capital Requirements Regulation (CRR), the Capital Requirements Directive (CRD IV)**. They also present a separate legislative proposal to amend the CRD in the area of resolution, also known as the **"daisy chain proposal".**

2. Main points

Main amendments to CRR

- **Own Funds**. The proposal introduce:
  - New definitions of indirect holding and synthetic holding to also capture holdings of relevant liabilities.
  - The correction of asymmetries in the calculation of certain deductions (e.g. for insufficient coverage of non-performing exposures) from CET1 in the calculation of relevant CET1 items.
- **Output floor (OF).** The proposal introduces the output floor to the internal models set at 72.5% of the own funds requirements by standardised approaches.
- **Revision of the standardised approach for credit risk (SA-CR)**, in line with the revised Basel III standards. This revision increases the risk sensitivity of this approach in relation to several key aspects:
  - Changes to how institutions are to determine the exposure value of off-balance sheet items and commitments on off-balance sheet items.
  - Amendments to the current treatment of exposures to institutions, introducing the SCRA alongside the existing External Credit Risk Assessment Approach (ECRA).
  - Amendments to the current treatment of exposures to corporates to lower the risk weight applicable to exposures to corporates for which a credit quality step 3 credit assessment by a nominated ECAI is available.
  - Amendments to the current treatment of specialised lending exposures that introduce, a specialised exposures class as well as two general approaches to determine applicable risk weights for specialised exposures.
  - Amendments to the current treatment of exposures secured by real estate in line with the revised Basel III standards, to increase further the granularity with regard to the inherent risk posed by different types of real estate transactions and loans.
  - Other changes to: i) defaulted exposures, ii) subordinated debt exposures, and iii) equity exposures.
- **Revision of the internal ratings-based approaches for credit risk**. This proposal introduce amendments to limit the exposures classes for which internal models can be used to calculate own funds requirements for credit risk, implementing the Basel III standards. Specifically, the use of the advanced IRB (A-IRB) approach, is only allowed for those exposure classes for which robust modelling is possible whereas other exposure classes are "migrated" to less sophisticated approaches.
- **Market risk framework**. In order to introduce binding own funds requirements for market risk in line with the revised fundamental review of the trading book (FRTB) standards, a number of amendments are made, related to: i) elements of own founds, ii) general requirements and general provisions, iv) the alternative standardised approach and, v) the alternative internal model approach.
- **Operational risk**. The proposal introduces: i) new standardised approach to replace all existing approaches for operational risk; ii) changes to the calculation of own funds requirements; iii) new rules on data collection and governance.
- **Leverage ratio**. The proposal introduces changes to: i) the calculation of the exposure value of derivatives and the exposure value of off-balance-sheet items and, ii) the provisions related to regular-way purchases and sales awaiting settlement.
- **Environmental, social and governance (ESG) risks**. The amendments introduce new harmonised definitions of the different types of risks, aligned with those proposed by EBA.

Main amendments to CRD IV

- **Supervisory powers**. The proposal expands the list of supervisory powers available in the CRD to competent authorities.
- **ESG Risks**. Amends are made to require that short, medium and long term horizon of risks are included in credit institutions' strategies and processes. Another point is to enable the EBA together with the other ESAs to develop consistent standards for methodologies to stress test these risks.
- **Pillar 2 requirements**. Supervisors have the discretion to decide, on a case by case basis, to impose Pillar 2 capital requirements with a higher share of Tier 1 capital or CET 1 capital.
- **Introduction of the output floor (OF)**. Setting out the rules on the Pilar 2 requirements (P2R) and the systemic risk buffer (SyRB) requirement, respectively - by introducing safeguards aimed at preventing unjustified increases in the P2R and the SyRB requirement. These cannot be used to cover risks that are already fully covered by the OF.
- **Supervisory benchmarking of approaches for calculating own funds requirements**. two types of approaches; i) modelling approaches used to calculate expected credit risk losses both under International Financial Reporting Standard (IFRS 9) and under national accounting standards; ii) the alternative standardised approach for market risk.

Additional amendment to the Capital Requirement Regulation (CRR), which introduces the "Daisy chain proposal"

- The proposal incorporates directly into the CRR a **dedicated prudential treatment** related to the indirect subscription of instruments eligible for internal Minimum Requirement for own funds and Eligible Liabilities (MREL) **(daisy chain approach).**
- The proposal clarifies the CRR provisions on **the comparison between the sum of the actual Total Loss-absorbing Capacity (TLAC) requirements** of all the resolution groups within a Globally Systemic Important Institutions (G-SII) group with an Multiple Point of Entry (MPE) resolution strategy, with the **theoretical Single Point of Entry (SPE) requirement** of that G-SII group.
- It is amended the **formula for the calculation of the TLAC/MREL surplus** of a subsidiary in the context of the general deduction regime applicable to G-SIIs with an MPE resolution strategy to ensure that that formula takes into account both the risk-based and the non-risk-based TLAC/MREL requirements of the subsidiary, in line with the TLAC standard.
- The proposal clarifies some CRR provisions applicable to G-SIIs with an MPE resolution strategy to **allow for the consideration of subsidiaries established outside of the Union**.
- The proposal introduces some targeted clarifications in the context of the **requirement for own funds and eligible liabilities for institutions that are material subsidiaries of non-EU G-SIIs** ('internal TLAC') to ensure that debt instruments issued by those institutions could meet all eligibility criteria for eligible liabilities instruments.

3. Next Steps

- The legislative package will now be discussed by the European Parliament and Council.
- The entry into force of the changes will be gradual. The first amendments are expected to enter into force in **2023**.

02/12/2021
Legislative proposals on the Capital Markets Union

EUROPEAN COMMISSION

1. Context

The Capital Markets Union (CMU) aims to create a genuine single market for capital across the EU, therefore, the CMU aims to achieve the flow of savings and investment in all Member States, benefiting citizens, investors and businesses. Above all, this requires even more urgency due to the crisis caused by the COVID-19 and the necessary funding required to support recovery, sustainable growth and the ecological transition. The Commission's Action Plan for the CMU 2020 is a step forward in the face of obstacles to the free movement of capital, which aims to make money flow throughout the EU so that it can benefit consumers, investors and businesses, regardless of their location.

In this context, the EC has adopted a set of measures to improve the ability of companies to raise capital across the EU and ensure that European citizens get the best deals on their savings and investments, thereby achieving a recovery from the COVID-19 crisis by boosting the green and digital transition.These legislative proposals are the **Regulation on the European Single Access Point (ESAP), the Review of the European Long-Term Investment Funds (ELTIFs) Regulation, the Review of the Alternative Investment Fund Managers Directive (AIFMD), Review of the Markets in Financial Instruments Regulation (MiFIR).**

2. Main points

<u>Regulation on the European Single Access Point (ESAP)</u>

- **The ESAP**. It is proposed to establish by 2014 the ESAP, which will provide a single point of access to public financial and sustainability-related information on EU companies and investment products.
- **Voluntary submission of information for accessibility on ESAP**. Any natural or legal person may submit to a collection body of public information, the information of relevance to financial services provided in the EU or to capital markets of the EU, using a data extractable format for drawing up that information and ensure that no personal data are included.
- **List of collection bodies**. ESMA shall publish a list of the collection bodies with information about the URL of each collection body.
- **Tasks of the collection bodies**. The collection bodies shall, among others: i) collect and store the information submitted by the entities; ii) perform automated validations on the information submitted to verify that the information complies the requirements set out in the Regulation; iii) ensure that the use and re-use of the information provided to ESAP is either not subject to any conditions.
- **Functionalities of ESAP**. The ESAP must provide several functionalities. Some of them are: i) a web portal with a user-friendly interface; ii) a search function; iii) a machine translation service.
- **Access to information available on ESAP**. ESMA shall ensure that anyone has direct and immediate access free of charge to the information available on ESAP

<u>Review of the European Long-Term Investment Funds (ELTIFs) Regulation</u>

- **The regulatory framework for ELTIFs is amended**:
    - <u>The objective of these amendments are to</u>: i) ensure that ELTIFs may make minority co-investments in investment opportunities; ii) facilitate the possibility of ELTIFs pursuing fund-of-funds investment strategies and investing in EU AIFs; iii) lower the minimum value of individual real assets; iv) specify the scope of eligible securitisations.
    - <u>The threshold for eligible investment assets</u> of ELTIFs is lowered to 60% to promote the attractiveness of ELTIFs to asset managers, improving the liquidity profile of the portfolios.
    - With respect to the <u>provisions relating to the investment policy</u> of ELTIFs, establishing that they shall not invest more than 20% of their capital in instruments issued by any single qualifying portfolio undertaking, single real asset, or in shares or participations of a single ELTIF.
    - <u>The aggregate risk exposure to a counterparty</u> of the ELTIF stemming from OTC derivative transactions should not exceed 10% of the value of the capital of the ELTIF.
    - Introduction of the optional <u>liquidity window mechanism</u> to provide liquidity to ELTIF investors.

Review of the Alternative Investment Fund Managers Directive (AIFMD)

- **The amendments to this Directive include the following:**
    - A clarification is introduced for the human and technical resources that Alternative Investment Funds Managers (AIMFs) should have, when applying for an AIMF authorization. When applying, the technical and human resources should be described in detail.
    - Competent authorities should send notifications to the ESMA on delegation arrangements where more risk or portfolio management is delegated to third country entities than is retained. The ESMA is empowered to develop draft RTS prescribing content, forms and procedures for the transmission of delegation notifications.
    - AIFMs managing AIFs, which grant loans, should implement effective policies, procedures and processes for the granting of loans, by assessing credit risk, and administering and monitoring their credit portfolios.
    - Single borrower lending is restricted when the borrower is a financial institution. In order to avert potential conflicts of interest, AIFs are forbidden to lend to its AIMF or its staff, its depositary or its delegate. To avoid moral hazard situations, AIFs are required to retain an economic interest of at least 5% of the notional value of the loans they have granted and sold off.
    - AIFMs managing open-ended AIFs are enabled to access the necessary tools for liquidity risk management in exceptional circumstances, in order to effectively address micro-prudential and macro-prudential risks.
    - Competent authorities are empowered to require a AIMF, EU resident or not, to deactivate or activate a relevant Liquidity Management Tool (LMT).

Review of the Markets in Financial Instruments Regulation (MiFIR)

- The amendments to this Regulation include the following:
    - Introduces the obligation for trading venues to contribute harmonised market data directly and exclusively to the entities appointed by ESMA as the consolidated tape provider (CTP) for each asset class (mandatory contributions). It also aligns the trade reporting formats and reporting obligations for SIs.
    - Introduces a provision on the organisational requirements and quality of service standards that apply to all CTPs selected and appointed by ESMA, including: i) a collection of consolidated core market data; ii) collection of licensing fees from subscribers; and ii) a revenue participation scheme.
    - Adjustments to the derivatives trading obligations, to align them under MiFIR with the clearing obligation for derivatives under 'EMIR Refit', to ensure legal certainty.
    - Prohibits SIs from offering payment for (retail) order flow (PFOF). Retail orders will be sent to a pre-trade transparent market (regulated market or MTF) for execution.

3. Next Steps

- The EC will take further steps in 2022 on the CMU, including a **proposal on listing, an "open finance" framework, a corporate insolvency initiative and a financial literacy framework.**

01/10/2021
2022 Annual Work Programme

1. Context

The ESMA has published the 2022 Work Programme setting out its priority work areas for the next 12 months to deliver on its mission to enhance investor protection and promote stable and orderly financial markets. In 2022, the ESMA will continue to contribute to the EU priorities in relation to the development of a Capital Markets Union (CMU), Innovation and Digitalisation, and Sustainable Finance.

2. Main points

- **Workstreams**. ESMA will focus on enhancing investor protection and promoting stable and orderly financial markets through the following workstreams:
    - Cross-Cutting Themes. The ESMA will focus on:
        - **CMU**. Contribute to developments in the regulatory and supervisory framework supporting the development of European capital markets, notably through its work on the European single access point (ESAP), on the retail investment strategy, and EC initiatives to facilitate SMEs access to public markets.
        - **Sustainable finance**. Develop rules on environmental, social and governance (ESG) disclosures and risk identification methodology for ESG factors, and work with national authorities to prevent the risk of greenwashing.
        - **Innovation and digitalization**. Contribute to the implementation of the Digital Operational Resilience Act (DORA), the Markets in Crypto Assets Regulation (MiCA) and the regulation on a pilot regime for market infrastructures based on distributed ledger technology.
    - Supervisory Convergence. ESMA will continue to contribute to a risk-based, consistent and coordinated approach to supervision in the EU, focused on assessing the results of Union Strategic Supervisory Priorities and reviewing its supervisory convergence toolkit.
    - Risk Assessment. Strengthen its risk identification work and co-operation with National Competent Authorities (NCAs) and EU and international public authorities.
    - Single Rulebook. Priority areas include contributing to the reviews of MiFID II/MiFIR, Regulation on retail and insurance-based investment products (PRIIPS), the Short Selling Regulation, and Central Securities Depositories Regulation (CSDR), as well as maintaining a high degree of transparency when developing regulatory provisions.
    - Direct Supervision. ESMA will continue to prioritise the areas where it has been entrusted with supervisory responsibilities notably for Credit Rating Agencies and Securitisation and Trade Repositories. In 2022, it will additionally focus on critical benchmarks and Data Reporting Service Providers which will come under its direct supervision and play an important role in the oversight of critical market infrastructures.

07/10/2021
Single Programming Document 2022-2024

1. Context

The Single Programming Document 2022-2024 sets out EIOPA's strategy for the coming years under the overarching goal of building a safe and sustainable EU for citizens. The EIOPA activities take into account the ongoing effects of COVID-19, the market situation and political priorities, in particular supporting the digital and green recovery.

2. Main points

- Under the twin objectives of ensuring consumer protection and safeguarding financial stability, EIOPA will pursue **six strategic areas**:
    - Integrating sustainable finance considerations across all areas of work, including promotion of sustainability disclosures and a sustainable conduct of business framework.
    - Supporting the market and supervisory community through digital transformation, including the preparation of Regulatory and Implementing Technical Standards from the digital operational resilience act (DORA), and continuous implementation of the cyber underwriting strategy. Furthermore, the EIOPA will continue to implement the data strategy, including contributing to the European Commission strategy on supervisory data, and the development of SupTech activities.
    - Enhancing the quality and effectiveness of supervision, including the provision of training on Solvency II to national authorities. Furthermore, EIOPA will work on issues related to national supervision, conduct of business supervision and supervisory data.
    - Ensuring technically sound prudential and conduct of business policy, including follow-up to the Solvency II review and the provision of technical advice on the scheduled review of the institutions for occupational retirement provision Directive (IORP II).
    - Identifying, assessing, monitoring and reporting on risks to the financial stability and conduct of business and promoting preventative policies and mitigating actions, including the provision of timely and accurate financial stability analyses and risk assessments. EIOPA will continue to monitor, identify and report on trends, potential risks and vulnerabilities at the macro-prudential level.
    - Ensuring good governance, agile organisations and strong corporate culture. EIOPA will continue to ensure transparency and accountability in its governance arrangements and stakeholder relations.

03/12/2021
Methodological Framework for Stress-Testing IORPs

1. Context

Stress-testing of financial institutions has evolved considerably in recent years and has become a key tool for supervisors to identify and assess risks and vulnerabilities in the financial system. EIOPA is mandated to conduct regular EU-wide stress testing exercises for the European occupational pension fund industry, in collaboration with the European Systemic Risk Board.

In this context, EIOPA has published a **methodological framework for the stress-testing of occupational** pension funds, which presents a set of standard approaches, practical rules and possible methodologies to support the design phase and management of future stress testing exercises for IORPs. In particular, the methodological framework establishes horizontal approaches and types of analysis that can be applied to all types of IORPs; a toolbox approach to choose the most relevant set of analyses; and approaches to address new and emerging risks, in particular environmental risks.

2. Main points

- **Scope of the methodology paper**. This methodology paper focuses only on bottom-up supervisory strategies.
- **Dual perspective of stress-testing in relation to EIOPA's mandate**. Given that IORPs are different financial institutions than for example banks or insurers, there is a dual perspective of EU-wide IORP ST exercises:
    - Perspective one aims to <u>assess whether IORPs are able to meet their institutional goals also in an adverse scenario</u>.
    - Perspective two aims to <u>assess the transmission effects onto financial stability of the impact of an adverse scenario on the IORP sector</u>.
- **Toolbox approach and horizontal applicability of tools**. It involves guidance in the selection of the appropriate tools so that the determined objective can be effectively evaluated.
    - <u>Candidate instruments</u>:
        - **Balance sheets** to value assets and liabilities at a given point in time. Both the National Balance Sheet (NBS) and the Common Balance Sheet (CBS) should be calculated at a certain reference date and reflect all assets and liabilities of a pension fund.
        - **Projection tools**. Projections should be accompanied by clear and detailed descriptions to extrapolate trends and establish inputs to promote comparable results. Three different types of projection tools are presented: i) Internal rate of return calculation, whereby the required return on benefits is calculated; ii) Cash flow tools, and iii) Tools for projecting member and beneficiary income.
        - **Survey tools**. They include elements of different scope: i) the Investment Behaviour Survey (IBS); ii) the Stock Take Surveys (STS); and iii) the Background Survey (BS).
    - <u>Relation with stress-test perspectives</u>:
        - **Assessment of the financial position of IORPs**. The assessment of the financial position of the pension fund covers: i) its capital adequacy (if applicable) and solvency; ii) its liquidity position; iii) its potential to sustain its business in the future; and iv) the transmission of risks to the ultimate risk bearers of the IORP.
        - **Assessment of the transmission effects of adverse economic scenarios via the IORP sector onto financial stability**. To assess these effects, the following areas can be explored: i) the direct impact on financial markets and financial stability; and ii) the direct impact on the real economy and the indirect transmission effect on financial stability. In doing so, it is important to take into account the provisions of national frameworks to obtain a realistic view of the timing and impact of the recovery mechanisms that would actually be implemented.
- **Scenario design, risk factor selection, shock application**.
    - <u>Building the adverse scenario</u>. The design of the adverse scenario narrative has to stay close to the current macro-financial environment as the baseline situation and take into consideration new potential risks arising in the financial markets, resulting in a plausible scenario.
    - <u>Risk factors</u>. The risk factors from which a scenario may be designed are discussed. The relevance of the risk in the context of an IORP stress test exercise is discussed, followed where appropriate with a discussion of potential approaches for the assessment of the risk in a stress test.
    - <u>Granularity</u>. A granular approach can contribute to the goal of gauging the effects of a plausible, yet severe, negative scenario by adding realism to the scenario.
    - <u>Shocks and their application</u>. IORPs are requested to apply the shocks to their full balance sheets following the prescribed guidance and to calculate their positions under the adverse scenario.
        - The **approach taken to value the balance sheets in the adverse scenario**, including assumptions regarding the behavior of members and beneficiaries, as well as the IORPs' future management actions, should be **consistent with the valuation of the balance sheets in the baseline scenario**.
        - When calculating the balance sheets in the adverse scenario, IORPs should take into account the **mitigating effects of financial and insurance risk mitigation techniques on the value of these financial instruments**. In addition, they should take into account the direct and **indirect effects of the adverse scenario** on technical provisions and the value of insurance mechanisms.

- **Environmental stress testing for IORPs**. EIOPA includes specific references to potential environmental developments and risks in the context of a stress testing regime. The following aspects are relevant in designing an adverse climate scenario:
  - The stress test will have to be based on some assumed climate change scenario in the future and on some assumed policy response to this future development.
  - The scenario must be specified considering different levels of asset-level granularity.

08/10/2021
2022 Annual Work Programme

1. Context

The EBA has published the **2022 work programme** setting out the activities and priorities for the coming year. The EBA's work in 2022 will largely be a continuation of work carried out in 2021. Further developing a relevant environmental, social and governance (ESG) framework for banks, and ensuring the monitoring of the impact of COVID-19 on their balance sheets.

2. Main points

- The EBA's **priorities** focus on:
  - Monitor and update the prudential framework for supervision and resolution. The EBA will continue to monitor the health of banks while supporting any possible additional work of the co-legislators in this regard.
  - Revisit and strengthen the EU-wide stress-testing framework. The EBA will collect feedback from the lessons learned in the 2021 stress test and use it for the preparation of the 2023 stress-test exercise. The new features of the revised approach will focus on making the exercise more integrated into supervisory processes and incentivising banks even more to further develop their risk-management frameworks.
  - Leverage the European centralised infrastructure for supervisory data (EUCLID). The EBA will expand the scope of EUCLID so that this single entry point for reporting data to the EBA is not limited to supervisory or resolution data. In 2022, the EBA will start collecting from the ECB payment fraud data from EU countries.
  - Deepen analysis and information-sharing on Digital Resilience, Fintech and Innovation. The EBA will continue its monitoring of and response to technological innovation and ICT and cyber risks, with a view to strengthening the operational resilience of the financial services in its scope.
  - Fight anti-money laundering (AML) / combating the financing of terrorism (CFT).The EBA will ensure policy development and consistent implementation to support AML / CFT supervisors and to ensure effective coordination with prudential, payments and conduct supervisors.
  - Provide tools to measure and manage ESG risks. The EBA will monitor the effective implementation of ESG disclosure standards of key metrics, such as the Green Asset ratio (GAR) and gradually expand the scope of disclosure reflecting the development of the EU taxonomy and data availability.
  - Monitor and mitigate the impact of COVID-19. The EBA will monitor by assessing the impact of the crisis on asset quality and provisioning, and by monitoring the effect of moratoria and public guarantees. The EBA will also support the continued implementation of customer centric NPL management.

26/11/2021
Monitoring Report on the International Financial Reporting Standard (IFRS 9) implementation by EU institutions

1. Context

In January 2018 the international accounting standard IFRS 9 entered into force and introduced changes in credit loss provisioning by moving from an incurred loss model (under IAS 39) to an expected credit loss (ECL).
In December 2018, the EBA published the last report on the first observations on the impact and IFRS 9 by EU institutions. Furthermore, the EBA has conducted additional activities with the aim of monitoring EU institutions' practices in the context of the COVID-19 pandemic, in order to better understand the impact of IFRS 9 on capital requirements.

In this context, the EBA has published the **Monitoring Report on the IFRS 9 implementation by EU institutions** which summarises the findings arising from the EBA's investigations since the publication of its last report in December 2018. The conclusions include the effect of the COVID-19 scenario on the calculation of provisions, requiring some rapid adjustments to the models, as well as greater flexibility in the criteria used by institutions. This Report will assist supervisors evaluate the quality and adequacy of IFRS 9 ECL models, in order to contribute to a high-quality and consistent application of the IFRS 9 standard in the EU.

2. Main points

- **Methodology.**
  - Sample. The sample of institutions considered 47 institutions across 20 Member States, which cover roughly 60% of the total assets of the EU banking groups applying IFRS. Most of the banks in the sample are identified as Global Systemically Important Institutions (G-SIIs) or as Other Systemically Important Institutions (O-SIIs). This sample is consistent with the one used in the previous EBA impact assessments with some necessary adjustments, mainly due to the exclusion of UK institution.
  - Sources of information. The quantitative data used for the purpose of this assessment correspond to: i) the supervisory data reported by banks to competent authorities via COREP/FINREP templates; ii) the additional quantitative data gathered through the ITS on supervisory benchmarking collected on the first time on 31 December 2020; iii) the two ad hoc benchmarking exercises launched in July 2019 and July 2020 and iii) information gathered through the EBA notifications on the application of the IFRS 9 CRR transitional arrangements**, in particular the "quick fix" of CRR II introduced in June 2020 as a response to the COVID-19 pandemic.**
- **Main findings and observations**. The main observations included in the report deal with the following aspects:
  - Staging assessment. Limited changes observed in banks' significant increase in credit risk (SICR) approaches during the first half of 2020. The use of a SICR collective assessment or any other approach to timely capture factors that would not be identified at an individual level remains very limited.
  - ECL models. COVID-19 pushed IFRS 9 models outside their boundaries thereby increasing the use of overlays leading to more divergence in terms of materiality of the impact in the final ECL amount.
  - IFRS 9 probability of default (PD) variability and robustness. The IFRS 9 12-month PD estimates and variability generally increased during the pandemic, as a result of the incorporation of the forward looking information and their point in time nature, while the IRB PDs remained comparatively relatively stable.
  - Incorporation of forward-looking information. The impact on ECL stemming from the incorporation of forward looking information increased during the pandemic and varied significantly across institutions. Some practices have been observed that deserve further scrutiny from supervisors.
  - Classification and measurement. A wide array of practices was observed in the context of the IFRS 9 business model assessment. Due to this lack of consistency, this area would deserve further attention and an adequate level of guidance and review.
  - Recognition and derecognition. Some discrepancies have been observed in the derecognition of financial assets and/or recognition of accrued interest. In some cases some further attention from supervisors is required, for instance, when high percentages of recoveries after write-offs are observed or when recognition and presentation of the accrued interest related to non-performing debt instruments leads to non-comparable outcomes.
  - Application of IFRS 9 transitional arrangements and other prudential observations. Only one third of institutions made use of the IFRS 9 transitional arrangements under the CRR. The overall picture did not change materially, which indicates that only a few institutions decided to make use of the CRR quick-fix. The simple average CET1 impact of the application of the IFRS 9 transitional arrangements was equal to 119 bps for the EU banking sector as of December 2020.
- **Areas of work.** The EBA will continue monitoring and promoting consistent application of IFRS 9 as well as working on the alignment with prudential requirements. In this regard, IFRS9 monitoring activities will be strengthened and, as a result, the focus and scope of IFRS9 supervisory benchmarking exercises will be broadened. In particular, the following changes are proposed:

2. Principales aspectos (Cont.)

- The new data and information that will be collected via the ITS on supervisory benchmarking will allow: i) to extend the scope of the exercise to a larger sample of institutions including the ones applying Standardised Approach (SA) for credit purposes; and ii) to conduct further analyses on additional IFRS 9 parameters.
- The EBA will continue its work on the extension of the IFRS 9 benchmarking exercise on high-default portfolios (HDPs). Firstly, this will provide more insightful information on the sources of variability in the ECL measurement since this variability is expected to be higher for the HDPs. Furthermore, this milestone implies a change in logic of the analysis, as it would involve a comparison of the model outputs not for common counterparties but instead for commonly defined portfolios.

3. Next steps

- The EBA will continue to monitor and promote the consistent application of IFRS 9, as well as work on alignment with prudential requirements.
- The EBA will use the findings of this report when participating in the International Accounting Standards Board's (IASB) assessment of the implementation of IFRS 9.

10/12/2021
Risk assessment report and 2021 EU-wide transparency exercise

1. Context

The EBA has published its annual Risk Assessment Report (RAR), which describes the main developments and trends that have affected the EU banking sector since June 2020 and provides an outlook on the main risks and vulnerabilities. In particular, the RAR includes aggregate results on capital position, return on equity (RoE), non-performing loans (NPL) ratio, and coverage ratio of NPLs. Moreover, the RAR also addresses other aspects such as the level of liabilities, operational risks or risks to the global economy. This year, the RAR shows improvements in EU banks solvency, profitability and liquidity, but asset price corrections remain a key threat. In addition, as a new feature, progress in relation to environmental, social and governance (ESG) risk management has been included.

Moreover, along with the RAR the EBA has published the **results of the Autumn EU-wide 2020 transparency** exercise which provides detailed information for 120 banks across 25 European Economic Area (EEA)/EU countries. Unlike the last transparency exercise, following the United Kingdom's (UK's) departure from the EU, banks domiciled in UK are no longer included in the figures based on supervisory reporting data. The data available provides disclosure on banks' assets and liabilities, capital positions, risk exposure amounts, leverage exposures and asset quality. According to them, the potential asset quality deterioration have not materialised, except for the sectors most affected by the pandemic.

2. Main Points

- **Sample of banks in the RAR**. The RAR builds on the supervisory reporting data that competent authorities submit to the EBA on a quarterly basis for a sample of 155 banks from 28 EEA countries (125 banks at the highest EEA/EU level of consolidation from 25 countries). Based on total assets, this sample covers about 80% of the EU banking sector.
- **Reference date of the RAR**. The data presented in the RAR is as of 30 June 2021.
- **Data for the RAR**. The RAR is based on qualitative and quantitative information collected by the EBA. The report's data sources are the following:
    - **EU supervisory reporting data.**
    - **The EBA risk assessment questionnaire (RAQ), addressed to banks and market analysts.**
    - **Market intelligence on as well as microprudential qualitative information.**
- **Results of the RAR**. Despite the robust economic recovery in the last quarters and the progress in COVID-19 vaccination, vulnerabilities remain.
    - <u>Banks' capital and liquidity positions have further improved</u>. The average Common Equity Tier 1 (CET1) ratio has increased on the back of strong results in the first half of 2021. The availability of central bank funding has allowed banks to maintain comfortable liquidity positions. Banks' net stable funding ratio (NSFR) reached on a higher average, although analysis in the report shows that it would be significantly lower if central bank funding was excluded from the numerator. Amidst increasing rate volatility, banks should carefully evaluate the risk profile of their funding plans and ensure they are able to substitute current central bank funding with other sources of funding.
    - <u>Asset quality has improved overall but concerns remain for loans to specific sectors and those that have benefited from support measures</u>. The NPL ratio has further decreased this year supported by several large NPL securitizations. The asset quality of loans under public guarantee schemes and under moratoria is a source of concern as an increasing share of these loans are being classified under stage 2 or as NPL. Accelerating house price increases along with banks' recent focus on mortgage lending may become a source of vulnerability going forward.
    - <u>Operational risk losses have increased during the pandemic</u>. The growing usage of and reliance on technology has been accompanied by a rising number and impact of information and communication technologies and security-related incidents.
    - <u>Lower impairment costs have increased profitability, but structural challenges remain</u>. Banks' net operating income has not recovered to pre-pandemic levels. The low and negative interest rate environment is still weighing on lending margins. This adds to high competition not only among banks, but also with FinTech and BigTech companies. Despite the acceleration in branch closures during the pandemic, operating expenses have stabilised in the past year as pre-existing working arrangements have gradually resumed.
    - <u>Banks have made some progress related to ESG risk considerations</u>. The share of ESG bonds of total bank issuances has increased in recent years. Banks have started integrating ESG risk considerations into their risk management. However, there is significant progress to be made, including in areas such as data, business strategies, governance arrangements, risk assessments and monitoring.

Overview of key figures:

	Ratio CET 1 (transitorio)	Ratio CET 1 (fully loaded)	Ratio de cobertura de liquidez	Ratio NPL	Porcentaje de préstamos en Stage 2	RoE	Ratio de apalancamiento (fully phased-in)
T2 2021	15,8%	15,5%	174,5%	2,3%	8,8%	7,4%	5,7%
T2 2020	15,0%	14,7%	166,2%	2,9%	8,2%	0,4%	5,1%

Reference date as of June 2020 (Q2 2020) and June 2021 (Q2 2021)

15/12/2021
Interest rate risk arising from non-trading book activities

1. Context

The Capital Requirements Directive (CRD IV) mandates the EBA to develop draft regulatory technical standards (RTS) to specify the supervisory shock scenarios and modelling and parametric assumptions for the supervisory outlier test (SOT) on Economic Value of Equity (EVE) and the SOT on (NII). Additionally, CRD mandates the EBA to issue Guidelines (GL) to specify the criteria for the evaluation identification, management and mitigation of the interest rate risk of an institution's non-trading book activities (IRRBB). In this respect, in 2018 EBA published GL on the management of IRRBB. On the other side, CRD IV mandates EBA to develop a standardised (SA) and simplified standardised (S-SA) methodology for the purpose of the evaluation of the risks arising from potential changes in interest rates that affect both the EVE and the NII of IRRBB activities.

In this context, the EBA has launched three consultations specifying technical aspects of the revised framework capturing IRRBB positions. The first **on draft RTS on the IRRBB SOT** which give continuation to the GL of 2018 with some additional specifications and introduce the specificities for the SOT on NII; the second on **draft Guidelines on IRRBB and credit spread risk arising from non-trading book activities (CSRBB)** which replace the GL of 2018 and introduces additional criteria for the assessment and monitoring by institutions of their CSRBB; and the third **on draft RTS on the IRRBB standardized approach** which introduce reliable numerical estimates of institutions' exposures to IRRBB.

2. Main points

Consultation paper on draft RTS on IRRBB supervisory outlier tests

- **SOT on EVE**. Here A SOT is envisaged to identify institutions of which, in the context of a shock scenario, their economic value of equity (EVE) declines by more than 15% of their Tier 1 capital. Also, the RTS specify:
    - The six supervisory shock scenarios that set out the change in interest rates under which the impact on the EVE shall be assessed.
    - The treatment of the institution's own equity, in the calculation of the EVE.
    - The inclusion, composition and discounting of cash flows sensitive to interest rates arising from the institution's assets, liabilities and off-balance-sheet items, including the treatment of commercial margins and other spread components, in the calculation of the EVE.
    - The use of dynamic or static balance sheet models and the resulting treatment of amortised and maturing positions, new business assumptions, in the calculation of the EVE
- **SOT on NII**. As a novelty, the draft RTS envisages a SOT to identify institutions of which, in the context of a shock scenario their NII experiences a large decline which is calculated as a result of two mathematical formulae. Also, the RTS specify:
    - The two supervisory shock scenarios that set out the change in interest rates under which the impact on the NII shall be assessed.
    - The inclusion and composition of cash flows sensitive to interest rates arising from the institution's assets, liabilities and off-balance-sheet items, including the treatment of commercial margins and other spread components, in the calculation of the NII.
    - The use of dynamic or static balance sheet models and the resulting treatment of amortised and maturing positions, new business assumptions, in the calculation of the NII.
    - The period over which future net interest income shall be measured.

Consultation paper on draft Guidelines on IRRBB and CSRBB

- **Criteria for the identification, management and mitigation by institutions of** IRRBB either if they implement internal systems or use the standardised methodology or the simplified standardised methodology for the evaluation of IRRBB.
    - Institutions should consider all interest rate sensitive instruments in the banking book in the context of the assessment and management of exposures to IRRBB.
    - Institutions should consider non-performing exposures as interest rate sensitive instruments reflecting expected cash flows and their timing.
- **Criteria for the evaluation – measurement of IRRBB** if an institution implements internal systems for it.
    - Institutions should implement robust internal measurement systems (IMSs) that capture all components and sources of IRRBB which are relevant for the institution's business model.
    - Institutions should measure their exposure to IRRBB in terms of potential changes to both the EV and NII.
    - Institutions should use complementary features of both approaches to capture the complex nature of IRRBB over the short-term and long-term time horizons.
    - When calculating NII measures to evaluate IRRBB exposures, institutions should include commercial margins.
    - Institutions should consider non-performing exposures (net of provisions) as interest rate sensitive instruments reflecting expected cash flows and their timing.

- **Criteria for the assessment and monitoring by institutions' internal systems of CSRBB**.
  - When assessing changes in credit risk premium and liquidity premium movements, institutions can consider currency specific dimensions (i.e. EUR, USD, etc.) as relevant dimension for market credit spread and market liquidity spread.
  - Institutions should not exclude any instrument in the banking book from the perimeter of CSRBB ex ante, including assets, liabilities, derivatives and other off-balance sheet items. Any potential exclusion of instruments from the relevant perimeter should be done in the case of the absence of sensitivity to credit spread risk and should be appropriately documented and justified.
  - Institutions should ensure that their management body bears the ultimate responsibility for the oversight of the CSRBB management framework and the institution's risk appetite framework to adequately cover the risks.
  - Institutions should ensure that they have in place a CSRBB management framework that establishes clear lines of responsibilities and that consists of policies, processes and internal controls including regular independent reviews and evaluations of the effectiveness of the framework.
  - Institutions should implement robust internal measurement systems (IMSs) that capture all components and sources of CSRBB which are relevant for the institution's business model.
  - Institutions should monitor their exposure to CSRBB in terms of potential changes to both the economic value and net interest income. Institutions should use complementary features of both approaches to capture the complex nature of CSRBB over the short-term and long-term time horizons.
  - Institutions should develop and use their own assumptions and calculation methods for the assessment of CSRBB.

Consultation paper on draft RTS on IRRBB standardised approach

- **General structure of the standardised approaches**. The draft RTS specifies a collection of procedural aspects and applicable assumptions both for the SA on EVE and, as a novelty, for SA on NII, as well as for the respective simplified standardised approaches. Three main components are identified to estimate the level of NII within a given horizon, namely: i) the aggregation of interest rate payments that are already fixed, the projection of ii) risk free yield and of iii) commercial margin for repricing cash flows.
- **Steps and assumptions in the calculation of EVE and NII.**
  - Behavioral cashflows. Institutions are expected to determine several components regarding behavioural cash flows in the baseline scenario based on relevant historical data, combined with standardised constraints and assumptions provided by the EBA.
  - Calculation risk free rate and commercial margins. For the calculation of the risk-free rate and commercial margins, it is necessary to make assumptions regarding the risk-free curve, the original maturity of repricing cash flows and the rate used as the commercial margin component of NII.
  - Simplified Standardized Approaches. For the S-SA on EVE and NII the proportion of the core component of Non-Maturing Deposits (NMDs) is fully prescribed, as a standardised linear behaviour is proposed, as well as additional simplifications for the calculation of automatic optionality, average maturities and interest calculation.
  - Inclusion of fair value effects in the NII. For automatic options accounted for at fair value an additional treatment has been introduced.
  - Inclusion of basis risk in the NII. Inclusion of a component in the SA on NII in accordance to which institutions are required to estimate and add the impact of basis risk.

3. Next Steps

- Comments to this consultation documents can be sent before **4 April 2022**.
- The draft RTS will be submitted to the Commission for endorsement following which they will be subject to scrutiny by the European Parliament and the Council before being published in the Official Journal of the European Union.

22/12/2021
Report on the feasibility study on the integrated reporting system

1. Context

Since the financial crisis, the reporting requirements that institutions provide to EU authorities have expanded due to additional information needs, contributing to the objectives of financial stability, market integrity and consumer protection. However, a common problem for institutions are the reporting costs that they encounter due to the lack of efficiency and proportionality of the reporting requirements. As a result, the EBA has been mandated in Article 430c of the Regulation 575/2013 on capital requirements (CRR) to prepare a feasibility study for the development of a consistent and integrated reporting system for statistical, resolution and prudential data. Therefore, in March 2021 the EBA published a Discussion Paper on the feasibility of developing an integrated reporting system to collect feedback for the preparation of its final Report in this area.

In this context, the EBA has published the **Final Report on feasibility study on the integrated reporting system**, based on the analysis and feedback received by the EBA on its comprehensive discussion paper. The Report puts forward a long-term vision on how the reporting processes could be streamlined and improved for both institutions and competent authorities and how cooperation among the latter could be enhanced in the area of prudential, resolution and supervisory reporting.

2. Main points

- **Objectives of the study**. The EBA aims to identify and assess shortcomings with a view to reducing the administrative and financial costs, both for the authorities and for the institutions, and to improving the overall efficiency of the statistical, resolution and prudential reporting process. For the preparation of this feasibility study, the EBA has built on the following objectives:
    - Increasing the efficiency of reporting for institutions and authorities by standardising reporting.
    - Facilitating the exchange of data and its usability.
    - Improving the data quality.
- **Overview of an integrated reporting system**.
    - An integrated reporting system represents a way of organising the reporting process with the aim of streamlining and improving reporting for institutions authorities and enhancing cooperation among the latter. A key building block of the system is the adoption of a data dictionary as a common set of formal definitions and information requirements to define data and enable digital processing and efficient data sharing. In addition, some form of a common collection system may facilitate the reporting and coordination process, while being mindful of the data needs of the authorities. It should be supported by governance to ensure the quality, harmonization and efficiency of the process, as well as the necessary collaboration and allocation of responsibilities.
    - From each core area (data dictionary, central data collection point and governance) some objectives have been identified as feasible to achieve with further integration of reporting.
    - Finally, a set of principles for building an integrated reporting system have been developed.
- **Forward considerations.**
    - It is intended to set off an Informal Joint Reporting Committee (IJRC) in order to continue discussions within the authorities involved to prepare a roadmap until the formal set-up of the Joint Reporting Committee (JRC).
    - Possible actions have been set to serve as a basis for building a more detailed roadmap for the JRC to develop an integrated reporting system. These are:
        - Defining a **common data dictionary** for prudential, statistical and resolution data.
        - Increasing the **granularity** of reporting requirements.
        - Investigate the need for a common solution for **institutions' compliance process**.
        - Further investigate the **desired target scenario** based on a cost-benefit assessment of the Central Data Collection Point (CDCP).
        - Developing **strong governance arrangements**.
        - Provide an **estimate of costs and resources needed**.

- **Core areas analysed**.
    - Data dictionary: The data dictionary is considered a fundamental piece of a solution of regulatory integrated reporting. The proposal is to have one unique regulatory data dictionary (RRD) at European level using a shared vocabulary and one single standard syntactic model to support all the frameworks of different authorities. By providing all concepts integrated under the same RDD, regulators will improve clarity on regulatory requirements and enable reductions on compliance costs of institutions.
    - Central Data Collection Point (CDCP): It is discussed the feasibility and possible design of a CDCP for the integrated reporting system, which contains a central data register with all statistical data, resolution data and prudential data, and that takes into account the proceedings and processes of competent authorities and transfers them into a standardised system. In addition, a sequence of possible scenarios in which the integrated system could be implemented with different levels of achievement is described.
    - Governance:
        - **The JCR**. The governance arrangements of the future integrated reporting system should allow strong cooperation among the different authorities involved (joint governance) to avoid a silo approach and improve data sharing among authorities and all other stakeholders The JRC would act as a forum for authorities involved in the efficient implementation and development of the integrated reporting system by taking an advisory and coordination role along the reporting process.
        - **Governance arrangements for data standardization**. It is necessary, in order to increase the efficiency of reporting requirements and avoid duplication, to identify where coordination, collaboration and/or joint work is necessary and where the JRC could have a role in ensuring reporting requirements would be integrated going forward.
        - **Governance arrangements for data collection**. A precise governance model will need to be defined following the architectural design, but a hybrid model of centralised and coordinated decentralised model could be achieved.
        - **Governance arrangements for the data exploration**. Improved data-access and data-sharing arrangements across the relevant authorities at national and EU level would further increase the value of reported data and streamline the reporting processes by reducing the duplication of data collected by multiple authorities. For this purpose, is necessary to define principles for data access and assess the existing legal obstacles.

22/12/2021

Final Guidelines on the characteristics of a risk-based approach to AML supervision and Guidelines on cooperation between prudential supervisors, AML/CFT supervisors and FIUs

1. Context

In recent years, a series of high-profile money laundering and countering the financing of terrorism (AML/CFT) cases have highlighted the need for further improvements to the EU AML/CFT framework and its implementation by its addressees. To do so, Capital Requirements Directive (CRD) introduced an explicit cooperation obligation between prudential supervisors, AML/CFT supervisors, and financial intelligence units and removed barriers to effective information exchange between those authorities that were linked to confidentiality rules.

In this context, the EBA has published the **revised Guidelines on risk-based supervision of credit and financial institutions' compliance with AML/CFT obligations**, which specify the characteristics of a risk-based approach to AML/CFT supervision and the steps competent authorities should take when conducting AML/CFT supervision on a risk-sensitive basis. Furthermore, the EBA has published the **Final Guidelines on cooperation and information exchange between prudential supervisors, AML/CFT supervisors and financial intelligence units**, which set out general provisions and practical modalities for the cooperation and information exchange as well as requirements for the cooperation between the relevant authorities domestically and on a cross-border basis.

2. Main points

Risk-based supervision Guidelines

The revised Guidelines take into consideration changes in the EU legal framework that came into force since the original Guidelines were first issued in November 2016, as well as new international guidance by the Financial Action Task Force (FATF) and the Basel Committee on Banking Supervision (BCBS) on this topic.

- **Implementing the RBS model**. The RBS model involves four steps: i) the identification of risk factors; ii) the assessment of the ML/TF risks; iii) the supervision of subjects of assessment; iv) and the monitoring and review of the model.
    - The revised guidelines set out additional guidance for competent authorities on each of the steps to ensure that the RBS Model is developed and implemented effectively across all sectors and across the EU.
- **Step 1 – Identification of risk and mitigating factors**. In order to implement their RBS Model, competent authorities should firstly identify the risk factors that will affect the ML/TF risks to which the subject of assessment is exposed. The revised guidelines provide further clarifications on the need for risk assessments by sector and the type of information and sources of information that competent authorities should use to identify the risk factors within sectors and subjects of assessment.
- **Step 2 – Risk Assessment**. Obligates competent authorities to have a clear understanding of the ML/TF risk present in their Member States.
    - The revised guidelines set out the main components of a risk assessment. For precision purposes and in order to emphasize the importance of the sectoral risk assessment, the revised guidelines make a distinction between individual risk assessments of subjects of assessment and sectoral/ sub sectoral risk assessments.
    - The guidelines also introduced a requirement for competent authorities to develop a good understanding of ML/TF risks associated with the group.
- **Step 3 – Supervision**. In line with the FATF guidance, a risk-based approach to supervision involves tailoring the supervisory actions and response to address the specific risks within the sector or subjects of assessment. The guidelines have been revised to address weakness identified by FATF and the EBA related to the risk-based supervision in the EU. Competent authorities should ensure that subjects of assessment exposed to significant and very significant ML/TF risks are subject to more frequent and intrusive supervision than those exposed to moderately or less significant risks. Some of the adjusted elements are: i) ratio between off-site and on-site supervisory tools; ii) the frequency of the supervision; or iii) the intensity and intrusiveness of the supervision.
- **Step 4 – Monitoring and updating of the RBS model**. The guidelines set out that in the final step of the RBS Model, competent authorities are required to review their approach, including their risk assessments and their methodology, and their supervisory strategy and plans. As a result, if inconsistencies or weaknesses are identified, the guidelines require competent authorities to make adjustments where necessary.

Final Guidelines on cooperation and information exchange between prudential supervisors, AML/CFT supervisors and financial intelligence units

- **Mechanisms for cooperation, information exchange and confidentiality treatment**. These should be in place to support the cooperation and information exchange both in the domestic and cross-border context.
    - The cooperation between AML/CFT and prudential supervisors. Information deemed relevant for another authority should be transmitted on own initiative and without undue delay, unless it is obvious to the owner of the information that the potential receiving authority already holds that information.
    - Cooperation between supervisors and financial intelligence units. Information gathered by the supervisors should be transmitted to these units if relevant to their tasks.
    - Confidentiality restrictions and permissible uses of information. The Exchange of information between supervisors and units will be ensured to go through secure channels.
- **Authorisation, suitability assessments, and withdrawal of authorisation**.
    - Authorisation to institutions. In assessing an application for authorisation, prudential supervisors should cooperate and exchange information with the relevant AML supervisor for the purposes of their assessment.
    - Members of the management body and key function holders. When assessing or re-assessing the suitability of members of the management body and key function holders, prudential supervisors should cooperate and exchange information with AML/CFT supervisors for the purpose of their assessment, in particular, with regards to the assessment of whether there are reasonable grounds to suspect that money laundering or terrorist financing is being or has been committed or attempted.
    - Withdrawal of authorisation. The prudential supervisor should inform the relevant AML/CFT supervisor of the withdrawal. AML/CFT supervisors should inform the prudential supervisor without undue delay of any serious breaches of the applicable AML/CFT laws, including detailed information of the breach.
- **Ongoing supervision**.
    - Notifications to exercise the freedom of establishment or to provide services. The prudential supervisor should share information on the actual exercise of the freedom to provide services by the institution with the AML/CFT supervisor.
    - Mergers. Prudential supervisors should exchange information of the institutions merging, and the new institution created by the merger if it exists. The AML/CFT supervisor should notify the prudential supervisor of serious breaches of the applicable AML/CFT laws or material weaknesses in the merging institutions.
    - Outsourcing arrangements. Prudential supervisors should exchange information related to relevant outsourcing arrangements with the relevant AML/CFT supervisor. Such exchange should take place in particular in cases where the prudential supervisor has reasonable grounds to suspect that the outsourcing arrangements could impact the ML/TF risk exposure.
    - On and off-site supervision and risk asssessments. Prudential supervisors should request from AML/CFT supervisors information that is relevant for the Supervisory Review and Evaluation Process (SREP).
- **Supervisory measures and sanctions**. Communications regarding supervisory measures or sanctions between prudential supervisors and AML/CFT supervisors should detail the nature and extent of the underlying deficiencies, material weaknesses and serious breaches.

3. Next Steps

- The revised Guidelines on RBS model will apply from **16 March 2022**.
- The Guidelines on cooperation and information exchange will apply from **1 June 2022**.

02/11/2021
Operational Guidance for Banks on separability for transfer tools

1. Context

In April 2020, the SRB published the Expectations for Banks (EfB) document that sets out its expectations towards banks under its remit in order to ensure an appropriate level of resolvability and It also sets out the expectation for banks to deliver separability analyses by the end of 2023.

In this context, the SRB has published the **Operational Guidance on Separability**. This guidance provides more detail to banks on how to concretely deliver the relevant information and analysis, namely through an analytical document known as the separability analysis report (SAR), and an operational document, the transfer playbook.

2. Main points

- **SAR.** Banks are expected to deliver a SAR, which is an analytical document intended for the resolution authority and for potential investors. It should contain the following parts:
  - A perimeter identification. The institution should present in this section the proposed transfer perimeter, its composition and the main arguments for its proposal.
  - Separability assessment. The institution should assess the interconnections, which can be financial, legal, operational or business interconnections, with the perimeter established. The institution should identify potential barriers or constraints to a smooth transfer implementation following the analysis of the interconnections and of other separability aspects.
  - Market interest and capacity. The institution should provide and assess a list of potential buyers and their suitability based on the perimeter, their financial strength, among other criteria.
  - Bank's information capabilities. The institution should provide a self-assessment of its capabilities to provide accurate and timely information on the transfer perimeter in resolution planning.
- **Transfer playbook**. In order to further operationalise and demonstrate the ability to implement the transfer of the proposed perimeter (including any perimeter shifts), the bank should also produce a transfer playbook. This will be used as an operational document intended for use by the institution itself, listing the processes needed, organisational units involved and concrete operational steps. The main elements of these playbook should be: i) governance, ii) timeline for implementation, iii) mitigation strategies for barriers and potential impediments to execution, and iv) communication with all the stakeholders. .

3. Next steps

- Banks must present either a preliminary analysis of the SAR or the SAR and transfer playbook by **December 31, 2022.**

30/11/2021
Work Programme 2022

1. Context

The SRB has published the **Work Programme 2022** which sets out its objectives and priorities for the year ahead, on the path towards full resolvability of the banks under the SRB's remit by the end of 2023. The SRB is committed to making banks fully resolvable by the end of 2023..

2. Main Points

The SRB priorities lie in the following five strategic areas, in line with the 2021-2023 Multi-Annual Programme (MAP):

- **Achieving resolvability of SRB Banks and Less-Significant Institutions (LSIs):**
    - Continue the implementation of the SRB Expectations for Banks (EfB). The common priorities are: i) liquidity and funding; ii) separability and reorganization plans; and iii) management information system capabilities.
    - Foster a level playing field in the banking union. The SRB will notify and make recommendations to banks about the impediments to its resolvability, and will use a new assessment heat map, which allows to track the banks progress.
    - Enhance the internal framework on deep-dives and On-site inspections (OSIs). The SRB will update its deep-dive guidance and perform quality assurance checks to ensure consistency.
- **Fostering a robust resolution framework**. The key areas for work are:
    - Update and enhance the MREL policy by i) reviewing the no-creditor-worse-off (NCWO) approach; ii) implementing upcoming European Banking Authority (EBA) regulatory technical standards (RTS) timely into the SRB policy; and iii) reviewing the MREL calibration for transfer strategies.
    - Deepen the operationalisation of the single point of entry (SPE). Through work on (i) the identification of legal and practical obstacles to the implementation of bail-in; ii) resolution powers in the execution of SPE strategies; iii) the use of arrangements, including contractual, safeguarding the availability of sufficient resources to support subsidiaries.
    - Introduce additional policy enhancements for the Public Interest Assessment (PIA).
    - Expand the policy work on Financial Continuity by introducing the operational guidance for the assessment of the identification and mobilisation of collateral.
    - Increase the consistency of the SRB Management Information System (MIS) architecture.
- **Preparing and carrying out effective crisis management**. The SRB will conduct dry-run exercise testing, among others, decision-making procedures and coordination with external stakeholders. In particular, the SRB will conduct a technical dry-run involving at least one resolution unit, one bank and one National Resolution Authority (NRA), with aiming at testing bail-in execution, among others, as well as some aspects of governance in crisis.
- **Operationalising the Single Resolution Fund (SRF)**. In early 2022, the Common Backstop to the Single Resolution Fund (SRF) will enter into force. This requires the SRB to implement its collateral policy and the methodology for the assessment of its repayment capacity.
- **The SRB will continue working towards a digital SRB, implementing its 2022 ICT strategy and development programme**. The SRB will also work to strengthen talent retention by developing dedicated learning and career opportunities. Lastly, in 2022 the SRB will implement the post-pandemic new normal hybrid working arrangements.

09/12/2021
Operational guidance on operational continuity in resolution

1. Context

On April 2020, the Single Resolution Board (SRB) published the Expectations for Banks (EfB) which sets out the capabilities to show that banks are resolvable including the dimensions of Operational Continuity in Resolution (OCIR) and access to Financial Market Infrastructures (FMIs). Following this publication in July 2020, the SRB published the Guidance on OCIR, which provided clarification to banks on how to implement the SRB's expectations. Along with this document, the Guidance on FMI contingency plans were published, which sets out expectations in relation to the minimum content of FMI contingency plans prepared by banks.

In this context, the SRB has published an update to its **Operational Guidance on OCIR**, an updated document that provides more detail on issues related to financial resilience and staffing. It aims to provide additional operational guidance for banks on the areas of OCIR included in the EfB and detailed in the specific priority letters sent by the SRB to banks under its purview.

2. Main Aspects

- **Scope of application and phase-in**: In line with the scope of the EfB, this operational guide is aimed at banks within the SRB remit for which the strategy is resolution. Its application to each bank is tailored to individual specificities, taking into account the principle of proportionality, and based on a dialogue between each bank and its Internal resolution team (IRT). However, the guidance is not exhaustive and may be subject to further communications from the SRB. Besides that, the EfB will be subject to a gradual phase-in according to the general phase-in dates.
- **Service identification and mapping**. Identification and mapping of the interconnectedness of the relevant services, enables banks to conduct an assessment of the risks to operational continuity in resolution, which will be the basis for identifying and implementing appropriate mitigating actions to address them, including preparedness measures. In this regard, banks are expected to:
    - Undertake and maintain a comprehensive mapping of all relevant services (provided by intragroup providers or by third parties) to the:
        - **Critical Functions (CFs) and Core Business Lines (CBLs)** needed for the effective implementation of the resolution strategy and consequent restructuring.
        - **Legal entities** (providing and receiving the services).
        - Relevant **operational assets and staff/roles** and their location (within the group and physically).
    - Undertake and maintain the mapping of relevant services and operational assets to the contracts/arrangements governing them (owned or licensed/leased).
    - Gather the above information in a catalogue of relevant services relationships across the group..
- **Assessment of operational continuity risk**. The scope of the assessment of risks to operational continuity by banks is expected to cover all relevant services, operational assets and staff/roles. To this end, in conducting the risk assessment, banks are expected to:
    - Use interconnectedness mapping.
    - Take into account elements such as:
        - The **disruption of relevant services** from third parties and other legal entities in the group.
        - The **loss of access to the bank's relevant operational assets**.
        - The **potential vacation of relevant functions in resolution**, including where relevant staff are employed by a group legal entity that could be wound down or divested in resolution.
    - Identify a comprehensive list of risk drivers, which are potential events that may cause the operational continuity risk to materialise.
    - Assess each category or sub-category of relevant dependency identified against the identified list of risk drivers.

- **Mitigating actions and preparedness measures**.
    - Actions to <u>mitigate operational continuity risks and measures to improve banks' preparedness</u> have ensured that identified business continuity risks in resolution are addressed through: i) appropriate mitigation actions; ii) measures to improve resolution preparedness and iii) measures to facilitate post-resolution restructuring.
    - As <u>mitigation actions and preparedness measures</u>, contractual agreements relating to relevant services and operating assets are included:
        - **Adequate documentation**. Banks are expected to adequately document all relevant services, in such a way as to allow resolution authorities to take resolution action while ensuring operational continuity.
        - **Resolution-resilient features – contractual provisions**. Resolution-resilient features are properties a relevant service contract is expected to have in order to be considered resolution-resilient.
        - **Resolution-resilient features – alternative mitigations actions**. Where contracts should be amended to ensure resolution-resilience, and banks have not been able to do so, banks are expected to explore alternative mitigating actions.
        - **Measures to ensure financial resilience of unregulated intra-group service providers**. As a novelty, banks in resolution may suffer from the discontinuity of relevant services if the service providers cannot perform their services due to the lack of financial resources to support the service provision.
        - **Measures to ensure that relevant roles are adequately staffed**: As a novelty, the revised guidelines introduce measures to ensure the continued staffing of relevant roles.
- **Adequate management information system (MIS)**. Banks are expected to have MIS capability to produce timely, customised reporting of upto-date data which enables rapid access to the information needed: i) to identify potential risks to service continuity resulting from entry into resolution; ii) to facilitate separability; and iii) to develop the bank’s business reorganisation plan.
- **Governance arrangements**. Banks are expected to have adequate policy and governance arrangements in place to ensure that operational arrangements are implemented in such a way as to meet operational continuity expectations.

3. Next Steps

- Some measures on continuity of <u>critical function</u> are planned to be phased in by **2022** and on core <u>business lines</u> by **2023**.

EUROPEAN CENTRAL BANK

EUROSYSTEM

18/10/2021
Climate risk stress test – Methodology

1. Context

The ECB is required to carry out annual stress tests on supervised entities in the context of its Supervisory Review and Evaluation Process. In this line, the ECB will carry out a stress test exercise on climate risk for 2022 and for this purpose must describe the methodological requirements.

In this context, the ECB has published **the Climate risk stress test methodology** which outlines the main characteristics of the 2022 climate risk stress test and provides banks with guidance on how to conduct the exercise.

2. Main points

- **Submissions and quality assurance process**. Banks are required to complete the template and produce results based on the instructions set out in the ECB methodology. The ECB will analyse the information submitted by banks to ensure that the submissions are: i) of a satisfactory quality, ii) aligned with the instructions set out in the methodology, and iii) provide comprehensive and reliable results for the prescribed assumptions and scenarios.
- **Stress test templates**. The climate risk stress test exercise is structured in three modules: (1) a qualitative questionnaire, (2) the calculation of climate metrics and (3) the bottom-up stress test projections.
    - <u>Module 1: Qualitative questionnaire</u>. The questionnaire concern qualitative information on the institution's current practices and comprises 11 blocks. Blocks 1 to 10 concern the day-to-day internal stress testing framework of the institution, while Block 11 concerns the assumptions developed by the bank in the context of the 2022 climate risk stress test exercise.
    - <u>Module 2: Climate risk metrics</u>. In the 2022 climate risk stress test exercise, all banks are requested to provide two climate-related metrics: one in relation to revenues from a set of emissions intensive sectors, and one in relation to the intensity of financed emissions. The metrics have been designed to shed light on banks' analytical and data capabilities regarding climate risk. In addition, the designed metrics give banks the opportunity to start building their databases and collecting climate-related data that will help them meet future regulatory requirements. Corporate exposures must be distributed between 22 industry groups according to the NACE codes. As per the second metric, emissions information has to be reported at individual level, for 15 counterparties per sector, subject to certain thresholds. Institutions are further asked to provide information in an accompanying explanatory note on actions the bank has taken in the past to finance the green transition.
    - <u>Module 3</u>: Bottom-up stress test projections. The methodological approaches for assessing the credit risks arising from transitional and physical risks, both in the short and in the long-term, as well as the market risks arising from short-term transitional risks, are described. Furthermore, a qualitative questionnaire is provided for the assessment of operational and reputational risks arising from these risks.
        - **Transition risk**. This stress test exercise assesses banks' short-term vulnerabilities under a baseline scenario and a three-year disorderly transition scenario by estimating the impact of the latter scenario on the level of provisions on the non-financial corporate and mortgage portfolios, as well as on the value of the market risk position. Also, for credit risk, longer-term strategies are assessed when faced with three different transition scenarios (orderly, disorderly and hot house) over a 30-year horizon. For the assessment of short-term vulnerabilities, the static balance sheet hypothesis is assumed, whereas for the long-term strategy, a dynamic balance is applied. The geography, the sector of activity for companies and, in the case of exposures secured by real estate, the energy performance certificate are considered as the relevant aggregation levels.
        - **Physical risk**. The assessment of physical risk will focus on two extreme weather events representing key climate risks in Europe: i) a severe drought and heatwave on the non-real estate secured portfolio and ii) a large flood on the real estate secured portfolio.
- **Participating entities**. All significant institutions will have to develop Modules 1 and 2, as well as the Module 3 starting point. The ECB will identify the set of institutions that have to conduct Module 3 projections.

3. Next steps

- The exercise will be conducted from **March 2022** to **July 2022**.

EUROPEAN CENTRAL BANK
EUROSYSTEM

13/12/2021
Guide to fit and proper assessments

1. Context

Since November 2014 the ECB has been responsible for taking decisions on the appointment of all members of the management bodies of the significant credit institutions under its direct supervision. In this regard, the ECB published a Guide to fit and proper assessment in May 2017, and its revised version one year later with the aim to explain in greater detail the policy stances, supervisory practices and processes applied by the ECB when assessing the suitability of members of the management bodies of significant credit institutions. Later, in June 2021, the ECB launched a public consultation on the revised version of its Guide to fit and proper assessments.

In this context, the ECB has launched the definitive version of its **Guide to fit and proper assessments,** which does not includes relevant changes or additions with respect to the consultation document. This Guide introduce definitions, changes to the criteria (both qualitative and qualitative) and to the calculation of total remuneration. In addition, introduces supervisory expectations on climate and environment-related risks and explains the ECB's approach to diversity.

2. Main points

- **Scope**. This Guide covers fit and proper assessments of members of the management body, both in their management function (executives) and supervisory function (nonexecutives) of all significant institutions; and in the case of licensing or qualifying holdings.
- **Assessment criteria**. The fitness and propriety of members of the management body is assessed against 5 criteria:
  - Experience. It is assessed with reference to the number of years of experience and the level of managerial experience. The assessment uses information on previous positions, taking into account the length of service, size of the entity, responsibilities held, and number of subordinates among others.
  - Reputation. An appointee is considered to be of good repute if there are no objective and demonstrable grounds to suggest otherwise. Nonetheless, relevant criminal or administrative records are taken into account for the assessment of good repute, honesty and integrity. The conclusions of the AML/CFT authorities will be sought and are considered to be key information in order to conclude on the suitability of the appointee.
  - Conflicts of interest and independence of mind. The supervised entity and the appointee should notify the Competent Authority (CA) of any conflicts of interest. Furthermore, the CA will assess the materiality of the conflict of interest. Conflicts of interest can be: i) personal; ii) business, professional or commercial; iii) financial; and iv) political.
  - Time commitment. The institution should provide all relevant and necessary details that enable the CA to assess whether the appointee has sufficient time to commit to the mandate, to do so, they must provide a minimum set of information.
  - Collective suitability. The institution must carry out an assessment of the collective suitability of the management body. An effective collective suitability will include an appropriate understanding for example of the business of the credit institution, climate-related and environmental risk or gender diversity.
- **Fit and proper-related authorisations**. CAs may authorise members of the management body to hold one additional non-executive directorship. Holding such an additional directorship should be the exception rather than the rule.
- **Situations that trigger a fit and proper assessment other than new initial appointments**. Make reference to changes of role, renewals, departures from office and reassessments.
- **Interviews**. Interviews are one of the tools used in the information gathering phase. In this regard:
  - Interviews are mandatory in the case of new appointments for CEO and Chairman positions at stand-alone banks and the top banks of groups, and in all other cases interviews are optional.
  - An informative interview covers all elements of suitability and if there are still concerns after this interview, a second specific interview focusing on the facts that gave rise to the concerns may be conducted.
- **Notifications, decisions and ancillary provisions**. The ECB invites institutions to provide the ECB with their suitability assessments for executive members of the management body before making appointments. Furthermore, the ECB has the power to include recommendations, conditions and/or obligations in relation to an appointee.

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

22/10/2021
Policy Statement 23/21 on the identification of the nature, severity and duration of an economic downturn

1. Context

In 2018, the European Banking Authority (EBA) published the draft RTS on economic downturn, and in 2020 its opinion on the EC's amendments relating to the final draft RTS. As the final RTS has not entered into force before the end of the transition period for the UK's exit from the EU, and therefore it did not get automatically converted into UK law, the PRA considers that it is appropriate to introduce requirements for identifying an economic downturn in order to foster greater comparability of capital requirements across firms.

In this context, the PRA has published the **Policy Statement (PS) 23/21 which provides feedback to responses to Consultation Paper (CP) 7/21 on the identification of the nature, severity, and duration of an economic downturn for the purposes of Internal Ratings Based (IRB) models**, which sets out the Prudential Regulation Authority's (PRA) proposed approach to implementing new requirements relating to the specification of the nature, severity, and duration of an economic downturn in the internal ratings based (IRB) approach to credit risk.

2. Main points

- **The nature of economic downturns.** The PRA is proposing a consistent set of economic indicators that would be considered relevant for all exposures, as the PRA considers them to be key indicators of an economic cycle: i) gross domestic product (GDP); ii) unemployment rate; iii) externally provided aggregate default rates, where available; and iv) externally provided aggregate credit losses, where available. These indicators can be reported in absolute levels, or as rates of changes, allowing firms to use more than one transformation of the same indicator for identifying downturns.
- **The severity of an economic downturn.** For the purpose of specifying the severity of the economic downturn, and for identifying the most severe values associated with each relevant economic indicator, the PRA proposes to require firms to use a historic time period that is sufficiently long to provide values that are representative of the values that may be taken by those economic indicators in the future, including in a future severe downturn. Additionally, the PRA proposes to require firms to consider a period of at least 20 years in order to promote consistency of firms' downturn estimates.
- **The duration of an economic downturn.** For the purposes of specifying the duration of an economic downturn, the PRA proposes that a single downturn period should be long enough to cover all the peaks or troughs related to the most severe 12-month values observed for the different economic indicators associated with that single downturn period. An economic downturn can comprise one or more downturn periods, and these periods can be dismissed only if they are based on economic factors that are not relevant to the calibration segment under consideration.

3. Next steps

- The implementation date for the policy changes resulting from this PS will be **1 January 2022.**

BANK OF ENGLAND

17/12/2021
Stress testing the UK banking system: 2021 Solvency Stress Test

1. Context

Following the COVID-19 outbreak, the Bank of England (BoE) cancelled the 2020 concurrent stress test and instead undertook desktop analysis of the resilience of the UK banking sector to the unfolding stress. In January 2021, the la Prudential Regulation Authority (PRA) published the Key elements of 2021 stress test in the UK, as well as Guidance for participating banks to enable them to make their own estimates for the purposes of the 2021 stress test.

In this context, the BoE has published **the 2021 Solvency Stress Test (SST)** results reflecting the circumstances of the pandemic, which differs from the Annual cyclical scenario (ACS) stress test. This results shows the major UK banks are resilient to a severe path for the economy for the period 2021–2025.

2. Main points

- **Highly severe macroeconomic scenario**. The scenario incorporate paths for economic and financial market variables, including GDP, property prices and unemployment.
  - GDP. Between end-2020 and 2025, UK GDP falls by 9%, with a sharp dip at the beginning of 2021.
  - Residential and property prices fall by around 33% and unemployment rise by 5.6 percentage points to peak at 11.9%.

In comparison with other stress tests conducted, the macroeconomic scenario of the SST is more severe, however the pace of the recovery is faster. More broadly, the relative severity across the different aspects of the scenario is different to previous ACS exercises, reflecting the idiosyncratic nature of the shock related to the COVID-19 outbreak.

- **Robust capital position of participating banks**. At end-2020, participating banks had an aggregate Common Equity Tier 1 (CET1) capital ratio of 16.2% of risk-weighted assets and Tier 1 leverage ratio of 5.8% of total exposures.
- **Substantial reduction in bank's capital positions, mainly driven by a substantial** credit impairments alongside an increase in Risk Weight Assests (RWAs). At an aggregate level, the drawdowns on a no-transitional basis are slightly larger than on a transitional basis reflecting the effect of transitional relief.
  - On a transitional IFRS 9 basis:
    - **Aggregated CET1 capital ratio. Falls from 15,9% by the end-2020 to a low of 10.5% by the second year of the stress excluding the benefit of software assets, against a minimum benchmark requirement of 7.6%.**
    - **Aggregated CET1 leverage ratio. Falls by 1.0 percentage points to a low of 4.8%.**
  - On a non-transitional basis:
    - **The aggregated CET1 capital ratio. Drops to a low of 9.9% against a minimum benchmark requirement of 7.0%.**
    - **The aggregated CET1 leverage ratio. Drops to a low of 4.5% against a 3.5% benchmark requirement.**

  The UK banking sector remains above the indicative aggregate reference rates in all years of the stress.

3. Next steps

- **For 2022**, the Bank intends to revert to the ACS stress-testing framework.
- Further details of the 2022 ACS will be published **in 2022 Q1**.

20/12/2021
Draft Principles for Climate-Related Financial Risk Management for Large Banks

1. Context

The OCC published the Semiannual Risk Perspective in December 2021. In this report, the OCC shows their commitment in addressing ESG risk management, and confirms that they are working in the development of risk management frameworks to measure, monitor and control risk presented by climate change.

In this context, the OCC has published the **Draft Principles for Climate-Related Financial Risk Management for Large Banks**, which provide a high-level framework for the safe and sound management of exposures to climate-related financial risks. The principles will help bank management to incorporate climate-related financial risks into their risk management frameworks.

2. Principales aspectos

General Principles

- **Governance**. An effective risk governance framework is essential to a bank's safe and sound operation. A bank's board and management should demonstrate their proper understanding of climate-related financial risk exposures and their impact on the risk appetite to facilitate oversight.
- **Policies, Procedures and Limits**. Management should incorporate climate-related risks into policies, procedures, and limits to provide detailed guidance on the bank's approach to these risks in line with the strategy and risk appetite set by the board.
- **Strategic Planning**. The board and management should take into account climate-related financial risk exposures when determining a bank's strategy, risk appetite and financial, capital, and operational plans. They also should assess the potential impact of these risk exposures on the financial condition and the business objectives.
- **Risk Management**. As part of sound risk management, banks should develop processes to measure and monitor material climate-related financial risks and to inform management about the materiality of those risks. Material climate-related financial risk exposures should be clearly defined, aligned with the bank's risk appetite, and supported by appropriate metrics (e.g., risk limits and key risk indicators) and escalation processes. Boards and management should also incorporate climate-related risks into their internal control frameworks, including internal audit.
- **Data, Risk Management, and Reporting**. Management should incorporate climate-related financial risk information into the bank's internal reporting to facilitate timely and sound decision-making across the bank.
- **Scenario Analysis**. Management should develop and implement climate-related scenario analysis frameworks in a manner commensurate to the bank's size, complexity, business activity, and risk profile. These frameworks should include clearly defined objectives that reflect the bank's overall climate risk management strategies.

Management of Risk Areas

- **Credit Risk**. The board and management should consider climate-related financial risks as part of the underwriting and ongoing monitoring of portfolios. Effective credit risk management practices could include monitoring climate-related credit risks through sectoral, geographic, including credit risk concentrations stemming from physical and transition risks.
- **Liquidity Risk**. Consistent with sound oversight and liquidity risk management, the board and management should assess whether climate-related financial risks could affect liquidity buffers and, if so, incorporate those risks into their liquidity risk management and liquidity buffers.
- **Operational Risk**. The board and management should consider how climate-related financial risk exposures may adversely impact a bank's operations, control environment, and operational resilience.
- **Compliance Risk**. The board and management should consider how climate-related financial risks and risk mitigation measures affect the legal and regulatory landscape in which the bank operates.

3. Próximos pasos

- Interested parties may submit feedback on the draft principles through **February 14, 2022**.

BANCO DE ESPAÑA
Eurosistema

23/11/2021
Proyecto de Circular que modifica las Circulares sobre supervisión y solvencia y la Circular sobre transparencia y responsabilidad en la concesión de préstamos

1. Context

In 2012 the BdE published Circular 5/2012 on transparency of banking services and responsibility in the granting of loans. Subsequently, in 2014 it published Circular 2/2014 on the exercise of various regulatory options contained in the Capital Requirements Regulation (CRR). In addition, in 2016 it published Circular 2/2016 on supervision and solvency, which completes the adaptation of the Spanish legal system to the Capital Requirements Directive (CRD) and the CRR Regulation.

In this context, the BdE has launched the Public Hearing on the **Draft Circular amending Circulars 2/2016 and 2/2014, on supervision and solvency and the exercise of regulatory options, and Circular 5/2012, on transparency and responsibility in the granting of loans**, with the aim of completing the transposition of CRD V, as well as exercising the options and national discretions of CRR II and developing information obligations in revolving credits

2. Main points

- **Amendment of Circular 2/2016, to credit institutions, on supervision and solvency**. The draft introduces relevant amendments in the following areas:
  - Capital buffers for global systemically important institutions and buffer against systemic risks. It introduces capital requirements that cannot be covered by the capital intended to meet the combined capital buffer requirement. In addition, the classification of sub-categories based on the BCBS methodology on systemic importance is maintained. This classification reflects the buffer percentages to be applied to the amount of risk exposure. It has been retained rather than eliminated as in CRD V, in order to provide clarity and certainty by giving legal certainty to the process of setting the buffer rates. Finally, the minimum systemic risk buffer level of 1% is eliminated and the possibility of assigning a buffer rate only to subsets of exposures is introduced.
  - Internal organization. Three new rules have been introduced to establish the additional procedure for documentation, disclosure and reporting of loans to directors and related parties, which coexists with the current authorization regime contained in the Circular.
  - Capital self-assessment and the supervisory review process. The assessment of systemic risk has been eliminated, as it is not appropriate for the microprudential supervisor to assess this risk, nor to take it into account when quantifying the additional own funds requirement.
  - Risk treatment. The rule that dealt with developing the obligation for institutions to have systems in place to identify, assess and manage interest rate risk has been removed, as the content of the rule is contained in higher-ranking rules (Law 10/2014, on the regulation, supervision and solvency of credit institutions).
- **Amendment of Circular 2/2014, on prudential requirements for credit institutions and investment firms**. Aspects of the exercise of options and national discretions (OND) are modified. The updates are only carried out in order to reorganise the legislation and to include all the amendments to CRR II in the same Circular. These updates are as follows:
  - Removes two rules, one relating to exposures in relation to counterparty risk hedging and the other on liquidity outflows in products related to trade finance off-balance sheet items, providing more flexibility for institutions.
  - It includes five standards to exercise four new OND included in CRR II. The rules deal with the default status of the obligor; the calculation of the amount of stable funding required; the residual maturity of an asset; level 2B assets and significant equity indices; and finally exemptions for large exposures.
  - On transitional regulatory options, the amendment removes certain rules or sections that have become obsolete because their term has expired.
- **Amendment of Circular 5/2012, for credit institutions and payment service providers, on transparency of banking services and responsibility in the granting of loans**. The aim of the amendment is to develop certain information transparency obligations applicable to revolving credit, in the pre-contractual and post-contractual phase. Among the amendments, the pre-contractual information provided to the customer on consumer credit is extended; and the regulatory references on contractual and post-contractual information are updated.

3. Next steps

- Comments to this public hearing can be submitted until **9 December 2021**.

07/12/2021
Circular sobre modelos de estados reservados en materia de conducta de mercado y transparencia

1. Context

In 2015, the Government published the Royal Decree on the regulation, supervision and solvency of credit institutions, which empowers the BoS to require natural or legal persons subject to its supervision, with the form and periodicity to be determined, the statements and information it deems necessary to comply with the supervisory function of the standards of conduct, transparency and customer protection.

In this context, following the publication of the consultation document in March 2021, the BoS has published **the Circular on model confidential statements on market conduct, transparency and customer protection and on the register of complaints**, which introduces some clarifications to the draft and with the aim of establishing the content and frequency of the information to be submitted.

2. Main points

- **Templates and criteria for the preparation and presentation of reserved statements on matters of conduct**.
    - Recognition and valuation criteria. The accounting criteria, including the recognition and valuation rules, for the preparation of the reserved statements on matters of conduct shall be those applicable in accordance with the accounting regulations applicable to each entity.
    - Sectorization of balances according to holders. As a novelty with respect to the consultation document, a minimum sectorization scheme is included in the reserved states, which has become for resident and non-resident households and microenterprises.
    - Compliance and filing of confidential statements on conduct matters with the BoS. Institutions may not modify the established statement models, nor suppress any of their items, which must always appear, even if they have a null value.
    - States reserved in matters of conduct. Institutions must send the BoS the reserved statements, structured in three blocks differentiated by: i) type of banking products and services, including payment products and services marketed by the institutions; ii) fees and interest income; and iii) complaints filed with the institutions.
- **Development and internal control of information on behavioral issues**. All information on marketed products and banking services, including payment services, provided to their customers must be perfectly identified in the institutions' database, from which the information contained in the different statements on conduct, as well as in the register of complaints, will be clearly obtained. Institutions shall take the utmost diligence in the preparation of their reserved statements and. As a novelty with respect to the consultation document, the institutions will also take the utmost diligence in the mechanisms for communication to the BoS, in order to avoid subsequent rectifications.
- **Register of complaints available to the BoS**. Institutions must keep a register sufficient and adequate to collect all the complaints provided for in the Law on Financial System Reform Measures, submitted by households, Individuals, non-business activity and by households, individual entrepreneurs, received at any instance, with the data requested in the annex on the minimum information content of the Complaints Register, so that they can be made available to the BoS when required. As a novelty with respect to the consultation document, the period of availability of the data after the date of filing the claim is reduced from 10 to 6 years.

3. Next steps

- This circular shall **enter into force twenty days after its publication in the BOE**.

BANCO DE ESPAÑA
Eurosistema

28/12/2021
Circular sobre supervisión y solvencia de las entidades de crédito

1. Context

The Royal Decree-Law 22/2018 introduced into the Spanish legal system additional macroprudential tools to address potential vulnerabilities for the financial system, so that the financial supervisory authorities could have the necessary instruments to help mitigate potential shocks with a potential systemic impact. In addition, the Royal Decree 102/2019 includes the possibility that the BoS could adopt certain macroprudential tools: i) capital buffer requirements; ii) the establishment of limits to sector concentration; and iii) the establishment of conditions on the granting of loans and other operations. Subsequently, the Basel Committee on Banking Supervision (BCBS) published on November 2019 guiding principles for the operationalisation of a sectoral countercyclical capital buffer (SCCyB).

In this context, the BoS has published **Circular 5/2021 on the supervision and solvency of credit institutions**, which amends Circular 2/2016 with the aim of developing certain aspects of the macroprudential tools that current legislation places at the disposal of the BoS. Specifically, this Circular incorporates into the countercyclical buffer framework a large part of the BCBS guiding principles published in November 2019.

2. Main points

- **Scope of application**. The new chapters on sectoral concentration limits and other macro-prudential tools are applicable to credit institutions authorised in Spain and to branches in Spain of credit institutions headquartered in EU and non-EU Member States.
- **Countercyclical capital buffer.**
    - This Circular incorporates as a novelty the establishment of the percentage of the countercyclical capital buffer on one or several sectors, which represents a technical improvement of the countercyclical capital buffer by allowing its application both on all exposures and on some sectors, or even on both simultaneously. These sectors are:
        - **Non-financial corporations and individual entrepreneurs** (business activity) both carrying out an economic activity classified as "real estate development" or as "real estate activities", or other economic activity. In relation to individual entrepreneurs (business activity), only transactions in the name of the entrepreneurs will be collected when they are for the purpose of their business activity.
        - **Households that are recipients of housing credit**.
        - **Households, for financing not included in housing credit and excluding individual entrepreneurs**. Therefore, only transactions granted to individual entrepreneurs will be included when the institution is aware that they are predominantly used for personal consumption.
    - For the activation and determination of the countercyclical buffer on these sectors, a broad set of indicators is identified with the capacity to act as early warning indicators of sectoral imbalances in Spain, correlated with increases in systemic risk in the financial system. In particular, the following categories of indicators are considered:
        - **Sectoral credit volume indicators** (measures of credit growth, intensity and gaps).
        - **Asset price indicators** (sector-specific developments and measures of imbalances).
        - **Sectoral macro-financial imbalances indicators** (indebtedness, net wealth, net lending/borrowing, saving rate and consumption and investment gaps among others).
        - **Indicators on any other quantitative or qualitative information** that the BoS considers relevant.
    - Where indicators suggest cyclical sectoral imbalances that may have serious implications for the financial system and the real economy, the BoS shall, where appropriate, set the appropriate countercyclical buffer rate for the risk exposure to one or several sectors. This shall be between 0 % and 5 %, calibrated in steps or multiples of 0.25 percentage points.
- **Sectoral limits on the concentration of exposures**.
    - This includes setting a limit on concentration in a sector of economic activity. In this respect, the BoS will calculate the concentration of institutions in a sector of economic activity on the basis of the confidential financial information submitted to it by the institutions. A sector of economic activity includes, in addition to the sectors specified above, other financial corporations and credit institutions.
    - The BoS will periodically assess whether it is appropriate to set this limit to a sector of economic activity, in accordance with the indicators set out above. In addition, other elements (e.g. aggregate concentration or the weight of credit exposure in GDP) will also be taken into account.
    - Furthermore, the concentration limit will be the same for the target institutions and will be expressed as a value equivalent to a percentage of Common Equity Tier 1 capital. The limit will be applied in relation to one of the sectors of activity and will be published on the BoS's website.

- **Other macro-prudential tools**.
  - The setting of limits and conditions on the granting of loans and other mortgage and non-mortgage secured and unsecured transactions on residential real estate or on commercial real estate to households and non-financial corporations and individual entrepreneurs (business activity) is introduced.
  - In assessing whether or not to impose limits, account shall be taken of, inter alia:
    - The **debt, income and solvency indicators** of the borrowers and their evolution over time.
    - The **level of the indicators** (ratios) used by institutions to grant loans and other transactions (e.g. loan to value (LTV) for mortgage-backed transactions).
    - **Other indicators** considered relevant.
  - The limits and conditions that the BoS may impose in relation to the financial characteristics or other elements of transactions may be triggered individually, or jointly, and may be in force simultaneously with other macro-prudential instruments. The applicable limits include the following:
    - Limiting the **maturity of operations**.
    - Limiting the **grace periods of operations**.
    - Setting a **minimum repayment requirement** for the principal of the operation.

3. Next steps

- Circular comes into force **20 days after** its publication in the BOE.

BANCO DE ESPAÑA
Eurosistema

30/12/2021
Circular 6/2021 por la que se modifican la Circular 4/2017 y la Circular

1. Context

In December 2020, the European Commission (EC) published Regulation (EU) 2021/451 laying down implementing technical standards for the implementation of the Capital Requirements Regulation (CRR) and introducing changes to Finrep. In the same year, the European Banking Authority (EBA) published Guidelines on on loan origination and monitoring to which the BoS adheres. Finally, in January 2021 the EC published Regulation (EU 2021/25) amending Regulation (EC) 1126/2008 on the application of international accounting standards (IAS/IFRS). To reflect these updates, in June 2021 the BoS published a Draft Circular amending Circular 4/2017 to credit institutions on public and confidential financial reporting standards and model financial statements and Circular 4/2019 to credit financial institutions on public and confidential financial reporting standards and model financial statements.

In this context, the BoS has published **Circular 6/2021 amending Circular 4/2017 and 4/2019**. The aim of this update is to preserve the convergence of Spanish accounting regulations for financial institutions with the International Financial Reporting Standards adopted by the EU, as well as to maintain alignment and avoid overlaps with other European standards and guidelines.

2. Main points

- **Updating of Circular 4/2017 to credit institutions on public and confidential financial reporting standards and financial statement formats. The main amendments refer to:**
    - Recognition, valuation and presentation criteria. The method of determining the gross carrying amount is modified for instruments at fair value through other comprehensive income following the changes made in Finrep.
    - The reserved individual statements. The standard relating to reserved individual statements is amended. Specifically, the following amendments are made:
        - Introduction of the necessary changes to include the simplified regime of requirements for sending confidential financial statements applicable to branches of foreign credit institutions operating in Spain whose head office is located in a Member State of the European Economic Area.
        - Amendment of the annex on individual reserved statements in order to introduce new data requirements to verify compliance with standards or to collect statistical information, as well as to make technical adjustments and corrections identified as necessary.
    - The reserved statements relating to the statistical data requirements of the Economic and Monetary Union.(EMU) The reserved statements that Spanish credit institutions and branches in Spain of Spanish credit institutions must send to the BoS are modified. These modifications will start to be applied for next year's data and are as follows:
        - Incorporation of new data requirements to improve the analysis of monetary and credit developments.
        - Introduction of modifications to some of the existing data requirements and reporting definitions to support better integration with other statistical datasets. The update involves the modification of some statements, the deletion of one and the addition of six new statements.
    - Benchmark interest rates. Exceptions regarding the accounting reflection of the changes required by the reform of the IBOR benchmark interest rate indices are introduced in: i) the basis for determining the contractual flows of a financial asset or liability; ii) the documentation of an accounting hedge; and iii) the basis for determining lease payments.
    - Credit risk. Annex 9 on credit risk analysis and hedging is amended, specifically with the following changes:
        - Elimination of points that overlap with the EBA Guidelines on lending and loan monitoring.
        - Adjustments to the criteria for reclassification out of the doubtful risk category of forborne exposures.
        - Modification of the tables with the percentages of the alternative solutions for the collective estimation of the coverage of credit risk loss and discount on the reference value of foreclosed assets or assets received in payment of debts.
- **Updating of Circular 4/2019 to financial credit institutions on public and confidential financial reporting standards and financial statement formats**, removing references that overlap with the EBA Guidelines on lending and loan monitoring.
- **Single transitional provision**. A transitional provision is introduced concerning transactions directly affected by the reform of the benchmark interest rate indices. Entities shall apply this transitional provision in their individual and consolidated annual accounts for the financial year 2021.

2. Main points

- This Circular will enter into force on the **day of its publication** in the BOE with the following specificities:
  - The new reserved financial statements regime for branches of foreign credit institutions operating in Spain whose head office is located in a Member State of the European Economic Area will apply for the first time for data as at **31 January 2022**.
  - The changes to the individual reserved financial statements will apply for the first time for data as at **31 January 2022** for monthly frequency statements, **31 March 2022** for quarterly frequency statements, **30 June 2022** for half-yearly frequency statements and **31 December 2022** for annual frequency statements.
  - The update of the EMU statistical data requirements will apply for the first time for the data of 31 January 2022 for the monthly frequency and **31 March 2022** for the quarterly frequency.
  - The changes to the criteria for reclassifying forborne exposures out of the doubtful risk category will apply from 31 December 2021 unless institutions may choose to apply them from **30 June 2021.**
  - The new tables with the alternative solutions for the collective estimation of credit risk loss allowances and the discounts on the reference value of foreclosed assets or assets received in payment of debts will apply from **30 June 2022.**

Other publications of interest

Capital, liquidity and leverage

Bank Services

(14/01/2021) OCC – OCC Finalizes Rule Requiring Large Banks to Provide Fair Access to Bank Services, Capital, and Credit

The Office of the Comptroller of the Currency (OCC) has released its finalized rule to ensure fair access to banking services provided by large national banks, federal savings associations, and federal branches and agencies of foreign bank organizations. The rule states that banks should conduct risk assessment of individual customers, rather than make broad-based decisions affecting whole categories or classes of customers, when provisioning access to services, capital, and credit.

Asset Encumbrance

(18/01/2021) EBA – EBA observes an increase in the asset encumbrance ratio amidst extensive use of central bank facilities

The EBA published its annual report on Asset Encumbrance. The main conclusions of the report are: i) that as COVID-19 spread across Europe and activity in primary markets froze, banks made extensive use of central bank liquidity facilities to build precautionary liquidity buffers; ii) that the extensive use of the extraordinary central bank liquidity facilities in 2020 has driven up the share of central bank funding over total sources of encumbrance; and iii) almost half of total central bank eligible assets were encumbered in June 2020.

Capital

(19/01/2021) Fed – Federal Reserve Board finalizes a rule that updates the Board's capital planning requirements to be consistent with other Board rules that were recently modified

The Federal Reserve Board (Fed) has finalized a rule that updates the Board's capital planning requirements to be consistent with other Board rules that were recently modified. The rule reflects a framework that sorts large banks into different categories based on their risks, with requirements that are tailored to the risks of each category. In particular, firms in the lowest risk category are on a two-year stress test cycle and not subject to company-run stress test requirements.

Investment firms

(21/01/2021) EBA – EBA publishes final draft technical standards to identify investment firms' risk takers and to specify the instruments used for the purposes of variable remuneration

The European Banking Authority (EBA) has published two final draft Regulatory Technical Standards (RTS) on (i) the criteria to identify all categories of staff whose professional activities have a material impact on the investment firm's risk profile or asset it manages and (ii) on the classes of instruments that adequately reflect the credit quality of the investment firm and possible alternative arrangements that are appropriate to be used for the purposes of variable remuneration.

Capital Buffers

(21/01/2021) PRA – Capital buffers and Pillar 2A: Modification by Consent and Model Requirements

The Prudential Regulation Authority (PRA) has published a direction for modifications by consent of several aspects related to de application on an individual and consolidated bases of the Capital Buffers Part of the PRA rulebook.

Stress test

(25/01/2021) EBA – EBA announces timing for the launch of its 2021 EU-wide stress test exercise

The European Banking Authority (EBA) will launch its 2021 EU-wide stress test exercise with the publication of the macroeconomic scenarios on 29 January at 18:00 CET. The EBA expects to publish the results of the exercise by 31 July 2021

Insurance stress test

(26/01/2021) EIOPA – Second paper on the methodological principles of insurance stress testing: liquidity component

The European Insurance and Occupational Pensions Authority (EIOPA) has published the second paper in a series of papers on the methodological principles of insurance stress testing. In particular, the paper sets out methodological principles that can be used to design bottom-up stress test exercises to assess the vulnerability of insurers to liquidity shocks. The conclusions are based on the current understanding and knowledge of the liquidity risk in the insurance industry. Hence, this might evolve in the future to reflect also the experience gained in the assessment of such risk at European and global level.

SFTs

(26/01/2021) BCBS – Technical amendment on the minimum haircut floors for securities financing transactions

The Basel Committee on Banking Supervision (BCBS) has published for consultation two technical amendments to the chapter of the Basel Framework that sets out the calculation of minimum haircut floors for securities financing transactions (SFTs). The technical amendments seek to address an interpretative issue relating to collateral upgrade transactions and correct for a misstatement of the formula used to calculate haircut floors for netting sets of STFs.

Solvency II

(28/01/2021) EIOPA – EIOPA publishes annual report on the use of capital add-ons under Solvency II

The European Insurance and Occupational Pensions Authority (EIOPA) has published its annual Report on the use of capital add-ons during 2019. The objective of the capital add-on measure is ensure that the regulatory capital requirements reflect the risk profile of the undertaking or of the group. This analysis included in the report is based on 2019 year-end data collected under Solvency II as reported by the undertakings and insurance groups and complemented by a survey that entailed both qualitative and quantitative questions.

ECAI

(29/01/2021) ESAs – ESAs consult to amend technical standards on the mapping of ECAIs' credit assessments

The Joint Committee of the ESAs has launched a public consultation to amend the Implementing Regulations on the mapping of credit assessments of External Credit Assessment Institutions (ECAIs) for credit risk. The amendments are needed to assign mappings for two newly established ECAIs and to reflect the outcomes of a monitoring exercise on the adequacy of existing mappings, namely changes to the Credit Quality Steps (CQS) allocation for two ECAIs and the introduction of new credit rating scales for nine ECAIs.

Financial credit institutions

(08/02/2021) BdE - Consulta pública previa sobre un proyecto de circular a los establecimientos financieros de crédito sobre liquidez, normas prudenciales y obligaciones de información

The BoS has published a prior public consultation on a draft circular to financial credit institutions on liquidity, prudential rules and reporting obligations. The purpose of this circular is to complete: (i) the solvency rules for credit financial institutions regarding liquidity; the reporting obligations regarding solvency and shareholding structure; (iii) the guarantees that may be required from a person from a non-EU Member State that will exercise control of a credit financial institution; and (iv) the specific cases in which credit financial institutions must carry out the IAC and the BoS the SREP.

Capital internal models

(09/02/2021) PRA – PRA statement on supervisory benchmarking exercise relating to capital internal models

The PRA has published an statement on supervisory benchmarking exercise relating to capital internal models. This statement provides greater clarity for credit institutions that are in scope of the PRA's 2021 supervisory benchmarking exercise for capital internal models. This exercise is designed to provide the PRA with specified information from firms in scope in relation to year-end 2020.

NSFR

(11/02/2021) Fed/FDIC/OCC – Final Rule on NSFR: Liquidity Risk Measurement Standards and Disclosure Requirements

The OCC, the Fed, and the FDIC are adopting a final rule that implements a stable funding requirement, known as the net stable funding ratio (NSFR), for certain large banking organizations. The final rule establishes a quantitative metric, the NSFR, to measure the stability of the funding profile of certain large banking organizations and requires these banking organizations to maintain minimum amounts of stable funding to support their assets, commitments, and derivatives exposures over a one-year time horizon.

Other publications of interest

Capital, liquidity and leverage

CECL

(15/02/2021) FDIC – Final Rule to Address the Temporary Deposit Insurance Assessment Effects of the Optional Regulatory Capital Transitions for Implementing the CECL Methodology

The FDIC Board of Directors has adopted a final rule addressing the temporary deposit insurance assessment effects resulting from certain optional regulatory capital transition provisions relating to the implementation of the current expected credit losses (CECL) methodology. The final rule removes the double counting of a specified portion of the CECL transitional amount or the modified CECL transitional amount, as applicable, in the calculation of certain financial measures that are used to determine assessment rates for large or highly complex insured depository institutions (IDIs).

Debt or equity instrument

(19/02/2021) EBA – EBA publishes final draft technical standards on indirect exposures arising from derivatives underlying a debt or equity instrument

The EBA has published final draft regulatory technical standards (RTS) specifying how institutions should determine exposures arising from derivative and credit derivative contracts not entered directly into with a client but whose underlying debt or equity instrument was issued by a client. These draft RTS will ensure appropriate levels of consistency through different pieces of the regulatory framework for the calculation of large exposures.

Liquidity Risk

(08/03/2021) IOSCO – IOSCO Reviews Implementation of Liquidity Risk Management Recommendations and Market Participants´ Responses to COVID-19 Induced Market Stresses

The IOSCO has launched its Thematic Review of the Recommendations for Liquidity Risk Management for Collective Investment Schemes. The Recommendations are meant to ensure that liquidity risk is managed to safeguard and protect the interests of investors, including in stressed market conditions during the COVID-19 induced market stresses of March and April 2020. They are also designed to address potential structural vulnerabilities in the asset management sector that could impact financial stability.

Derivatives

(09/03/2021) PRA – CP6/21 - Margin requirements for non-centrally cleared derivatives: Amendments to BTS 2016/2251

The PRA has published a Consultation Paper (CP) on Margin requirements for non-centrally cleared derivatives. This CP sets out the PRA and FCA proposals to establish or extend exemptions for some products subject to bilateral margining requirements, and to align implementation phases and thresholds to the BCBS and the IOSCO standards.

DGSs

(11/03/2021) – EBA launches public consultation on draft revised Guidelines on stress tests of Deposit Guarantee Schemes (DGSs)

The EBA has launched a public consultation on its revised Guidelines on the stress tests conducted by national DGSs under the Deposit Guarantee Schemes Directive (DGSD). The proposed revision will extend the scope of the DGS stress testing, by requiring more tests that will cover additional aspects of DGS interventions. The proposed framework will also achieve greater harmonisation and comparability, to enable the EBA to carry out a robust peer review of national DGS stress tests in 2024/25.

JTD and RRAO

(12/03/2021) EBA – EBA consults on technical elements for the implementation of the alternative standardised approach for market risk as part of its FRTB roadmap

The EBA has launched two public consultations on its draft Regulatory Technical Standards (RTS) on gross jump-to-default (JTD) amounts and its draft RTS on residual risk add-on (RRAO). These draft RTS specify i) how gross JTD amounts are to be determined for the purposes of calculating the default risk charge for non-securitisation instruments, and ii) how to identify instruments exposed to residual risks for the purposes of the RRAO, under the alternative standardised approach for market risk.

Other publications of interest

Capital, liquidity and leverage

LCR

(15/03/2021) EBA – EBA reports on the monitoring of the LCR implementation in the EU

The EBA has published its second Report on the monitoring of liquidity coverage ratio (LCR) implementation in the EU. This Report highlights areas in which further guidance is deemed useful for banks and supervisors in order to foster a common understanding and harmonization of the application of the liquidity standards across the EU. The EBA will continue regularly monitoring the implementation of the LCR for EU banks and will update these reports on an ongoing basis to set out its observations and provide further guidance, where necessary.

Basel III

(16/03/2021) EBA – The EBA will make its Basel III monitoring exercise mandatory

The European Banking Authority (EBA) has published a decision, which will change the Basell III monitoring exercise from its current voluntary nature to a mandatory exercise from December 2021. This change stems from the need to expand the sample to more jurisdictions and credit institutions, making it more representative, as well as to reach a stable sample over time by providing authorities with a sound legal basis that frames institutions' participation.

Risk weighted assets

(15/03/2021) EBA – EBA releases its annual assessment of the consistency of internal model outcomes for 2020

The EBA has published two reports on the consistency of risk weighted assets (RWAs) across all EU institutions authorized to use internal approaches for the calculation of capital requirements for 2020. The reports cover credit risk for high and low default portfolios, as well as market risk. The results confirm that the majority of risk-weights variability can be explained by fundamentals. These benchmarking exercises are a fundamental supervisory and convergence tool to address unwarranted inconsistencies and restoring trust in internal models.

Market risk

(07/04/2021) EBA – EBA consults on the list of advanced economies to determine equity risk under the new market risk regime

The European Banking Authority (EBA) launched a public consultation on its draft Regulatory Technical Standards (RTS) on the list of countries with an advanced economy for calculating the equity risk under the alternative standardised approach (FRTB-SA). The consultation runs until 2 July 2021.

SIBs

(31/03/2021) FSB – FSB publishes final report of the evaluation of too-big-to-fail reforms for banks

The Financial Stability Board (FSB) published the final report on its evaluation of the effects of too-big-to-fail (TBTF) reforms for systemically important banks (SIBs). The evaluation examines the extent to which the reforms have reduced the systemic and moral hazard risks associated with SIBs, as well as their broader effects on the financial system.

CRD/CRD V

(15/04/2021) PRA – The PRA's methodologies for setting Pillar 2 capital

The PRA has published a Statement of Policy which sets out the methodologies that the Prudential Regulation Authority (PRA) uses to inform the setting of Pillar 2 capital for firms to which CRD IV applies. There are two sections: i) Section I: Pillar 2A methodologies. This sets out the methodologies PRA will use to inform the setting of a firm's Pillar 2A capital requirement for different types of risks (e.g. credit risk, market risk, operational risk or counterparty credit risk); ii) Section II: Pillar 2B. This provides information on the purpose of the PRA buffer, how it is determined and how it relates to the CRD IV buffers.

(15/04/2021) PRA – The Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP)

The PRA has published a supervisory statement (SS) which (SS) is aimed at firms to which CRD applies and replaces PRA SS5/13 and PRA SS6/13. It provides further detail on the high-level expectations outlined in The Prudential Regulation Authority's approach to banking supervision. This SS should be read in conjunction with the Statement of Policy 'The PRA's methodologies for setting Pillar 2 capital.

Other publications of interest

Capital, liquidity and leverage

CRR

(15/04/2021) EBA – EBA published final draft technical standards specifying the methods of prudential consolidation

The European Banking Authority (EBA) has published its final draft Regulatory Technical Standards (RTS) specifying the conditions according to which consolidation shall be carried out in line with Article 18 of the Capital Requirements Regulation (CRR). The aim of these draft RTS is to ensure that the appropriate method of prudential consolidation is applied for the calculation of the CRR requirements on a consolidated basis. Compared to the Consultation Paper, the final draft RTS have been revised also to reflect the amendments introduced as part of the Risk Reduction Measures Package adopted by the European legislators.

ESI

(16/04/2021) CNMV – Nueva Circular sobre normas contables, cuentas anuales y estados financieros de las ESI y sus grupos consolidables, SGIIC y SGEIC

The Comisión Nacional del Mercado de Valores (CNMV) has published Circular 1/2021 of 25 March on accounting standards, annual accounts and financial statements of Investment Firms. The purpose of this Circular is to modify the accounting regime of certain entities subject to CNMV supervision so that, in general, the general accounting framework established through the regulatory empowerment contained in the Law on the reform and adaptation of commercial legislation in accounting matters for its international harmonisation based on EU regulations is applicable to them by reference.

React EU

(22/04/2021) Comisión Delegada del Gobierno – Orden PCM/377/2021 por el que se establece el procedimiento para la adhesión de las Comunidades Autónomas destinatarias de los recursos adicionales de la ayuda a la recuperación para la cohesión y los territorios de España (REACTUE)

The Comisión Delegada del Gobierno para Asuntos Económicos has adopted an Agreement establishing the procedure for the accession of the Autonomous Communities receiving the additional resources of the recovery aid for cohesion and the territories of Spain (REACT-EU) to the REACT-EU Liquidity Fund compartment, as well as the financial conditions of the credit operations in 2021 and the other conditions for their availability.

Capital

(29/04/2021) EBA– EBA consults on draft technical standards specifying how to identify the appropriate risk weights and conditions when assessing minimum LGD values for exposures secured by immovable property

The Comisión Delegada del Gobierno para Asuntos Económicos has adopted an Agreement establishing the procedure for the accession of the Autonomous Communities receiving the additional resources of the recovery aid for cohesion and the territories of Spain (REACT-EU) to the REACT-EU Liquidity Fund compartment, as well as the financial conditions of the credit operations in 2021 and the other conditions for their availability.

(27/04/2021) Gobierno – Real Decreto-ley 7/2021, de 27 de abril, de transposición de directivas de la Unión Europea en las materias de competencia, prevención del blanqueo de capitales, entidades de crédito, telecomunicaciones, medidas tributarias, prevención y reparación de daños medioambientales, desplazamiento de trabajadores en la prestación de servicios transnacionales y defensa de los consumidores

The Government of Spain has published Royal Decree 7/2021 on the transposition of European Union directives in the areas of competition, prevention of money laundering and credit institutions. This Royal Decree contains the amendments derived from the transposition of the Directive aimed at providing the competition authorities of the Member States with the means to apply competition rules more effectively. It also introduces the necessary amendments to our domestic legislation for the correct transposition of the recent Directive on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing.

Interbank Rates

(30/04/2021) EIOPA – EIOPA consults on Interbank Offered Rates

The EIOPA has launched a consultation on Interbank Offered Rates (IBOR) transitions. The consultation considers adjustments to EIOPA's risk-free rate (RFR) methodology and production, in light of If the EU Benchmark Regulation (EU BMR) which requires financial benchmarks to be transparent and to measure the underlying economic reality in a representative way. EIOPA seeks to adopt a common approach, for all currencies on the transition to the new rates in order to continue producing consistent RFR term structures.

SRB MREL DASHBOARD

(04/05/2021) SRB – MREL dashboard Q4.2020

The Single Resolution Board (SRB) has published its minimum requirement for own funds and eligible liabilities (MREL) dashboard covering the reporting period Q4.2020. Some key findings are that: i) MREL issuances amounted to EUR 44.5 bn, with banks showing some differences in the volume of issuances. Overall, in 2020, banks have issued EUR 275.2 bn of MREL eligible instruments; ii) the average final MREL target represented 22.82% of the total risk exposure amount (TREA).

MIFID/MIFIR

(12/05/2021) ESMA – Consults on its MIFID II/MIFIR annual report

The European Central Bank (ECB) has published today its recommendations addressing events that would trigger fallbacks in EURIBOR-related contracts, as well as euro short-term rate based EURIBOR fallback rates. While there is currently no plan to discontinue EURIBOR, the development of more robust fallback language addresses the risk of a potential permanent discontinuation and is in line with the EU Benchmarks Regulation (BMR).

OWN FUNDS

(26/05/2021) EBA – EBA publishes final draft technical standards on own funds and eligible liabilities

The EBA has published its final draft Regulatory Technical Standards (RTS) on own funds and eligible liabilities after running a public consultation till August 2020. The Final Draft hasn't contain significant changes with respect to the consultation paper. With the revised Capital Requirements Regulation (CRR) introducing new criteria and requirements for eligible liabilities, these amended RTS capture several aspects of eligible liabilities as well as the changes to the own funds framework.

INVESTMENT FIRMS

(31/05/2021) EBA/ESMA – EBA and ESMA publish provisional list of instruments and funds for the smallest investment firms under the Investment Firms Regulation

The EBA, jointly with the ESMA, published a provisional list of additional instruments and funds that competent authorities may allow to use as own funds for some of the smallest investment firms. The latter include only non-legal persons or joint-stock companies, or those which meet the conditions for qualifying as small and non-interconnected investment firms as defined in the Investment Firm Regulation (IFR).

ACCESS TO THE ACTIVITY OF CREDIT INSTITUTIONS

(10/06/2021) EC – Reglamento Delegado 2021/923 por el que se complementa la Directiva 2013/36/UE en lo que respecta a las normas técnicas de regulación por las que se establecen los criterios de definición de las responsabilidades de dirección, las funciones de control, las unidades de negocio importantes y la incidencia significativa en el perfil de riesgo de una unidad de negocio importante

The European Commission (EC) has published a Delegated Regulation which complements CRD and repeals Regulation 604/2014, which incorporates a list of definitions, as well as a number of amendments to the qualitative and quantitative criteria that determine whether the professional activities of staff members have a material impact on the risk profile of a significant business unit.

LEVERAGE RATIO

(18/06/2021) ECB - ECB's Governing Council confirms that exceptional circumstances continue to justify leverage ratio relief

European Central Bank's (ECB) Governing Council issues opinion confirming that exceptional circumstances warranting leverage ratio relief still exist. Opinion instrumental in ECB Banking Supervision's decision to allow banks to exclude certain central bank exposures from leverage ratio.

Other publications of interest

Capital, liquidity and leverage

CCP

(24/06/2021) EC - Financial stability: Commission adopts final one-year extension of the transitional regime for capital requirements for non-EU central counterparties (CCPs)

The European Commission (EC) has extended, by one additional year, the current transitional regime regarding the capital requirements that EU banks and investment firms must maintain when exposed to non-EU central counterparties (CCPs). This transitional regime will therefore continue to apply until 28 June 2022. This is the last and final extension possible under the Capital Requirements Regulation (CRR).

EBA Risk dashboard

(30/06/2021) EBA - Risk dashboard Q12021

The EBA has published its first quarter Risk Dashboard of 2021. The quarterly data shows that the CET1 ratio increased again slightly, that the NPL ratio declined despite a slight rise in NPL volume. Furthermore, the Profitability improved strongly and Close to 60% of the banks see an increase in operational risk due to cyber risk and data security issues.

Monetary Policies

(30/06/2021) FSB - Consultation report with policy proposals to enhance money market fund (MMF) resilience

The Financial Stability Board (FSB) has published a Consultation Report on policy proposals to enhance money market fund resilience. The policy options in the report aim to address the structural vulnerabilities in MMFs and related stress in short-term funding markets. Comments to this consultation can be sent before 16 August 2021.

ECAI's

(01/07/2021) EBA - EBA confirms quality of unsolicited credit assessments

The EBA has published a revised Decision confirming the quality of unsolicited credit assessments assigned by certain External Credit Assessment Institutions (ECAIs) for calculating institutions' capital requirements. The revised Decision, which reflects the recognition of two additional ECAIs and the de-registering of three ECAIs.

SFT's

(01/07/2021) BCBS - Technical amendments - Minimum haircut floors for securities financing transactions

The Basel Committee on Banking Supervision (BCBS) for consultation two technical amendments to the chapter of the Basel Framework in relation which sets out the standard on minimum haircut floors for securities financing transactions (SFTs). The technical amendments address an interpretative issue relating to collateral upgrade transactions and correct for a misstatement of the formula used to calculate haircut floors for netting sets of STFs.

Regime for Investment Firms

(01/07/2021) EBA - EBA provides clarification on the implementation of the new prudential regime for investment firms

The EBA published an Opinion to ease the implementation of the Investment Firms Regulation (IFR) and Investment Firms Directive (IFD), which entered into force on June 26. The present Opinion provides clarity to both investment firms and their supervisors in the specific cases, where uncertainty about the relevant classification, and subsequent need for application for an authorisation as a credit institution, arises in the absence of the technical standards.

Leverage Ratio

(02/07/2021) BdE - El Banco de España determina que siguen concurriendo circunstancias macroeconómicas excepcionales que justifican la exclusión temporal de determinadas exposiciones frente a los bancos centrales del Eurosistema de la exposición total (denominador) de la ratio de apalancamiento

The Executive Commission of the Bank of Spain has determined that exceptional macroeconomic circumstances continue to exist, which justify that less significant Spanish credit institutions may exclude from the total exposure (denominator) of the leverage ratio certain exposures to Eurosystem central banks. In particular, they may exclude: i) coins and banknotes that are legal tender in the central bank's jurisdiction, and ii) assets representing claims on the central bank.

Investments firms

(05/07/2021) PRA - CP15/21 – Designating investment firms

The PRA has published the CP 15/21 which sets out the PRA's proposals to make minor changes to its policy on designating investment firms. This includes a proposal to increase the base capital resources requirement for PRA-designated investment firms

Mortgage Risks

(06/07/2021) PRA - PS16/21 - Internal Rating Based UK mortgage risk weights: Managing deficiencies in model risk capture

This PRA has published the Policy Statement (PS) which provides feedback to responses to the Consultation Paper (CP) 14/20 on Internal Ratings Based UK mortgage risk weights. In particular, the PRA will not introduce the proposed 7% minimum risk weight expectation on individual UK mortgage exposures.

Solvency II

(08/07/2021) PRA - CP11/21 – Review of Solvency II: Reporting (Phase 1)

The Prudential Regulation Authority (PRA) has published the Consultation Paper (CP) 11/21 which sets out the PRA's proposed changes to the Solvency II reporting requirements and expectations. The main changes affect to: i) Solvency II Quantitative Reporting Templates (QRTs); ii) to the minimum capital requirements (MCR) reporting frequency. Comments to this consultation can be sent before 8 October 2021.

Regulation for financial institutions

(09/07/2021) BdE - Proyecto de Circular a los establecimientos financieros de crédito, sobre liquidez, normas prudenciales y obligaciones de información, y que modifica a la Circular 1/2009 y la Circular 3/2019

The Banco de España (BdE) has launched the public consultation of the draft circular to financial credit institutions, on liquidity, prudential rules and reporting obligations, with the aim of completing the regulation of financial credit institutions with regard to liquidity and solvency reporting obligations

Derivatives

(09/07/2021) ESMA - ESMA consults on derivatives clearing and trading obligations in view of the benchmarks transition

The ESMA has launched a consultation on the review of the regulatory technical standards (RTS) specifying classes of derivatives subject to the clearing (CO) and trading obligations (DTO). The overall aim of this consultation is to amend the scope of both the CO and the DTO to accompany the benchmark transition for OTC derivatives

CCP

(12/07/2021) ESMA - ESMA launces public consultations on CCP Recovery Regime

The European Securities and Markets Authority (ESMA) has launched seven public consultations to gather stakeholder feedback on how to implement its central counterparty (CCP) recovery mandates. ESMA's recommendations support the development of CCP recovery plans that are aimed at safeguarding financial soundness of CCPs without the need for public financial support in crisis situations.

Solvencia II

(14/07/2021) EIOPA – Consultation Paper on the revision of the Guidelines on contact boundaries of insurance and reinsurance contracts/Consultation Paper on the revision of the Guidelines on Valuation of Technical Provisions

The European Insurance and Occupational Pensions Authority (EIOPA) launched two consultations on the revision of the Solvency II Guidelines on contract boundaries and the valuation of technical provisions. The first Guidelines focuses on the unbundling of an insurance and reinsurance contract and the assessment whether a financial guarantee or a cover has a discernible effect on the economics of the contract. The second Guidelines, specify that where contracts with material options and guarantees exist, undertakings are expected to use a valuation method that captures the time value of these contracts.

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Other publications of interest

Capital, liquidity and leverage

TMTP

(19/07/2021) PRA - PRA statement on the recalculation of the Transitional Measure on Technical Provisions (TMTP)

The Prudential Regulation Authority (PRA) has published the statement on recalculation of the Transitional Measure on Technical Provisions (TMTP) which provides an update on the PRA's approach to the recalculation on the TMTP, relevant to PRA-regulated insurance firms.

Liquid Assets

(19/07/2021) EBA – EBA consults to amend its technical standards on currencies with constraints on the availability of liquid assets

The European Banking Authority (EBA) has launched a public consultation on amendments to its Implementing Technical Standards (ITS) on currencies with constraints on the availability of liquid assets in the context of the liquidity coverage ratio (LCR). The proposed amendments remove the Norwegian Krone (NOK) from the list, with the result that no currency will be recognised as having constraints on the availability of liquid assets. The consultation runs until 16 October 2021.

G-SIB

(20/07/2021) BCBS – G-SIB assessment methodology review process

The Basel Committee on Banking Supervision has issued for consultation a proposal for a technical amendment to the Basel Framework. The amendment relates to the process used by the Committee to review the global systemically important banks (G-SIB) assessment methodology. The Committee plans to replace the existing three year review cycle with a process of ongoing monitoring and review.

Dividends

(23/07/2021) BCE – El BCE decide no prolongar la recomendación relativa al reparto de dividendos más allá de septiembre de 2021

The European Central Bank (ECB) has decided not to extend beyond September 2021 its recommendation that all banks limit dividends that it first addressed to banks in March 2020. Instead, supervisors will assess the capital and distribution plans of each bank as part of the regular supervisory process. This will mean that the next decisions to pay dividends should take place in the fourth quarter of 2021.

Investment firms

(26/07/2021) PRA – PS21/9: Implementation of Investment Firms Prudential Regime

The Financial Conduct Authority (FCA) has published a PS on the UK Investment Firm Prudential Regime (IFPR), a single prudential regime for all FCA investment firms that simplifies the current aproach. The IFPR will shift the focus of prudential requirements and expectations away from the risks that firms face, to address the harm that firms can pose to consumers and markets.

IFRS

(28/07/2021) IASB – IASB proposes minor amendment to transition requirements for insurers applying IFRS 17 and IFRS 9 for the first time

El Consejo de Normas Internacionales de Contabilidad (IASB) ha propuesto una modificación de los requisitos de transición de IFRS 17 relativa a contratos de seguros para las entidades que apliquen por primera vez IFRS 17 e IFRS 9 a partir de 2023. Esta propuesta permitiría a estas aseguradoras abordar los desajustes contables temporales en la aplicación inicial de las nuevas normas.

IPUs

(28/07/2021) EBA – EBA publishes its final Guidelines on the monitoring of the threshold for establishing an intermediate EU parent undertaking

The European Banking Authority (EBA) has published its final Guidelines on the monitoring of the threshold and other procedural aspects on the establishment of intermediate EU parent undertakings (IPU) as laid down in the Capital Requirements Directive (CRD). The Guidelines specify how third country groups should calculate and monitor the total value of their assets in the Union in order to ensure timely application of the IPU requirement.

MiFID II/MiFIR

(28/07/2021) ESMA – ESMA published MIFID II/MIFIR annual review report on RTS 2

The European Securities and Markets Authority (ESMA) has published the MiFID II/MiFIR Annual Review Report in which the ESMA analyses whether it is appropriate to move to the following stage of the phase-in for the transparency requirements for both the average daily number of trades threshold used for the quarterly liquidity assessment of bonds, and for the pre-trade size specific to the instrument threshold for bonds.

O-SIIS

(29/07/2021) BdE - El Banco de España actualiza la lista de Otras Entidades de Importancia Sistémica y establece sus colchones de capital macroprudenciales para 2022

The Bank of Spain (BoS) has carried out the annual review of the designations and other systemically important institutions (O-SIIS) for 2022, establishing their associated capital buffers. The BoS has proceeded to designate four banks as O-SIIs with effect from 2022: Banco Santander, S.A; Banco Bilbao Vizcaya Argentaria, S.A; CaixaBank, S.A; Banco de Sabadell, S.A. These macro-prudential requirements aim to correct the possible competitive advantage that these institutions may have in the financing market due to their systemic relevance and to adapt their risk taking. In addition, the capital buffers help to strengthen the solvency of these institutions and to mitigate the adverse effects that they may have on the financial system at the global or national level.

MiFIR

(06/08/2021) FCA – A new UK prudential regime for MiFID investment firms

The Financial Conduct Authority (FCA) has published the Consultation Paper 21/26 on a new UK prudential regime for investment firms. The investment firm prudential regime (IFPR) simplifies the existing approach and seeks to cover the potential harm posed by these firms to their clients and the markets in which they operate. The comments to the consultation paper can be sent before 17 September 2021.

Solvency 2

(07/09/2021) PRA – Solvency II: Definition of an insurance holding company

The Prudential Regulation Authority (PRA) has published a Consultation Paper (CP) which sets out the PRA's approach to interpreting and applying the definition of an insurance holding company. The purpose of the CP is to distinguishing an insurance holding company from a mixed-activity insurance holding company. The comments to this paper can be sent before 6 December 2021.

O-SIIs

(08/10/2021) PRA - PRA statement on freezing O-SII buffer rates for a further year

The Prudential Regulation Authority (PRA) has announced its intention to extend the decision to keep Other Systemically Important Institutions (O-SIIs) buffer rates at 2019 levels for another year with no new rates set until December 2023, with the aim of assisting firms in their capital planning.

Crowdfunding

(08/10/2021) EBA – Draft RTS on individual portfolio management of loans offered by crowdfunding service providers

The European Banking Authority (EBA) has published a draft RTS on Individual Portfolio Management of loans offered by crowdfunding which specifies the information that crowdfunding service providers shall provide to investors in relation to the method to assess credit risk, and on each individual portfolio management of loans. This final report incorporates minor changes with respect to the consultation document published in May 2021. Attached to this email is the alert generated on the consultation document.

STSs

(12/10/2021) ESMA - ESMA publishes final report for STS synthetic securitization notifications

The European Securities and Markets Authority (ESMA) has submitted to the European Commission (EC) its final report on the technical standards specifying the content and format of the simple, transparent and standardized (STS) notification for balance sheet securitizations. This report incorporates updates to the STS notification templates from the consultation document published in May 2021 and has been submitted to the European Commission (EC) for endorsement.

Other publications of interest

Capital, liquidity and leverage

Basel III

(14/10/2021) BIS - Progress report on adoption of the Basel regulatory framework

The Bank for International Settlements (BIS) has published a progress report setting out the status of jurisdictional adoption of Basel III standards as at end-September 2021. The report shows that over the past year member jurisdictions have made further progress in adopting the Basel III standards despite the disruptions resulting from Covid-19 and the required shift in regulatory and supervisory priorities.

FTBR

(22/10/2021) EBA – EBA publishes final draft technical standards on the alternative standardised approach for market risk as part of its FRTB roadmap

The European Banking Authority (EBA) has published its final draft of the regulatory technical standards (RTS) on gross-jump-to-default (JTD) and risk add-on (RRAO). This final draft sets out the technical specifications for the implementation of these two elements of the alternative standardised approach for market risk. The final draft on JTD sets out the main inputs that own funds need to calculate default risk requirements. The final draft on RRAO specifies its scope and contains a list of instruments that bear residual risks and the list of risks that by their nature are not residual.

Real estate

(27/10/2021) FDIC – Real Estate Lending Standards

The Federal Deposit Insurance Corporation (FDIC) has published a final rule amending the Real Estate Lending Standards to incorporate consideration of the community bank leverage ratio (CBLR) rule. The final rule is effective on November 26, 2021.

IRB

(05/11/2021) EBA – EBA publishes final draft technical standards specifying how to identify the appropriate risk weights and conditions when assessing minimum LGD values for exposures secured by immovable property

The European Banking Authority (EBA) has published draft Regulatory Technical Standards specifying the types of factors to be considered for the assessment of appropriateness of risk weights and the conditions to be taken into account for the assessment of appropriateness of minimum loss given default (LGD) values for exposures secured by immovable property.

Emir

(08/11/2021) BoE – The Bank of England's approach to tiering incoming central counterparties under EMIR Article 25

The Bank of England has issued a Consultation Paper and draft Statement of Policy setting out its proposed approach to 'tiering' incoming central counterparties (CCPs). Under the Bank's tiering proposals, incoming CCPs will be assessed thorough several indicators to establish if they might pose systemic risks to the UK.

Derivatives market

(15/11/2021) IOSCO – IOSCO consults on revised Principles for the regulation and supervision of commodity derivatives markets to reflect recent market developments

The International Organization of Securities Commissions (IOSCO) has announced a consultation on revising the Principles for the Regulation and Supervision of Commodity Derivatives Markets, which ensure that these markets continue to facilitate price formation and hedging while remaining free from manipulation and abusive practices. Comments can be made on or before 17 January 2021.

Pension plans

(15/11/2021) MINECO – Proyecto de Circular de la DG de Seguros y Fondos de Pensiones relativa a las hipótesis técnicas a utilizar para el cálculo de las previsiones de pensión de las que se debe informar a los partícipes de los planes de pensiones de empleo

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has published a public consultation prior to the Draft Circular on Insurance and Pension Funds regarding the technical assumptions to be used for the calculation of pension provisions. With the mentioned Circular, the aim is, firstly, to regulate the technical assumptions to be used for the calculation of pension provisions, about which each pension plan participant must be informed. Secondly, it is intended to ensure that such information allows each participant to understand the pension rights over time, the comparison between the different occupational pension plans, as well as to facilitate labor mobility.

Other publications of interest

Capital, liquidity and leverage

COLLECTIVE INVESTMENT UNDERTAKINGS

(25/11/2021) EBA – EBA publishes final draft technical standards on how to calculate risk weighted exposure amounts for exposures towards collective investment undertakings

The European Banking Authority (EBA) has published the final draft Regulatory Technical Standards (RTS) on the calculation of risk-weighted exposure amounts of collective investment undertakings (CIUs) in line with the Capital Requirements Regulation (CRR). These RTS, contributes to the calculation of own funds requirements for the exposures in the form of units or shares in CIUs under the Standardised Approach for credit risk and clarifies the regulatory treatment for missing inputs when the underlying risk of derivatives is unknown and for the computation of the exposure value for counterparty credit risk.

RISK DASHBOARD

(26/11/2021) ESMA – ESMA continues to see risk of market corrections amid elevated valuations

The European Securities and Markets Authority (ESMA) has published the second Risk Dashboard for 2021, covering the third quarter of the year. ESMA maintains risk levels unchanged, at a high level, as the market environment remains defined by very high uncertainty, continued elevated asset valuations with risk of price corrections and abrupt shifts in risk premia.

MREL DASHBOARD

(02/12/2021) SRB – MREL dashboard Q2.2021

The Single Resolution Board (SRB) has published its minimum requirement for own funds and eligible liabilities (MREL) dashboard covering the reporting period Q2.2021. In relation to the total risk exposure amount (TREA) stood at 26.04% broadly in line with the level registered in the previous quarter. Furthermore, the funding costs remained stable around pre-pandemic levels in the third quarter of 2021.

CROWDFUNDING SERVICES

(08/12/2021) EBA - EBA consults on draft technical standards setting requirements for crowdfunding service providers

The European Banking Authority (EBA) has launched a consultation on draft Regulatory Technical Standards (RTS) specifying the information that crowdfunding service providers shall provide to investors. The proposed requirements cover the method used for the calculation of credit scores and loan prices, the factors that the providers need to consider when carrying out a credit risk assessment and conducting a valuation of a loan, and the underlying policies and governance arrangements. The consultation runs until 8 March 2022.

INVESTMENT FIRMS

(10/12/2021) EBA – Consultation paper on draft RTS on the specific liquidity measurement for investment firms/Consultation paper on draft Guidelines on liquidity requirements exemption for investment firms

The European Banking Authority (EBA) launched a public consultation on its draft Regulatory Technical Standards (RTS) on specific liquidity measurement requirements for investment firms and draft Guidelines on liquidity requirements exemptions for small and non-interconnected investment firms. The draft RTS and draft Guidelines aim to ensure consistent supervisory practices with regards to the application of liquidity requirements for investment firms across all EU Member States. The consultations run until 10 March 2022.

MONEY MARKET FUNDS

(15/12/2021) SEC – Money Market Fund Reforms

The Securities and Exchange Commission (SEC) has published its proposing amendments to certain rules govern money market funds under the Investment Company Act of 1940. The proposed amendments are designed to improve the resilience and transparency of money market funds by removing the liquidity fee and redemption gate provisions in the existing rule, which could encourage funds to more effectively use their existing liquidity reserves in times of stress.

MONEY MARKET FUND

(11/10/2021) FSB – FSB publishes final report with policy proposals to enhance money market fund resilience

The Financial Stability Board (FSB) has published the final report containing proposals to improve the resilience of the money market fund (MMF). These proposals aim to identify systemic risks and minimize the need for interventions by the European Central Bank (ECB) in the future.

Other publications of interest

Capital, liquidity and leverage

Stress-test

(14/10/2021) ECB - Macroprudential stress test of the euro area banking system amid the coronavirus (COVID-19) pandemic

The European Central Bank (ECB) has published the Macroprudential stress test of the euro area banking system for 2021-2023, which aims to provide insights into the resilience of the European banking sector following the pandemic of COVID-19. This stress test complements the EU-wide stress test run by the EBA because it incorporates the phasing-out of the pandemic mitigation policies, among others.

Supervision plan

(15/10/2021) OCC – OCC Releases Bank Supervision Operating Plan for Fiscal Year 2022

The Office of the Comptroller of the Currency (OCC) has released its fiscal year (FY) 2022 bank supervision operating plan, which provides the basis for policy initiatives and supervisory strategies applied to individual national banks, federal savings associations, federal branches, federal agencies and technology service providers.

Stress -Test

(19/10/2021) BoE – Bank of England launches first public CCP supervisory stress test

The Bank of England (BoE) has launched its supervisory stress test (SST) of UK central counterparties (CCPs), which will be conducted in 2021-22 and will cover the clearing services of all UK CCPs. The supervisory stress test will explore credit and liquidity resilience. The credit component will test the sufficiency of CCPs' resources to withstand a combination of market stress scenarios and clearing member defaults. The liquidity component will test the ability of CCPs to service all relevant cash requirements.

Asset managers

(02/11/2021) IOSCO – Setting regulatory and supervisory expectations for asset managers is fundamental to address greenwashing concerns

The International Organization of Securities Commissions (IOSCO) has published a report with recommendations to asset managers in the asset management industry. The report covers five areas: i) asset manager practices, policies, procedures and disclosure; ii) product disclosure; iii) supervision and enforcement; iv) terminology; and v) financial and investor education.

EMIR

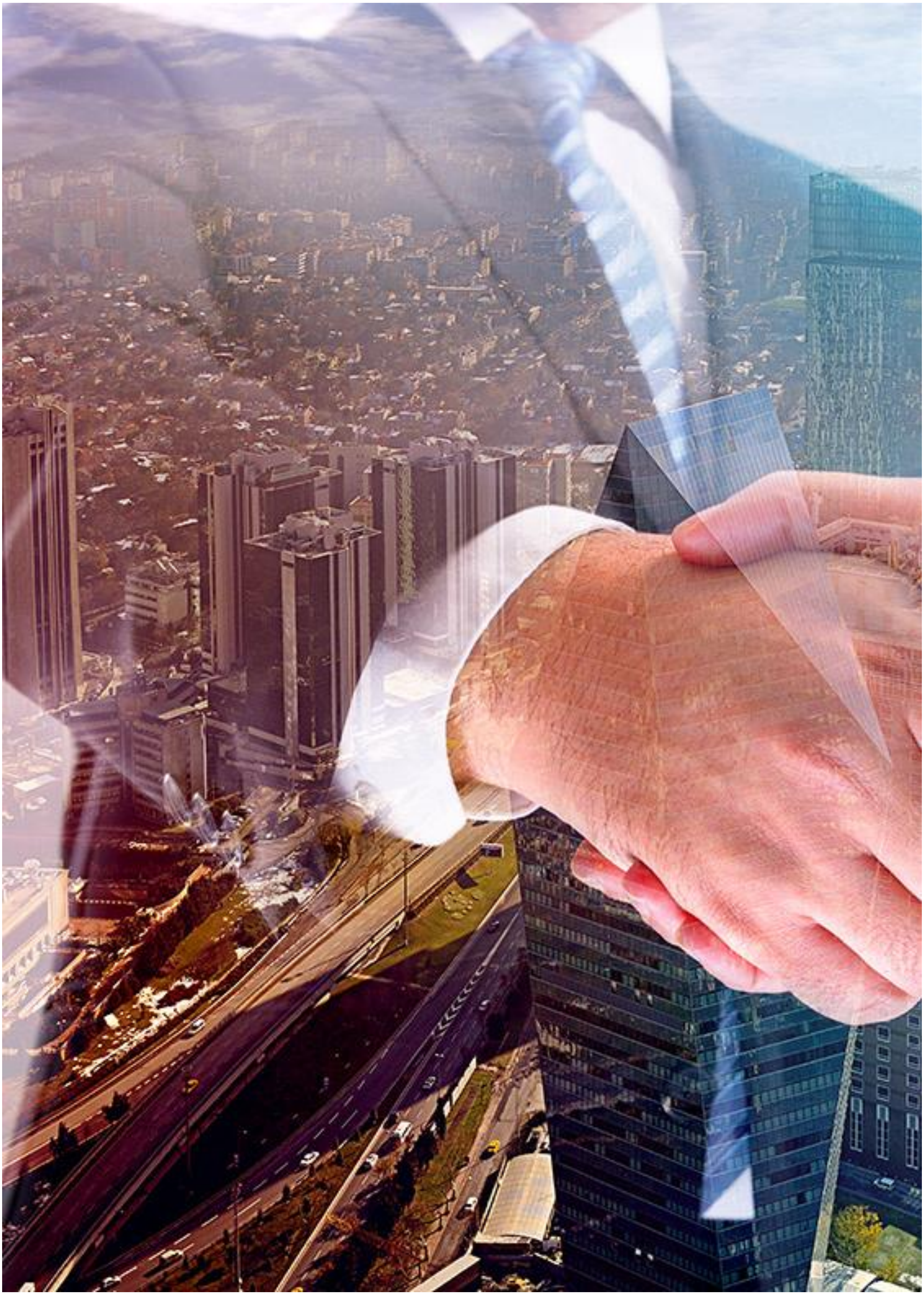
(04/11/2021) EBA - EBA consults on draft technical standards on Initial Margin Model Validation under EMIR

The European Banking Authority (EBA) has launched a public consultation on its draft Regulatory Technical Standards (RTS) on Initial Margin Model Validation (IMMV) under the European Markets Infrastructure Regulation (EMIR). The consultation paper sets out the supervisory procedures for initial and ongoing validation of IMMV, which will be used to determine the level of margin requirements for uncleared over the counter (OTC) derivatives. Comments to this consultation can be sent before 4 February 2022.

G-SIB

(09/11/2021) BIS – G-SIB assessment methodology review process - technical amendment finalization

The Basel Committee on Banking Supervision has finalised a technical amendment to the Basel Framework which relates to the process used by the Committee to review the G-SIB assessment methodology. The Committee has replaced the prior three year review cycle with a process of ongoing monitoring and review. This will include monitoring: (i) recent developments in techniques or new indicators that can be used for the assessment of systemic risk; (ii) emerging evidence on the effectiveness of the G-SIB regime; and (iii) structural changes that could impact the effectiveness of the regime.



Other publications of interest

Provisions and NPL

NPL

(04/05/2021) EBA – EBA launches discussion on NPL data templates

The EBA has published a discussion paper to facilitate the review of the standardised NPL data templates. The discussion paper invites all stakeholders and NPL market participants on the buyer and seller side to provide their input. The consultation runs until 31 August 2021.

PROVISIONS

(27/05/2021) EBA – EBA provides a comparison of provisioning in the United States and the European Union in the context of the COVID-19 pandemic

The EBA has published a thematic note comparing provisioning practices in the US and the EU during the peak of the COVID-19 pandemic. The note looks into the differences in the macroeconomic impact of the pandemic, in banks' loan portfolios, and in accounting rules that might explain why the cost of risk (CoR) of US banks was much higher compared to their EU peers in the first half of 2020.

NPL

(03/06/2021) PRA - CP10/21 - Implementation of Basel standards: Non-performing loan securitisations

The Prudential Regulation Authority (PRA), has published the Consultation Paper which sets out the PRA's proposed rules in respect of the implementation of prudential standards agreed by the Basel Committee on Banking Supervision (BCBS) for non-performing loan (NPL) securitisations in the context of the UK having left the EU.

NPL

(21/10/2021) PRA – PS24/21 | CP10/21 - Implementation of Basel standards: Non-performing loan securitisations

The Prudential Regulation Authority (PRA) has published the Policy Statement (PS) 24/21 on non-performing loan (NPL) securitisations. It provides feedback to the responses to the Consultation Paper published in June 2021 which set out the PRA's proposed rules in respect of the implementation of prudential standards agreed by the Basel Committee on Banking Supervision (BCBS) for NPL securitisations

Supervision

(12/01/2021) BoE/PRA – CP2/21 - International banks: The PRA's approach to branch and subsidiary supervision

The Prudential Regulation Authority's (PRA) has released a Consultation Paper (CP) which sets out the PRA´s proposals regarding its approach to supervising the UK activities of PRA-authorised banks and designated investment firms that are headquartered outside of the UK or are part of a group based outside of the UK. In this CP, such firms are referred to as 'international banks. It therefore includes those firms operating in the UK through a branch. It also proposes expectations for receiving information concerning the risks in the wider group, and for co-operation from regulated entities and their supervisors, in order that it can be satisfied that firms are meeting threshold conditions.

Establishment of parent undertakings

(15/01/2021) EBA – EBA consults on its new Guidelines on the monitoring of the threshold for establishing an intermediate EU parent undertaking

The EBA launched public consultations on its new Guidelines on the monitoring of the threshold and other procedural aspects on the establishment of intermediate EU parent undertakings (IPU) as laid down in the Capital Requirements Directive (CRD). This guidance specifies the methodology to calculate the total value of assets in the Union of the third-country groups and clarifies how to monitor this value in order to meet the IPU requirement.

Supervisory Guidance

(19/01/2021) FDIC – FDIC Approves Rule on the Role of Supervisory Guidance

The Federal Deposit Insurance Corporation (FDIC) approved a final rule outlining and confirming the agency's use of supervisory guidance for regulated institutions. The final rule codifies the interagency statement on the role of supervisory guidance, as amended, issued in September 2018 to clarify the differences between regulations and guidance.

IFRS

(28/01/2021) IASB – IASB proposes new IFRS Standard to give investors a more complete picture of the financial performance of rate-regulated companies

The International Accounting Standards Board (IASB) has published proposals for a new accounting standard that would require companies subject to rate regulation to give investors better information about their financial performance. The proposed Standard would introduce a requirement for companies to give investors such information by reporting regulatory assets and regulatory liabilities in their balance sheet, and related regulatory income and regulatory expense in their income statement.

MiFID II

(29/01/2021) ESMA – ESMA consults on appropriateness and execution-only under MiFID II

The ESMA has launched a consultation on guidelines on the application of certain aspects of the appropriateness and execution-only requirements under MiFID II. Under this regulation, investment firms, providing non-advised services are required to request information on the knowledge and experience of clients or potential clients to assess whether the investment service or product envisaged is appropriate, and to issue a warning in case the investment service or product is deemed inappropriate. The execution-only framework allows for an exemption to this assessment in certain conditions, including that the firm issues a warning to the client.

MiFIR

(02/02/2021) ESMA – ESMA publishes annual report on the application of waivers and deferrals for equity instruments

The ESMA has published its Annual Report on the application of waivers and deferrals for equity instruments under MiFIR. The report includes an analysis based on waivers for equity and equity-like instruments for which ESMA issued an opinion to the competent authority in the period between 1 January and 31 December 2019. It also includes an overview of the deferral regime for equity and equity-like instruments applied across the different EU Member States.

PRIIPs

(03/02/2021) ESAs – EIOPA's Board of Supervisors agrees on changes to the PRIIPs key information document

The ESAs submitted today to the European Commission the draft RTS on amendments to the key information document for packaged retail and insurance-based investment products (PRIIPs). This proposal is based on the further details provided by the European Commission on their approach to the broader review of PRIIPs Regulation, namely that the review will thoroughly examine the application of the PRIIPs framework.

Other publications of interest

Supervision

Supervision

(05/02/2021) FCA – Supervision strategy for the retail banking portfolio

The FCA has published the Supervision strategy for the retail banking portfolio that sets out its view of the key risks of harm that retail banks' activities are likely to pose over the next two years. The FCA has grouped these risks into four priority areas of focus: i) ensuring fair treatment of borrowers, including those in financial difficulties; ii) ensuring good governance and oversight of customer treatment and outcomes during business change over the next two years; iii) ensuring operational resilience over the next two years and beyond; and iv) minimising fraud and other financial crime.

Supervisory priorities

(08/02/2021) CNMV – Informe sobre la supervisión por la CNMV de los informes financieros anuales del ejercicio y principales áreas de revisión de las cuentas del ejercicio siguiente. Ejercicio 2019

The CNMV has published the "Report on the supervision by the CNMV of the annual financial reports for the fiscal year and main areas of review of the accounts for the following fiscal year. Fiscal year 2019". The document describes on the one hand the priority areas to which it will pay attention in the supervision of the 2020 annual accounts and on the other hand, it details the supervisory work carried out by the body in relation to the audited annual accounts for the 2019 financial year submitted by the companies.

EIOPA risk dashboard

(09/02/2021) EIOPA – Risk Dashboard: European insurers' macro risk exposures decreased, while concerns remain

The EIOPA has published its Risk Dashboard based on the third quarter of 2020 Solvency II data. The results show that insurers' exposures to macro risks decreased from very high to high level, while all other risk categories remain at medium level. Going forward, European supervisors expect an increase in credit, market and underwriting risks over the next 12 months, reflecting concerns over second lockdowns due to new waves of the pandemic as well as potential cliff effects once fiscal support measures will be over.

IFD

(11/02/2021) EBA – EBA launches public consultation on the draft technical standards on supervisory disclosure under the Investment Firms Directive

The EBA has launched a public consultation on its draft ITS on the information concerning the new prudential requirements that competent authorities will be required to disclose publicly for all types of investment firms authorised under the MiFID. The information that competent authorities will have to disclose every year covers supervisory approaches and aggregate statistical data on the new prudential requirements for investment firms. The first disclosure date under these draft ITS is set by 30 June 2022.

Business model sustainability

(19/02/2021) EIOPA – Business model sustainability and adequate product design identified as new strategic supervisory priorities for national supervisors

The EIOPA has published the business model sustainability and adequate product design as two Union-wide strategic supervisory priorities relevant for national competent authorities (NCAs). NCAs will focus their supervisory activities on monitoring the impact of the prolonged low-yield environment as well as of the COVID-19 crisis on the business model sustainability and development of insurers and institutions for occupational retirement provision (IORPs).

Supervisory Guidelines

(04/03/2021) ESMA – Guidelines on disclosure requirements under the Prospectus Regulation

The ESMA has published Guidelines on disclosure requirements under the Regulation on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market. The objectives of these Guidelines are to establish consistent, efficient and effective supervisory practices among competent authorities when assessing the completeness, comprehensibility and consistency of information in prospectuses.

Supervision and Solvency

(21/04/2021) Gobierno – Real Decreto 288/2021, de 20 de abril, por el que se modifica el Real Decreto 1060/2015, de 20 de noviembre, de ordenación, supervisión y solvencia de las entidades aseguradoras y reaseguradoras; se da nueva redacción al artículo 34 del Reglamento de Ordenación y Supervisión de los Seguros Privados

The Government of Spain has published Royal Decree 288/2021 amending Royal Decree 1060/2015 on the regulation, supervision and solvency of insurance and reinsurance undertakings. This Royal Decree includes the renewal of the biometric tables used by insurance undertakings that must contemplate both quantitative and qualitative aspects, including those related to good governance, transparency before third parties, and appropriate market conduct.

Risk Analysis

(28/04/2021) EIOPA – Risk Dashboard based on the fourth quarter of 2020 Solvency II data

The European Insurance and Occupational Pensions Authority (EIOPA) has published its updated Risk Dashboard based on the fourth quarter of 2020 Solvency II data. The results show that insurers' exposures to macro risks remain at high level while all other risk categories remain at medium level. On the other hand, the European supervisors expect an increase in credit risk over the next 12 months, reflecting concerns over corporate indebtedness.

MIFID II

(06/05/2021) ESMA – ESMA updates opinion on ancillary activity calculations

The European Securities and Markets Authority (ESMA) has published an updated Opinion on ancillary activity calculations. The opinion provides the estimation of the market size of commodity derivatives and emission allowances for 2020. These sizes are important to enable market participants to assess whether they exceed the ancillary activity thresholds in MiFID II and consequently would have to apply for authorisation as an investment firm.

Securitisation Regulation

(17/05/2021) ESAs – ESAs report on the implementation and functioning of the Securitisation Regulation

The Joint Committee of the European Supervisory Authorities has published today its analysis of the implementation and the functioning of the EU Securitisation Regulation (SECR). This analysis includes recommendations on how to address initial inconsistencies and challenges, which may affect the overall efficiency of the current securitisation regime.

SFTR

(25/05/2021) ESMA – Guidelines on the calculation of positions under SFTR

The ESMA has published the Final Report on Guidelines on the calculation of positions in securities financing transactions (SFTs) by trade repositories (TRs) under the SFT Regulation. The objective of these guidelines is to ensure consistency in the calculation of positions across TRs, with regard to the timing of calculations, the scope of data used in the calculations, data preparation, data maintenance and calculation methodologies.

AML/CFT

(27/05/2021) EBA – EBA consults on new Guidelines on cooperation and information exchange in the area of anti-money laundering and countering the financing of terrorism

The EBA has launched a public consultation on its new Guidelines that set out how prudential supervisors on anti-money laundering and countering the financing of terrorism (AML/CFT) supervisors and financial intelligence units (FIUs) should cooperate and exchange information in relation to AML/CFT, in line with provisions laid down in the Capital Requirements Directive (CRD). This consultation runs until 27 August 2021.

Resolution

(28/05/2021) PRA – SS4/19 - Resolution assessment and public disclosure by firms

The PRA has published the Supervisory Statement (SS) 4/19 on Resolution assessment and public disclosure by firms. This SS sets out how UK banks and building societies should comply with the rules to assess their preparations for resolution, submit a report of their assessment, and publish a summary of their report.

MIFIDII/MIFIR

(01/06/2021) ESMA – ESMA publishes final Report on the MIFID II/ MIFIR obligations on market data

The ESMA has published its Final Report on Guidelines on the MiFIDII/MiFIR obligations on market data. The Final Report sets out guidelines on the requirements to publish market data on a reasonable commercial basis and to make market data available free of charge 15 minutes after publication.

Other publications of interest

Supervision

Internal Approaches

(03/06/2021) EBA – EBA updates technical standards in view of its 2022 benchmarking of internal approaches

The EBA has published an update to its Implementing Technical Standards (ITS) on benchmarking of internal approaches. The benchmarking exercise covers approved internal approaches used for own funds requirements calculation of credit and market risk, as well as internal models used for IFRS9. These ITS include clarifications on the Consultation Paper that was published in December 2020.

Risks

(03/06/2021) ESMA - ESMA sees a prolonged period of risk from market corrections

The European Securities and Markets Authority (ESMA), has published its first Risk Dashboard (RD) for 2021 covering the first quarter of the year. The ESMA anticipates a prolonged period of risk to institutional and retail investors of further market corrections and sees very high risks across its whole remit.

Personal pension

(04/06/2021) EIOPA - EIOPA issues Guidelines on the supervisory reporting for the Pan-European Personal Pension Product

The EIOPA has published the Guidelines on the supervisory reporting regarding the Pan-European Personal Pension Product (PEPP) to ensure the common, uniform and consistent application of the PEPP Regulation's reporting requirements. This Guidelines regulate the applicable reporting deadlines for the PEPP providers to the competent authorities in line with the relevant sectoral rules in place.

Stress test

(07/06/2021) ESMA - ESMA launches 2021 central counterparties stress test

The ESMA has published the framework for its fourth Stress Test for Central Counterparties (CCPs). The 2021 Stress Test addresses credit and concentration risks, and uses improved methodologies, including lessons learned from previous exercises, such as assessing the combination of concentration costs and credit losses when liquidating defaulting portfolios. Furthermore, for the first time the exercise also covers operational risk.

Validation rules

(10/06/2021) EBA – EBA issues revised list of ITS validation rules

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

Supervision

(14/06/2021) ECB - Regulation (EU) 2021/943 of the European Central Bank of 14 May 2021 amending Regulation (EU) 2015/534 on reporting supervisory financial information (ECB/2021/24)

The Governing Council of the European Central Bank (ECB) has adopted a Regulation amending the Regulation on supervisory financial reporting. This Regulation includes amendments in relation to the format, frequency, reference dates and deadlines for the reporting of supervisory financial information.

Prudential regulation

(21/06/2021) PRA – CP12/21 – Financial holding companies: Further implementation

The PRA has published a Consultation Paper (CP) on parent holding companies. This paper will result in changes to various parts of the PRA Rulebook and a new policy statement on supervisory measures and sanctions in relation to parent holding companies. Comments to this CP can be submitted until 22 July 2021.

Stress Test

(22/06/2021) EIOPA - EIOPA publishes its Discussion Paper on the Methodological Framework for Stress-Testing IORPs

The EIOPA has published for consultation its Discussion Paper on the Methodological Framework for Stress-Testing Institution for Occupational Retirement Provision (IORPs). This methodological framework sets out theoretical and practical rules, guidance and possible approaches to support future IORP stress test exercises.

(21/06/2021) PRA – Supervisory Stress Testing of Central Counterparties

The Prudential Regulation Authority (PRA) has published a Discussion Paper (DP) on the supervisory Stress Test of Central Counterparties (CCPs). This Discussion Paper sets out a range of proposals and options for the design of the Bank's CCP supervisory stress-testing framework across eight components: i) risk coverage and participation; ii) frequency and timings; iii) methodology; iv) market shocks scenarios; v) reference dates; vi) defaulter assumptions; vii) sensitivity and reverse stress testing; and viii) disclosure.

Third country branches

(23/06/2021) EBA - EBA proposes to further harmonise EU law applicable to branches of third country credit institutions

The EBA has published a Report on the treatment of incoming third country branches (TCB) under the national law of Member States. The Report, which is addressed to the European Parliament (EP), the Council and the Commission (EC), illustrates the results of a stock-taking exercise conducted with competent authorities about their national regulatory law/regulations and supervisory practices.

SREP

(29/06/2021) EBA – EBA consults to review its Guidelines on common procedures and methodologies for the supervisory review and evaluation process

The EBA has launched a public consultation on its revised Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing. These Guidelines aim at achieving convergence of practices followed by competent authorities across the EU in their SREP and stress testing processes. Comments to this consultation can be sent before 28 September 2021

Supervision

(29/06/2021) ECB – ECB Public consultation on draft revisions to options and discretions policies

The ECB has launched a public consultation on updates to its harmonised policies for exercising the options and discretions that it is allowed to exercise under European Union law when supervising banks. The consultation relates to many aspects of supervision, including permissions for banks seeking to reduce their capital, the treatment of certain exposures in the calculation of the leverage ratio as well as some exemptions from the large exposures limit. Consultation ends on 23 August 2021.

(25/06/2021) ECB – ECB takes over supervision of systemic investment firms

The ECB will supervise the largest and most systemic investment firms. These firms were previously supervised by national market authorities, but from June 2021 will be supervised by the ECB. In addition, these investment firms must apply for a banking licence.

Other publications of interest

Supervision

Investment Frims

(05/07/2021) EBA - EBA publishes final draft technical standards to improve supervisory cooperation for investment firms

The EBA has published final draft regulatory technical standards (RTS) and Implementing Technical Standards (ITS) on cooperation and information exchange between competent authorities involved in prudential supervision of investment firms. These draft standards provide a solid framework for cooperation in the supervision of investment firm groups through colleges of supervisors and for information exchange for investment firms operating within the EU through branches or the free provision of services.

Risk Mitigation

(12/07/2021) EIOPA - Opinion on the use of risk mitigation techniques by insurance undertakings

The EIOPA has published an Opinion on the use of risk mitigation techniques by insurance undertakings. Since the implementation of Solvency II new risk mitigation techniques such as new reinsurance structures have appeared in the European market and some existing ones started to gain more relevance. The Opinion therefore addresses the use of risk mitigation techniques and includes a set of recommendations addressed to national competent authorities (NCAs) to ensure convergent supervision.

Capital

(12/07/2021) EIOPA - Supervisory statement on supervisory practices and expectations in case of breach of the Solvency Capital Requirement

The EIOPA has published the statement on supervisory practices and expectations in case of breach of the Solvency Capital Requirement (SCR). With this supervisory statement EIOPA aims to foster supervisory convergence in the situations where insurance and reinsurance undertakings breach their capital requirement, in particular addressing the recovery plan required.

Risk management

(13/07/2021) Fed/FDIC/OCC - Agencies request comment on proposed risk management guidance for third-party relationships

The Federal Reserve Board (Fed), the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) have requested public comment on proposed guidance designed to help banking organizations manage risks associated with third-party relationships, including relationships with financial technology-focused entities.

Risk factors

(13/07/2021) EBA - EBA publishes final Guidelines for the use of data inputs in the expected shortfall risk measure under the Internal Model Approach

The Federal Reserve Board (Fed), the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) have requested public comment on proposed guidance designed to help banking organizations manage risks associated with third-party relationships, including relationships with financial technology-focused entities.

Run-off undertakings

(23/07/2021) EIOPA – Consultation on Supervisory Statement on supervision of run-off undertakings

The EIOPA has published for consultation a supervisory statement to ensure that a high-quality and convergent supervision is applied to run-off undertakings or portfolios that are subject to Solvency II regulation. Comments to the consultation can be sent before 17 October 2021.

SupervisiOn

(26/07/2021) PRA – PS19/21 | CP2/21- International banks: The PRA's approach to branch and subsidiary supervision

The EBA has launched a public consultation on draft regulatory technical standards (RTS) setting out criteria for the identification of shadow banking entities for the purposes of reporting large exposures. Comments to this consultation can be sent until 26 October 2021.

STRESS TEST

(30/07/2021) EBA – EBA publishes the results of its 2021 EU-wide stress test

The European Banking Authority (EBA) has published the results of its 2021 EU-wide stress test, which involved 50 banks from 15 EU and EEA countries, covering 70% of the EU banking sector assets. This exercise allows to assess, the resilience of banks over a three-year horizon under both a baseline and an adverse scenario, which is characterised by severe shocks taking into account the impact of the COVID-19 pandemic. Over the period, in the adverse scenario, the weighted average CET 1 capital ratio falls from 15.3% (15.0% fully loaded) at the end of 2020 to 10.3% (10.2% fully loaded) at the end of 2023.

(30/07/2021) ECB – Stress test shows euro area banking system resilient under challenging macroeconomic scenario

The European Central Bank (ECB) has published the results of the 2021 stress test which include banks that are part of the EU-wide stress test led by the EBA and other medium-sized ECB-supervised institutions. The results show that the euro area banking system is resilient to adverse economic developments. The CET1 capital ratio of the banks in the stress test would fall by an average of 5.2 percentage points, to 9.9% from 15.1%, if they were exposed to a three-year stress period marked by challenging macroeconomic conditions. These results would be taken into account by Supervisors when assessing banks' governance and risk management as part of the annual Supervisory Review and Evaluation Process (SREP).

FINANCIAL HOLDING COMPANIES

(15/09/2021) PRA - PS20/21 | CP12/21 - Financial holding companies: Further implementation

The Prudential Regulation Authority (PRA) has published a Policy Statement (PS) on financial holding companies. This document contains a number of changes to various parts of the PRA Rulebook, which do not create new prudential requirements but are intended to ensure that the Rulebook is applied at the correct level within the banking group. The PS also contains supervisory measures and the imposition of penalties and their amount in relation to financial holding companies.

MONEY MARKET FUND

(11/10/2021) FSB – FSB publishes final report with policy proposals to enhance money market fund resilience

The Financial Stability Board (FSB) has published the final report containing proposals to improve the resilience of the money market fund (MMF). These proposals aim to identify systemic risks and minimize the need for interventions by the European Central Bank (ECB) in the future.

STRESS-TEST

(14/10/2021) ECB - Macroprudential stress test of the euro area banking system amid the coronavirus (COVID-19) pandemic

The European Central Bank (ECB) has published the Macroprudential stress test of the euro area banking system for 2021-2023, which aims to provide insights into the resilience of the European banking sector following the pandemic of COVID-19. This stress test complements the EU-wide stress test run by the EBA because it incorporates the phasing-out of the pandemic mitigation policies, among others.

SUPERVISION PLAN

(15/10/2021) OCC – OCC Releases Bank Supervision Operating Plan for Fiscal Year 2022

The Office of the Comptroller of the Currency (OCC) has released its fiscal year (FY) 2022 bank supervision operating plan, which provides the basis for policy initiatives and supervisory strategies applied to individual national banks, federal savings associations, federal branches, federal agencies and technology service providers.

STRESS -TEST

(19/10/2021) BoE – Bank of England launches first public CCP supervisory stress test

The Bank of England (BoE) has launched its supervisory stress test (SST) of UK central counterparties (CCPs), which will be conducted in 2021-22 and will cover the clearing services of all UK CCPs. The supervisory stress test will explore credit and liquidity resilience. The credit component will test the sufficiency of CCPs' resources to withstand a combination of market stress scenarios and clearing member defaults. The liquidity component will test the ability of CCPs to service all relevant cash requirements.

Asset managers

(02/11/2021) IOSCO – Setting regulatory and supervisory expectations for asset managers is fundamental to address greenwashing concerns

The International Organization of Securities Commissions (IOSCO) has published a report with recommendations to asset managers in the asset management industry. The report covers five areas: i) asset manager practices, policies, procedures and disclosure; ii) product disclosure; iii) supervision and enforcement; iv) terminology; and v) financial and investor education.

EMIR

(04/11/2021) EBA - EBA consults on draft technical standards on Initial Margin Model Validation under EMIR

The European Banking Authority (EBA) has launched a public consultation on its draft Regulatory Technical Standards (RTS) on Initial Margin Model Validation (IMMV) under the European Markets Infrastructure Regulation (EMIR). The consultation paper sets out the supervisory procedures for initial and ongoing validation of IMMV, which will be used to determine the level of margin requirements for uncleared over the counter (OTC) derivatives. Comments to this consultation can be sent before 4 February 2022.

G-SIB

(09/11/2021) BIS – G-SIB assessment methodology review process - technical amendment finalization

The Basel Committee on Banking Supervision has finalised a technical amendment to the Basel Framework which relates to the process used by the Committee to review the G-SIB assessment methodology. The Committee has replaced the prior three year review cycle with a process of ongoing monitoring and review. This will include monitoring: (i) recent developments in techniques or new indicators that can be used for the assessment of systemic risk; (ii) emerging evidence on the effectiveness of the G-SIB regime; and (iii) structural changes that could impact the effectiveness of the regime.

ESEP

(12/11/2021) EBA – The EBA sets examination programme for prudential supervisors for 2022

The European Banking Authority (EBA) has published the European Supervisory Examination Program (ESEP) for 2022, which identifies key topics for supervisory attention across Europe, with the aim of informing prudential supervisors' planning processes and shaping their supervisory practices. Among the topics that merit European attention, it is included: i) the impact of the COVID-19 pandemic on asset quality and adequate provisioning; ii) environmental, social and governance (ESG) risk; iii) and anti-money laundering and combating the financing of terrorism (AML/CFT).

Securitisation transactions

(15/11/2021) ECB – Public consultation on the draft Guide on the notification of securitisation transactions

The European Central Bank (ECB) has submitted for public consultation draft guidance on the reporting of securitization transactions. This Guide sets out the notification practices that significant institutions are advised to follow in order to provide the ECB with information needed for the supervision of compliance with Securitisation Regulation. The public consultation period will be open until January 5, 2022.

SREP

(18/11/2021) EBA/ESMA – Consultation paper on Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP)

The European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) have launched a public consultation on their Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) of investment firms. The draft joint SREP Guidelines set out the process and criteria for the assessment of the main SREP elements such as: i) business model; ii) governance arrangements and firm-wide controls; iii) risks to capital and capital adequacy; and iv) liquidity risk and liquidity adequacy.

Insurance market

(01/12/2021) IAIS – Global Insurance Market Report (GIMAR) 2021

The International Association of Insurance Supervisors (IAIS) has published the 2021 Global Insurance Market Report (GIMAR).The GIMAR reports on the outcome of the 2021 Global Monitoring Exercise (GME), the IAIS' risk assessment framework to monitor key risks and trends and to detect the potential build-up of systemic risk in the global insurance sector. This report also provides an update on the outcome of the Covid-19 targeted assessment based on year-end 2020 data.

Stress -test

(16/12/2021) EIOPA – EIOPA insurance stress test shows industry resilience but also reliance on transitional measures

The European Insurance and Occupational Pensions Authority (EIOPA) has published the results of its 2021 Insurance Stress Test. Despite the grave economic and financial implications of the COVID-19 pandemic, the European insurance industry entered the stress test exercise with a strong level of capitalisation – evidenced by a solvency ratio of 217.9% at the end of 2020. This robust buffer in the solvency ratio allowed participants absorb the shock of the adverse scenario. EIOPA and the National Competent Authorities will analyse the results further to gain a deeper understanding of the risks and vulnerabilities of the sector.

MREL

(08/01/2021) SRB – MREL reporting update: checklist on reported liabilities and sign-off form

Banks under the Single resolution Board´s (SRB) remit are asked to use a checklist when preparing the Additional Liability Report (ALR) and complete a sign-off form before submission, in order to provide additional assurance on liabilities reported as eligible for MREL. The institution's CEO or board member responsible for resolution should fill out the sign-off form, confirming that procedures and controls were put in place to ensure that the reported data in the ALR correspond to liabilities which meet the eligibility criteria in the legislation (SRMR, BRRD, CRR).

SRB MREL dashboard

(11/02/2021) SRB – SRB publishes Q3.2020 MREL dashboard

The SRB has published its minimum requirement for own funds and eligible liabilities (MREL) dashboard covering the reporting period Q3 2020. Some key findings are that: i) the average BRRD1 MREL target, in percentage of the total risk exposure amount (TREA), rose by 0.6% from June to September, to 28.6% TREA; ii) after recording an increase in Q2.2020, the average MREL shortfall reduced to 1.9% TREA in Q3.2020; and iii) in Q3.2020, MREL issuances amounted to EUR 50.9 bn, a reduction of 42% (EUR 37.3 bn) in comparison to Q2.2020.

Taxonomy product disclosures

(17/03/2021) ESAs – ESAs consult on Taxonomy–related product disclosures

The ESAs have published the Joint consultation paper on taxonomy-related sustainability disclosures with the aim of modifying the RTS on ESG risk disclosure standards published in February, adapting them to the new features introduced by the SFDR taxonomy regulation.

Financial indicators

(26/05/2021) ECB – EU structural financial indicators: end of 2020

The European Central Bank (ECB) has updated its dataset of structural financial indicators for the European Union (EU) banking sector for the end of 2020. This annual dataset comprises statistics on the number of branches and employees of EU banks, data on the degree of concentration of the banking sector in each Member State and data on foreign-controlled institutions in national banking markets.

EREP

(12/11/2021) EBA – The EBA sets first examination programme for resolution authorities

The European Banking Authority (EBA) has published a European Resolution Examination Program (EREP) on key issues for resolution authorities across the European Union to address, with the aim of proactively driving convergence of resolution practices by selecting issues that merit European attention. Resolution authorities are expected to consider key issues when developing their priorities for 2022 such as, among others, MREL deficits, or the development of management information systems for valuation in resolution.

Resolution

(18/11/2021) ESMA – Consultation on CCP Resolution Regime

The European Securities and Markets Authority (ESMA) has launched six public consultations to seek stakeholders' views on how to implement its mandates for the resolution of central counterparties (CCPs). The consultation contains proposals on: (i) resolution colleges; (ii) the valuation of assets and liabilities of CCPs in the event of resolution; (iii) safeguards for clients and indirect clients; and (iv) the content of resolution plans.

Financial crisis management

(30/11/2021) FSB – FSB publishes report on good practices for Crisis Management Groups

The Financial Stability Board (FSB) has published a report on good practices for Crisis Management Groups (CMGs). The report sets out good practices that have helped CMGs to enhance preparedness for the management and resolution of a cross-border financial crisis affecting a Global Systemically Important Bank (G-SIB) consistent with the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions.

Resolution

(01/12/2021) SRB – SRB publishes solvent wind-down guidance

The Single Resolution Board (SRB) has published guidance on solvent wind-down (SWD) of derivatives and trading books in resolution, in line with its Expectations for Banks document, published in April 2020. The guidance sets out the scope and minimum expectations for SWD planning and potential execution, with the main objectives to adequately prepare, develop and maintain banks' capabilities for the planning of a SWD in resolution

Other publications of interest

Government

Suitability assessments

(02/07/2021) EBA – Draft final report on joint EBA and ESMA Guidelines on the assessment of suitability / Draft final report on Guidelines on remuneration policies under CRD.

The European Banking Authority (EBA) has published its revised Guidelines on remuneration policies which takes into account the amendments introduced by the fifth Capital Requirements Directive (CRD V) in relation to gender-neutral remuneration policies. Furthermore, the EBA has published its revised Guidelines on internal governance and Guidelines on the assessment of the suitability of members of the management body and key function holders.

MiFID II

(19/07/2021) ESMA – Guidelines on certain aspects of the MIFID II remuneration requirements

The European Securities and Markets Authority (ESMA) has launched a consultation on draft ESMA guidelines on certain aspects of the MiFID II remuneration requirements. The purpose of these draft guidelines is to enhance clarity and foster convergence in the implementation of the new remuneration requirements, replacing the existing ESMA guidelines on the same topic, issued in 2013.

Remuneration

(21/07/2021) PRA – PS18/21 | CP9/21 - Remuneration: Correction to the definition of 'higher paid material risk taker'

The Prudential Regulation Authority (PRA) has published the Policy Statement (PS) 18/21 which provides feedback to the responses to the Consultation Paper (CP) on Remuneration and correction to the definition of higher paid material risk taker. This PS includes amendments to the remuneration part of the PRA Rulebook and it will take effect from Friday 23 July 2021.

Prudential regulation

(02/08/2021) EBA – EBA consults on new Guidelines on the role of AML/CFT compliance officers

The EBA has launched a public consultation on new Guidelines which set expectations regarding the role and responsibilities of financial sector operators' management body or, where no management body exists, the role and responsibilities of the senior manager in relation to money laundering and countering the financing of terrorism (AML/CFT). Once adopted, these Guidelines will apply to all financial sector operators that are within the scope of the AML Directive. Comments to this consultation can be submitted until 2 November 2021.

MiFIR

(24/08/2021) ESMA – Consultation Paper on Draft regulatory technical standards on the management body of Data Reporting Services Providers (DRSPs)

The European Securities and Markets Authority (ESMA) has published a Consultation Paper on draft Regulatory Technical Standards (RTS) under the Markets in Financial Instruments Regulation (MiFIR) regarding suitability assessments of Data Reporting Services Providers (DRSP) management body members. The ESMA proposes to introduce requirements covering among others the following areas: i) good repute, honesty and integrity; ii) commitment; iii) knowledge, skills and experience; and iv) independence. Comments to this consultation can be sent before 24 September 2021.The European Securities and Markets Authority (ESMA) has published the MiFID II/MiFIR Annual Review Report in which the ESMA analyses whether it is appropriate to move to the following stage of the phase-in for the transparency requirements for both the average daily number of trades threshold used for the quarterly liquidity assessment of bonds, and for the pre-trade size specific to the instrument threshold for bonds.

Corporative government

(09/10/2021) CNMV – Nueva circular por la que se modifican los modelos de los informes anuales de gobierno corporativo y de remuneraciones de los consejeros de las sociedades cotizadas

The National Securities Market Commission (CNMV) has published a new directive introducing amendments to both the annual report on the remuneration of directors of listed companies (e.g. the need to report on any deviations from the procedure for applying the remuneration policy and on any temporary exceptions that have been applied) and the corporate governance report (e.g., the need to report on the shares with double voting rights for loyalty; information is requested on the positions held by directors in other entities, whether listed or not, and on other remunerated activities of the directors).

Investment firms

(22/11/2021) EBA – EBA publishes its final revised Guidelines on internal governance for investment firms under the Investment Firms Directive / EBA publishes its final revised Guidelines on remuneration for investment firms under the Investment Firms Directive

The European Banking Authority (EBA) has published revised guidelines on internal governance for investment firms subject to the Investment Firms Directive (IFD) aiming at ensuring that investment firms have a clear organisational structure, effectively manage their risks and have adequate internal control mechanisms in place. Furthermore, the EBA has published revised guidelines on remuneration for investment firms subject to the IFD, aiming at ensuring an alignment of the variable remuneration of identified staff with the risk profile of the investment firm and the assets it manages, and the gender neutrality.

Integrated thinking

(06/12/2021) SASB – The Value Reporting Foundation Publishes Integrated Thinking Principles and Updated SASB Standards for Three Industries

The Sustainability Accounting Standards Board (SASB) has published new Integrated Thinking Principles, which provide a structured approach to considering how to create the right environment within an organization. SASB's prototype Integrated Thinking Principles are designed to be integrated into an organization's business model and applied across key activities overseen by the board and the senior leadership team. It has also published updates to the Asset Management & Custody Activities, Metals and Mining and Coal Operations Industry Standards following a process that included a market consultation.

Staff remuneration

(09/12/2021) EBA - EBA report highlights shortcomings in the application of its Guidelines on the remuneration of sales staff

The European Banking Authority (EBA) has published a Report on the application of its Guidelines on the remuneration of sales staff in force since 2016. The EBA assessed how a sample of 70 financial institutions from 12 EU Member States are applying the Guidelines on the remuneration of sales staff. The EBA identified 17 distinct good practices which are considered as compliant with the Guidelines.

AML/CFT

(10/12/2021) EBA – EBA consults on new remote customer onboarding guidelines

The European Banking Authority (EBA) has launched a public consultation on its draft Guidelines on the use of remote customer onboarding solutions. These Guidelines set out a common understanding by competent authorities of the steps financial sector operators should take to ensure safe and effective practices in line with applicable anti-money laundering and countering the financing of terrorism (AML/CFT) legislation and the EU's data protection framework. Once adopted, these Guidelines will apply to all financial sector operators that are within the scope of the Anti-money Laundering Directive (AMLD). This consultation runs until 10 March 2022.

Other publications of interest

Reporting and disclosure

Reporting

(05/02/2021) Fed/FDIC/OCC – Joint Notice on Proposed Agency Information Collection Activities

The Fed, FDIC and OCC are requesting comment on revisions to the reporting forms and instructions for the Call Reports and the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) related to the exclusion of sweep deposits and certain other deposits from reporting as brokered deposits. In addition, the agencies are proposing revisions to the Call Report and FFIEC 002 instructions addressing brokered deposits to align them with the brokered deposits final rule. This consultation will be open until February 22, 2021.

(05/02/2021) PRA – PRA Statement on Covid-19 regulatory reporting amendments

The PRA has published an statement that sets out its approach to regulatory reporting for PRA-regulated UK banks, building societies, designated investment firms and credit unions in response to the current COVID-19 conditions. In particular, in this statement the PRA provides further guidance on submitting this year's annual submissions and other types of regulatory reporting. Consistent with the measures announced by the FRC and FCA, the PRA will accept a delay in the submission by UK banks and designated investment firms of their annual reports and accounts by up to two calendar months.

NFRD

(01/03/2021) ESMA – ESMA proposes rules for taxonomy–alignment of non-financial undertakings and asset managers

The ESMA has published its Final Report on advice under Article regarding transparency of undertakings in non-financial statements of the Taxonomy Regulation, which covers the information to be provided by non-financial undertakings and asset managers to comply with their disclosure obligations under the Non-Financial Reporting Directive (NFRD). The recommendations define the Key Performance Indicators (KPIs) disclosing how, and to what extent, the activities of businesses that fall within the scope of the NFRD qualify as environmentally sustainable under the Taxonomy Regulation.

(01/03/2021) EIOPA – EIOPA advises on insurers' key performance indicators on sustainability for non-financial reporting

The EIOPA has submitted its advice to the EC on the mandatory sustainability disclosure of insurers' and reinsurers' key performance indicators within the scope of the NFDR. The objective is to set out relevant criteria for determining whether an economic activity qualifies as environmentally sustainable, in particular, in order to address market failures that hamper the identification of such economic activities and therewith, ultimately to remove barriers to the functioning of the internal market.

Reporting and disclosure

(05/03/2021) EBA – EBA issues new supervisory reporting and disclosures framework for investment firms

The EBA published its final draft Implementing Technical Standards (ITS) on the supervisory reporting and disclosures of investment firms. These ITS set out the main aspects of the new reporting framework in relation to the calculation of own funds, levels of minimum capital, concentration risk, liquidity requirements and the level of activity in respect of small and non-interconnected investment firms.

Reporting

(11/03/2021) – EBA launches discussion paper on integrated reporting

The EBA has published a discussion paper on the feasibility study of an integrated reporting system to collect feedback for the preparation of its final Report in this area. The discussion paper outlines possible options around the main building blocks of a possible integrated system including a single data dictionary and single reporting system across supervisory, resolution and central bank statistical data. The consultation runs until 11 June 2021.

Financial Information

(08/03/2021) BdE – "Consulta pública de proyecto de circular, que modifica las circulares 4/2017, a entidades de crédito y 4/2019, a establecimientos financieros de crédito, sobre normas de información financiera pública y reservada, y modelos de estados financieros"

The BdE has carried out a public consultation prior to the preparation of the draft BdE circular amending Circular 4/2017 and Circular 4/2019, in order to maintain the convergence of Spanish accounting regulations for financial institutions with the EU-IFRS framework, as well as with European standards and guidelines, update the alternative solutions for the collective estimation of credit risk loss allowances, and simplify the reserved statement requirements applicable to branches operating in Spain of foreign credit institutions whose head office is located in a member state of the European Economic Area.

Disclosure requirements

(12/03/2021) ESMA – Guidelines On Disclosure Requirements Applicable to Credit Ratings

The European Securities and Markets Authority (ESMA) has published Guidelines on disclosure requirements applicable to credit ratings. The purpose of these Guidelines is to improve the consistency of the information that Credit Rating Agencies (CRAs) are required to disclose as part of certain rating actions.

Reporting and disclosure

(16/03/2021) EC – Reglamento de Ejecución (UE) 2021/453 de la Comisión de 15 de marzo de 2021 por el que se establecen normas técnicas de ejecución orientadas a la aplicación del Reglamento (UE) nº 575/2013 del Parlamento Europeo y del Consejo en lo que respecta a los requisitos específicos de presentación de información por riesgo de mercado

The European Commission (EC) has published an Implementing Regulation aimed at implementing the specific market risk reporting requirements laid down in Regulation on prudential requirements for credit institutions and investment firms. This Implementing Regulation is based on the draft implementing technical standards submitted by the EBA to the EC and includes reference and reporting dates for market risk.

Annual report

(14/04/2021) ECB – Annual Report ECB

The ECB has published the Annual Report for 2020, in which describes the tasks and activities of the European System of Central Banks (ESCB) and reports on the Eurosystem's monetary policy. The Report focusses on: i) the economy in the euro area; ii) the monetary policy; iii) the European financial sector; iv) the functioning of the market infrastructure and payments; v) the efforts to support market functioning and financial services provided to other institutions; vi) banknotes; and vii) ECB research priorities.

MIFID

(19/04/2021) FCA – A new UK prudential regime for MiFID investment firms

The Financial Conduct Authority (FCA) has published the Consultation Paper (CP) 21/7 on a new prudential regime for MIFID investment firms. This regime will streamline and simplify the prudential requirements for MiFID investment firms that are prudentially regulated by the FCA in the UK.

(28/04/2021) FCA – CP 21/ 9 on changes to UK MIFID's conduct and organisational requirements

The Financial Conduct Authority (FCA) has published Consultation Paper 21/9 on changes to UK MIFID's conduct and organizational requirements. The proposal will remove the obligation on investment firms who execute orders to produce an annual report setting out the top 5 venues used for executing client orders and a summary of the execution outcomes achieved.

Reporting

(28/04/2021) EBA – The European Banking Authority launches public consultation to enhance proportionality in liquidity reporting

The European Banking Authority (EBA) launched a public consultation on its draft Implementing Technical Standards (ITS) on supervisory reporting with respect to Additional Liquidity Monitoring Metrics (ALMM). Following the mandate laid down in the CRR2, the EBA is proposing to introduce some proportionality considerations in ALMM reporting for small and non-complex institutions.

(26/04/2021) ECB – Guideline on statistical information to be reported on financial intermediaries other than monetary financial institutions / Guideline on reporting requirements on payment statistics / Guideline on statistical information to be reported on consolidated banking data / Guideline on statistical information to be reported on securities issues

The European Central Bank (ECB) has published several Guidelines on Reporting requirements of financial intermediaries related to: i) the statistical information to be reported on financial intermediaries other than monetary financial institution; ii) the reporting requirements on payments statistics; iii) the statistical information to be reported on consolidated banking dada; and iv) the statistical information to be reported on securities issues.

Risk review

(10/05/2021) FDIC – 2021 RISK REVIEW

The FDIC has developed a Risk Review which provides a summary of risks that may ultimately affect FDIC-insured institutions and the FDIC's Deposit Insurance Fund. Much of the discussion in the report focuses on risks that may affect community banks, as FDIC is the primary federal regulator for the majority of these banks in the United States. The Risk Review contributes to the FDIC's mission to maintain stability in the nation's financial system and commitment to building trust and confidence through openness and accountability.

Taxes

(10/05/2021) FDIC – Tax Allocation Agreements

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Fed), and the Federal Deposit Insurance Corporation (FDIC) are inviting comment on a proposed rule under section regarding safety and soundness of the Federal Deposit Insurance Act that would establish requirements for tax allocation agreements between institutions and their holding companies in a consolidated tax filing group.

Euribor

(11/05/2021) ECB – Private sector working group on euro risk-free rates publishes recommendations on EURIBOR fallbacks

The European Central Bank (ECB) has published today its recommendations addressing events that would trigger fallbacks in EURIBOR-related contracts, as well as euro short-term rate based EURIBOR fallback rates. While there is currently no plan to discontinue EURIBOR, the development of more robust fallback language addresses the risk of a potential permanent discontinuation and is in line with the EU Benchmarks Regulation (BMR).

Rating agencies

(26/05/2021) ESMA – ESMA consults on disclosure requirements for initial reviews and preliminary ratings

The ESMA has launched a Public Consultation on Disclosure Requirements for Initial Reviews and Preliminary Ratings. The purpose of this Consultation Paper is to propose guidance that will address inconsistencies in the interpretation of the provisions contained in the Credit Rating Agencies (CRA) Regulation.

SFTR

(25/05/2021) ESMA – Guidelines on the calculation of positions under SFTR

The ESMA has published the Final Report on Guidelines on the calculation of positions in Securities Financing Transactions (SFTs) by Trade Repositories (TRs) under the Securities Financing Transactions Regulation. The Guidelines aim to ensure consistency of position calculation across TRs, with regard to the time of calculations, the scope of the data used in calculations, the data preparation, the recordkeeping of data and the calculation methodologies.

Commodities

(27/05/2021) ESMA – ESMA consults on synthetic securitizations RTS and amendments to STS templates

The ESMA has launched a consultation, as part of the post-Covid MiFID II Recovery Package, seeking input from market participants on its draft Technical Standards for commodity derivatives. The Consultation Paper also contains ESMA's proposals for technical standards on position management controls. Comments can be sent before 23 July 2021.

MIFIDII/MIFIR

(01/06/2021) ESMA – ESMA publishes final Report on the MIFID II/ MIFIR obligations on market data

ESMA has published its final report on guidelines on MiFIDII/MiFIR market data obligations. The final report sets out guidelines on the requirements to publish market data on reasonable commercial terms and to make market data available free of charge 15 minutes after publication.

Margin requirements

(30/06/2021) PRA - PS14/21 | CP6/21 - Margin requirements for non-centrally cleared derivatives: Amendments to BTS 2016/2251

The Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) have published Policy Statement (PS) 14/20 which provides feedback on the responses received to Consultation Paper (CP) 6/21 on margin requirements for non-cleared derivatives. To the extent that responses to the consultation paper were generally supportive, this policy statement includes only some clarifications to the text.

Reporting

(28/06/2021) ECB – Changes to the Eurosystem's loan-level data requirements

The ECB has published the changes to the Eurosystem`s loan-level data requirements. the new loan-level data rules will imply that the European Securities and Markets Authority (ESMA) reporting templates must be used as of 1 October 2021, replacing the current ECB templates.

Securitisation

(30/06/2021) EBA - EBA consults on technical standards on risk retention requirements under the Securitisation Regulation

The EBA has published a public consultation on draft Regulatory Technical Standards (RTS) specifying the requirements for originators, sponsors, original lenders and servicers related to risk retention, in line with the Securitisation Regulation. The RTS aim to clarify requirements relating to risk retention, thus reducing the risk of moral hazard.

MIFIR

(09/07/2021) ESMA - ESMA consults on the review of transparency requirement under MIFIR

The ESMA has launched a Consultation Paper on the review of the regulatory technical standards transparency requirements under the Markets in Financial Instruments Regulation (MiFIR). This Consultation Paper reflects the findings and recommendations of various MiFID review reports published by ESMA in 2019 and 2020.

Disclosure

(26/07/2021) IASB – IASB proposes reduced disclosure requirements for subsidiaries

The IASB has proposed a new IFRS Standard that would permit eligible subsidiaries to apply IFRS Standards with a reduced set of disclosure requirements. The proposed Standard would be available to subsidiaries without public accountability, companies that are not financial institutions or listed on a stock exchange.

Earnings and regulatory reporting

(22/09/2021) OCC – The Earnings booklet / The Regulatory reporting booklet

The Office of the Comptroller of the Currency (OCC), has released new version of the Earnings Booklet and the Regulatory Reporting Booklet. The first one includes procedures for reviewing earnings in a specific line of business or for the bank as a whole and discusses sound risk management principles to ensure that earnings are sufficient to maintain an adequate level of reserves and capital. The second booklet, provides guidance to examiners on how to determine the materiality of a misstatement in a regulatory report and when a refiling might be required.

IORPs

(07/10/2021) EIOPA – Opinion on the supervisory reporting of costs and charges of IORPs / Opinion on the supervision of risk assessment by IORPs providing DC schemes

The European Insurance and Occupational Pensions Authority (EIOPA) has published two Opinions on the supervisory reporting of costs and charges by Institutions for Occupational Retirement Provisions (IORPs) and the risk assessment of IORPs that provide defined contribution (DC) schemes. The first one, provides a classification of costs to be reported to national supervisors and introduces a practical guidance for supervisors and IORPs. The second, fosters consistent supervisory practices by providing guidance on risk management.

Other publications of interest

Reporting and disclosure

Pillar III

(09/10/2021) EBA – Final report on draft ITS on IRRBB disclosure

The European Banking Authority (EBA) has published the draft Implementing Technical Standards (ITS) on interest rate risk on positions not held in the trading book (IRRBB) disclosure, which seeks to ensure stakeholders are informed about institutions' interest rate risks in the non-trading book and provide comparable disclosures that should help institutions comply with the requirements laid down in the CRR. This final report incorporates minor changes with respect to the consultation document published in May 2021. Attached to this email is the alert generated on the consultation document.

Climate-related financial disclosure

(14/10/2021) FSB - 2021 Status Report: Task Force on Climate-related Financial Disclosures

The Financial Stability Board (FSB) has published the Task Force on Climate-related Financial Disclosures (TCFD) Report stating that climate-related financial disclosures aligned with TCFD recommendations have accelerated in the last year, growing by nine percentage points in 2020, in line with the global momentum around climate-related disclosures. In addition, more than 50% of all companies disclosed their climate-related risks and opportunities.

Investment firms

(19/10/2021) EBA – EBA publishes final draft regulatory technical standards on disclosure of investment policy by investment firms

The European Banking Authority (EBA) has published final draft regulatory technical standards (RTS) on disclosure of investment firms' investment policy. The draft RTS put forward comparable disclosures that should help stakeholders understand investment firms' influence over the companies in which they have voting rights and the impact of investment firms' policies on aspects such as the governance or management of those companies.

Taxonomy product disclosure

(22/10/2021) ESAs – ESAs propose new rules for taxonomy-related product disclosures

The European Supervisory Authorities (ESAs) delivered to the EC their Final Report with draft Regulatory Technical Standards (RTS) regarding taxonomy-related sustainability disclosures with the aim of modifying the RTS on ESG risk disclosure standards published in February, adapting them to the new features introduced by the SFDR taxonomy regulation. The report contains proposals for products under Articles 5 and 6 of the Taxonomy Regulation and for pre-contractual and periodic disclosures.

Sustainability disclosure requirements

(03/11/2021) FCA - DP21/4: Sustainability Disclosure Requirements (SDR) and investment labels

The Financial Conduct Authority (FCA) has published the Discussion Paper 21/4 on Sustainability Disclosure Requirements (SDR) and investment labels with the aim of seeking initial views on new sustainability disclosure requirements for asset managers and FCA-regulated asset owners, as well as a new classification and labelling system for sustainable investment products. Comments to this paper can be sent before 7 January 2022.

Sovereign exposures

(11/11/2021) BCBS – Voluntary disclosure of sovereign exposures

The Basel Committee on Banking Supervision (BCBS) has published these voluntary disclosure standards for sovereign exposures, which comprise three templates for banks to use when disclosing their sovereign exposures and risk-weighted assets by: i) jurisdictional breakdown; ii) currency breakdown; and iii) according to the accounting classification of the exposures.

Market risk

(11/11/2021) BCBS – Revisions to market risk disclosure requirements

The Basel Committee on Banking Supervision (BCBS) has published the Revisions to market risk disclosure requirements, which include a number of adjustments to reflect the revised market risk framework introduced in Minimum capital requirements for market risk in January 2019. The revised standard introduced among others changes: i) a "traffic light" approach for capital requirements as a consequence of the outcome of the profit and loss attribution test for banks using the internal models approach, and ii) the simplified standardized approach as an alternative way of calculating capital requirements for market risk. The revised disclosure standards have been updated to reflect these and other changes in the standards.

EMIR

(25/11/2021) FCA/BoE – Changes to reporting requirements, procedures for data quality and registration of Trade Repositories under UK EMIR

The Financial Conduct Authority (FCA) and Bank of England (BoE) have launched a joint consultation on changes to reporting requirements, procedures for data quality and registration of Trade Repositories under UK EMIR. The proposals aim to align the UK derivatives reporting framework with international guidance from the Committee on Payments and Market Infrastructures and International Organization of Securities Commissions (CPMI-IOSCO) to ensure a more globally consistent data set.

Supplier finance

(26/11/2021) IFRS – Proposed amendments to IAS 7 and IFRS 7

The International Accounting Standards Board (IASB) has today published for public comment proposed changes in disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities and cash flows. Comments can be sent before 28 March 2022.

Sustainable finance

(26/11/2021) EC – Letter from the European Commission to the ESAs on the application of Regulation (EU) 2019/2088

The European Commission (EC) has published a letter to the European Parliament (EP) and the Council to inform that the implementation of the Regulatory Technical Standards (RTS) of the sustainability-related disclosures in the financial services Regulation (SFDR) is delayed until January 1, 2023. This adds a six-month extension to the date envisaged by the EC in its last letter.

CRA

(03/12/2021) IAIS – FDIC Issues List of Banks Examined for CRA Compliance

The Federal Deposit Insurance Corporation (FDIC) has issued its list of state nonmember banks recently evaluated for compliance with the Community Reinvestment Act (CRA), which covers the FDIC evaluation ratings it assigned to institutions in September 2021. As part of the Financial Institutions Reform, Recovery and Enforcement Act, Congress mandated the disclosure of a rating of each Credit Bank to undergo a CRA examination.

CET1 capital insruments

(08/12/2021) EBA – EBA updates on monitoring of CET1 capital instruments

The European Banking Authority (EBA) has published an updated list of Common Equity Tier 1 (CET1) instruments of EU institutions. This list is accompanied by an updated CET1 Report, which includes information on the underlying objectives of the monitoring as well as on the consequences of including or excluding instruments in or from the CET1 list.

IFRS

(15/12/2021) ESMA – ESMA publishes report on expected credit loss disclosure of banks

The European Securities and Markets Authority (ESMA) has published its Report on the application of IFRS 7 Financial Instruments: Disclosures (IFRS 7) and IFRS 9 Financial Instruments (impairment requirements) regarding banks' expected credit losses (ECL). The report provides recommendations to issuers on how to improve the application of the relevant requirements and issuers, their auditors and committees are expected to consider the findings of the Report when preparing and auditing financial statements.

Disclosure of information

(27/12/2021) EC – Reglamento Delegado (UE) 2021/2268 de la Comisión de 6 de septiembre de 2021 por el que se modifican las normas técnicas de regulación establecidas en el Reglamento Delegado (UE) 2017/653

The European Commission (EC) has published a Delegated Regulation amending on the one hand the Delegated Regulation 2017/653 as regards: i) the underpinning methodology and presentation of performance scenarios; ii) the presentation of costs and the methodology for the calculation of summary cost indicators; iii) the presentation and content of information on past performance and the presentation of costs by packaged retail and insurance-based investment products (PRIIPs) offering a range of options for investment. On the other side, the transitional arrangement for PRIIP manufacturers offering units of funds referred to in Article 32 of Regulation (EU) No 1286/2014 has been aligned as underlying investment options with the prolonged transitional arrangement laid down in that Article.

Other publications of interest

Compliance

Vulnerable customers

(24/02/2021) FCA – Guidance for firms on the fair treatment of vulnerable customers

The FCA has published final guidance clarifying its expectations of firms on the fair treatment of vulnerable customers. It explains that to achieve good outcomes for vulnerable customers, firms should: i) understand the needs of their target market / customer base; ii) ensure their staff have the rights skills and capability to recognize and respond to the needs of vulnerable customers; iii) respond to customer needs throughout product design, flexible customer service provision and communications; iv) and monitor and assess whether they are meeting and responding to the needs of customers with characteristics of vulnerability, and make improvements where this is not happening.

ML/TF

(03/03/2021) EBA –The EBA highlights key money laundering and terrorist financing risks across the EU

The EBA has published its Opinion on risks of money laundering and terrorist financing (ML/TF) affecting the European Union's financial sector. The ML/TF risks identified by the EBA include those that are applicable to the entire financial system, for instance the use of innovative financial services, while others affect specific sectors, such as de-risking. The list also includes ML/TF risks that emerge from wider developments such as the COVID-19 pandemic.

Vulnerable customers

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Funeral plans

(05/11/2021) PRA–- Regulation of funeral plans: Feedback to CP21/20 and final rules

The Prudential Regulation Authority (PRA) has published consultation paper 21/20 with feedback and the final rules on funeral plans This rules ensure, among others, that: i) firms sell products fairly; ii) firms are well-run and have high conduct standards; and iii) consumers have time and all the information they need to make better informed decisions.

Conduct

(30/11/2021) FCA – PS21/20 on changes to UK MIFID's conduct and organisational requirements

The Financial Conduct Authority (FCA) has published Policy Statement 21/20 on changes to UK MIFID's conduct and organizational requirements. The proposal will remove the obligation on investment firms who execute orders to produce an annual report setting out the top 5 venues used for executing client orders and a summary of the execution outcomes achieved.

Consumer duty

(07/12/2021) FCA – CP21/36: A new Consumer Duty: feedback to CP21/13 and further consultation

The Financial Conduct Authority (FCA) has for the second time launched a new consultation on its proposals to set a higher level of consumer protection in retail financial markets, where firms compete in the interests of consumers. The aim of the consultation is also to drive a financial services system in which firms can thrive and consumers can make informed choices about financial products and services.

(29/01/2021) EBA – EBA provides additional clarity on the implementation of selected COVID-19 policies

The EBA has published additional clarifications on the application of the prudential framework in response to issues raised as a consequence of the COVID-19 pandemic. These clarifications update the FAQ section of the EBA Report on COVID-19 implementation policies, which provides clarity on the implementation of the EBA Guidelines on moratoria and the EBA Guidelines on COVID-19 reporting and disclosure.OVID-19.

(02/02/2021) Gob. España – El Gobierno amplía las moratorias en el pago de créditos para personas vulnerables, autónomos y empresas de turismo y transporte

The Council of Ministers has approved a Royal Decree-Law that extends the coverage and extends the deadline for applying for financial moratoria to alleviate the economic effects of COVID-19. The regulation extends until March 30 the possibility of applying for moratoria. Households, vulnerable self-employed workers and companies in the tourism and transport sectors will be able to defer up to a total of nine months the payment of principal and interest on their loans with and without mortgage guarantee. Moratoriums already granted will not be altered, although those who have benefited from a previous deferral may request an additional one for a maximum accumulated period of nine months between both.

(09/02/2021) Fed – Federal Reserve Board announces the second extension of a rule to bolster the effectiveness of the Small Business Administration's Paycheck Protection Program (PPP)

The Federal Reserve Board has announced the second extension of a rule to bolster the effectiveness of the Small Business Administration's (SBA) Paycheck Protection Program (PPP). Like the earlier extensions, this one will temporarily modify the Board's rules so that certain bank directors and shareholders can apply to their banks for PPP loans for their small businesses. The rule extension is effective immediately and applies to PPP loans made through March 31, 2021.

(11/02/2021) IASB – IASB proposes to extend support for lessees accounting for covid-19-related rent concessions

The IASB has published for consultation a proposal to extend by one year the application period of the amendment to IFRS 16 Leases issued in 2020 to help lessees accounting for covid-19-related rent concessions. The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. The practical relief currently applies to rent concessions that reduce only lease payments due on or before 30 June 2021. The deadline for submitting comments on the proposed amendment to IFRS 16 is 25 February 2021.

(12/02/2021) EIOPA – EIOPA addresses measures to improve the insurability of business interruption risk in light of pandemics

The EIOPA has published its staff paper on measures to improve the insurability of business interruption in light of pandemics. Building on the Issues paper on shared resilience solutions for pandemics published in July, EIOPA analyses options relating to prevention measures to reduce losses, capital markets risk transfer, and multi-peril solutions for systemic risk. It also addresses the general challenges related to modelling and triggers for claims in the context of pandemics.

(15/02/2021) Council – Capital Markets Recovery Package: Council adopts first set of measures to help companies access funding

The Council has adopted targeted amendments to the MiFID II and the prospectus regulation to facilitate the recapitalisation of EU companies on financial markets in the wake of the COVID-19 crisis. Together with adaptations to the EU's securitisation framework, the measures form part of the Capital Markets Recovery Package agreed between the Council and the European Parliament at the end of last year. The aim of the package is to make it easier for capital markets to support economic recovery from the pandemic.

(15/02/2021) IOSCO – IOSCO Reviews the Impact of COVID-19 Government Support Measures on Credit Ratings

The Board of the IOSCO has published a report analyzing the observed impact of COVID-19-related government support measures (GSM) on the credit ratings of the three largest credit rating agencies (CRAs). IOSCO's report provides a summary of the observed impact of GSMs on credit ratings and credit ratings methodologies through a review of any changes made to the methodologies, their application to rating actions taken during the timeframe of the pandemic.

Other publications of interest

Covid-19

(16/02/2021) ESRB – ESRB report on the financial stability implications of COVID-19 support measures to protect the real economy

The ESRB has published a report on the financial stability implications of support measures aimed at protecting the real economy from the effects of the COVID-19. The report shows that the fiscal response designed to support the real economy has stabilised lending and that the financial system has continued to function. However, as risks still lie ahead, the report also identifies policy priorities in terms of the design and duration of the fiscal measures, enhanced transparency and reporting, and preparedness for further adverse scenarios.

(18/03/2021) IOSCO – IOSCO Statement on Going Concern Assessments and Disclosures during the COVID-19 Pandemic

The International Accounting Standards Board (IOSO) has publishes an statement on Going Concern Assessments and Disclosures during the COVID-19 Pandemic. This statements focuses on: i) the implications for the preparation of annual financial statements; and ii) the implications for the annual audit.

(14/04/2021) Gobierno – Orden HAC/348/2021, de 12 de abril, por la que se concretan los criterios para asignación de ayudas directas a autónomos y empresas en aplicación de lo dispuesto en el Título I del Real Decreto-ley 5/2021

On March 13, 2021, the Spanish Government approved Royal Decree-Law 5/2021, on extraordinary measures to support business solvency in response to the COVID-19 pandemic. In relation to this Royal Decree, the Government has published the Ministerial Order specifying the criteria for the allocation of direct aid to self-employed and companies in application of the provisions of the Royal Decree.

(27/04/2021) PRA– PRA statement on the disclosure of exposures subject to measures applied in response to Covid-19

The Prudential Regulation Authority (PRA) has published an statement that updates guidance to UK banks and building societies on the disclosure of exposures subject to Covid-19 measures published on July 2020. Firms should therefore continue to use the templates published in July 2020 up to, and including, 31 December 2021.

(06/07/2021) BCBS - Early lessons from the Covid-19 pandemic on the Basel reforms

The Basel Committee on Banking Supervision (BCBS) has published an interim evaluation report assessing the impact of the implemented Basel reforms in light of the COVID-19 pandemic. The report provides a preliminary assessment of whether the reforms implemented to date have functioned as intended. In particular, the Committee's main conclusions are in relation to: i) the overall resilience of the banking system during the pandemic; ii) liquidity buffers; or iii) the impact of the leverage ratio on financial intermediation.

(08/07/2021) EIOPA - EIOPA reports on key financial stability risks in the European insurance and pension sectors

The EIOPA has published its Financial Stability Report that addresses key financial stability risks in the European insurance and pension sector. The EIOPA emphasizes that with the COVID-19 pandemic, increased unemployment and corporate credit downgrades have a negative impact on both insurance and pension sectors.

(19/07/2021) EIOPA - Supervisory statement on the ORSA in the context of COVID-19

The European Insurance and Occupational Pensions Authority (EIOPA) has published the supervisory statement on Own Risk and Solvency Assessment (ORSA) in the context of COVID-19 pandemic. With the aim to foster supervisory convergence, EIOPA in this supervisory statement focuses on the supervision of the internal processes of undertakings that are necessary for having a good quality ORSA in place.

(06/12/2021) OCC – OCC Reports on Risks, Effects of COVID-19 Pandemic on Federal Banking System

The Office of the Comptroller of the Currency (OCC) has published a report on the key issues facing the federal banking system and the effects of the COVID-19 pandemic on the federal banking sector in its Semiannual Risk Perspective for Fall 2021. Highlights of the report include that operational risk is elevated as banks respond to an evolving operating environment and cyber risks. Also, credit risk is moderate as government programs and appropriate risk management has limited the potential credit impact. In addition, compliance risk is higher driven by regulatory changes and policy initiatives.

Climate change

(25/01/2021) ECB – ECB sets up climate change centre

The ECB has decided to set up a climate change centre to bring together the work on climate issues in different parts of the bank. This decision reflects the growing importance of climate change for the economy and the ECB's policy, as well as the need for a more structured approach to strategic planning and coordination. The climate change centre will start its work in early 2021.

Sustainability disclosure standards

(24/02/2021) IOSCO – IOSCO sees an urgent need for globally consistent, comparable, and reliable sustainability disclosure standards and announces its priorities and vision for a Sustainability Standards Board under the IFRS Foundation

The IOSCO has published its priorities and vision for a Sustainability Standards Board under the IFRS Foundation. The IOSCO has identified three priority areas for improvement in sustainability-related disclosures by companies and asset managers: i) Encouraging Globally Consistent Standards for sustainability-related disclosure across jurisdictions; ii) Promoting Comparable Metrics and Narratives; iii) drive international consistency of sustainability-related disclosures with a focus on enterprise value creation.

SFDR

(25/02/2021) ESAs – ESAs issue recommendations on the application of the Regulation on sustainability-related disclosures

The ESAs have published a joint supervisory statement on the effective and consistent application and national supervision of the Regulation on sustainability-related disclosures in the financial services sector (SFDR). The statement aims to achieve an effective and consistent application and national supervision of the SFDR, promoting a level playing field and protecting investors.

Climate related risks

(14/04/2021) BCBS – Climate-related risk drivers and their transmission channels/ Climate-related financial risks - measurement methodologies

The Basel Committee on Banking Supervision (BCBS) has published a report on Climate-related risk drivers and their transmission channels and a report on measurement methodologies. The two reports discuss transmission channels of climate-related risks to the banking system, and the measurement methodologies of climate-related financial risks. Climate risks drivers can be captured in traditional financial risk categories, however, additional progress is needed to better estimate these risks.

ORSA

(19/04/2021) EIOPA – EIOPA issues Opinion on the supervision of the use of climate change risk scenarios in ORSA

The European Insurance and Occupational Pensions Authority (EIOPA) has issued an Opinion on the supervision of the use of climate change scenarios in the Own Risk and Solvency Assessment (ORSA) addressed to national supervisory authorities. In this Opinion EIOPA sets out expectations on the supervision of the integration of climate change risk scenarios by insurers in their ORSA.

Climate and insurance

(19/04/2021) IAIS – IAIS and SIF set out key recommendations for insurance supervisors to strengthen efforts to address climate-related risks

The International Association of Insurance Supervisors (IAIS) has published an Application Paper on the Supervision of Climate-related Risks in the Insurance Sector which provides recommendations and examples of good practice for insurance supervisors to manage the challenges arising from climate change. The recommendations are related to: i) role of the supervisor; ii) corporate governance; iii) risk management; iv) investment policy; v) disclosures.

Other publications of interest

Climate change

SFDR

(01/06/2021) CNMV – CNMV publica criterios para la aplicación de la nueva normativa europea en materia ambiental, social y de gobernanza en los servicios financieros

The Comisión Nacional del Mercado de Valores (CNMV) has published some interpretative criteria that will guide its authorisation and supervisory actions in the application of the European regulation on environmental, social and governance issues, known as ESG, contained in the Regulation on sustainability disclosures in financial services (SFDR).

Climate Change

(10/06/2021) ECouncil – Council endorses new EU strategy on adaptation to climate change

The Council has approved conclusions endorsing a new strategy that outlines a long-term vision for the EU to become a climate-resilient society that is fully adapted to the unavoidable impacts of climate change by 2050. In particular, the conclusions adopted give political guidance to the Commission as regards the implementation of the strategy.

Cambio climático

(17/06/2021) BoE - The Bank of England's climate-related financial disclosure 2021

El Banco de Inglaterra (BoE) ha publicado un informe relativo a la divulgación financiera relacionada con el clima que establece el enfoque del Banco para gestionar los riesgos del cambio climático en todas sus operaciones. Este informe recoge los avances en los datos y modelos climáticos aplicados a las carteras de activos financieros; los progresos en la reducción de las emisiones de las operaciones físicas, y la evolución de la agenda climática nacional e internacional entre otros aspectos.

Sustainable practices

(24/06/2021) IOSCO - IOSCO Consultation Report on Recommendations for Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management (Consultation Report)

The Board of the International Organization of Securities Commissions (IOSCO) has published the Report on Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management. This Consultation Report focuses on asset managers and investor protection issues and aims to improve sustainability-related practices, policies, procedures and disclosures. The comments to this consultation can be sent before 15 August 2021.

Climate Change Impact on Finance

(01/07/2021) ECB - Joint ECB/ESRB report shows uneven impacts of climate change for the EU financial sector

The European Central Bank (ECB) and the European Systemic Risk Board (ESRB) have published a joint report that takes a closer look at how a broadened set of climate change drivers affect global firms and financial firms in the EU. It maps out prospective financial stability risks and contributes by further developing the analytical basis for more targeted and effective policy action.

Sustainable Finance

(06/07/2021) EC – Delegated Act supplementing Article 8 of the Taxonomy Regulation / European Green Bond Standard / Sustainable Finance Strategy

The European Insurance and Occupational Pensions Authority (EIOPA) has published the Report on non-life underwriting and pricing in light of climate change which investigates the opportunity for (re)insurers, as risk managers and underwriters, to contribute to climate adaptation and mitigation. The EIOPA has also published a Methodological paper which proposes steps which support the need to formalise an approach to re-assess and, where needed, recalibrate parameters for the natural catastrophe risk module of the Solvency II standard formula.

08/07/2021) EIOPA – Report on non-life underwriting and pricing of climate change / Methodological paper for integrating climate change in underwriting risk capital charge of the Solvency II standard formula

The European Insurance and Occupational Pensions Authority (EIOPA) has published the Report on non-life underwriting and pricing in light of climate change which investigates the opportunity for (re)insurers, as risk managers and underwriters, to contribute to climate adaptation and mitigation. The EIOPA has also published a Methodological paper which proposes steps which support the need to formalise an approach to re-assess and, where needed, recalibrate parameters for the natural catastrophe risk module of the Solvency II standard formula.

Climate Taxonomy

(12/07/2021) Platform on Sustainable Finance – Draft report on a social taxonomy/ public consultation report on Taxonomy extension options linked to environmental objectives

The Sustainable Finance Platform has published two drafts of official advice to the European Commission on the extension of the Climate Taxonomy Regulation to social objectives and the extension options linked to environmental objectives. This advice will feed in to Commission's report on potential extension of taxonomy framework to be adopted by the end of 2021.

Effects of Climate change in the Eurozone

(22/09/2021) ECB - Occasional Paper Series: Climate change and monetary policy in the euro área

The European Central Bank (ECB) has published a paper that analyzes the implications of climate change in the Eurozone's monetary policy. On the one hand, it refers about macroeconomic and financial risks, which arise from climate change and policies aimed to climate mitigation and adaptation. In particular, studies the impact of climate change on inflation, economic activity and financial institutions and markets.

Climate risk impact

(28/10/2021) PRA – Adaptation Report 2021 - Climate-related financial risk management and the role of capital requirements

The Prudential Regulation Authority (PRA) has published a climate change adaptation report which examines the risks posed by climate change to PRA regulated firms; the progress they have made in their management of these risks; what the PRA's response to these risks has been; and the PRA's supervisory strategy from 2022.

Climate change reports

(02/11/2021) MINECO – Real Decreto de desarrollo del artículo 32 de la Ley 7/2021, de 20 de mayo, de cambio climático y transición energética

The Ministry of Economic Affairs and Digital Transformation (MINECO) has launched a public consultation to gather comments to help specify the content of the reports provided for in Article 32 of Law 7/2021 on climate change and energy transition. The main objectives are: i) to specify the content of the climate change and energy transition reports; ii) to establish a regulatory framework that takes into account the specificities of climate risks; iii) to generate a financial and business reporting framework. Comments can be sent before 15 November.

FCA ESG requirements

(03/11/2021) FCA - A strategy for positive change: our ESG priorities

The Financial Conduct Authority (FCA) has published the environmental, social and governance (ESG) strategy which sets out the priorities in this aspect and the actions that the FCA expects to take to deliver these. The aim of the strategy is to support the financial sector in driving positive change, including the transition to net zero.

ESG risks

(22/11/2021) ECB – Banks must accelerate efforts to tackle climate risks, ECB supervisory assessment shows

The European Central Bank (ECB) has published its first large-scale assessment of how European banks are adjusting their practices to manage climate and environmental (C&E) risks, in line with the expectations set out in the November 2020 ECB Guide on C&E risks. It concludes that banks have taken the first steps to incorporate climate-related risks, but none are close to meeting all supervisory expectations.

Sustainable economy

(08/12/2021) EIOPA – Sustainable Finance Activities 2022-2024

The European Insurance and Occupational Pensions Authority (EIOPA) publishes its sustainability activities for 2022-2024 setting out its priorities for addressing sustainability risk, in pursuit of a more sustainable economy. While the focus remains on climate-related initiatives, other elements of environmental, social and governance (ESG) risks will merit greater attention, with an increasing focus on social aspects. The key areas of activity are based on EIOPA's deliverables on sustainable finance since 2018, and are reflected in the EU Commission's priorities included in the Strategy for Financing the Transition to a Sustainable Economy and the Climate Adaptation Strategy, as well as in recent regulatory initiatives.

Other publications of interest

Climate change

Own risk and Solvency Assesment

(10/12/2021) EIOPA – EIOPA consults on the application guidance on climate change risk scenarios in the ORSA

The European Insurance and Occupational Pension Authority (EIOPA) launched a consultation on the application guidance on running climate change materiality assessment and using climate change scenarios in the Own Risk and Solvency Assessment (ORSA). The application guidance provides a detailed and practical basis on how to implement sustainable finance ambitions in practice. Concrete case studies included in the consultation should also contribute to lowering implementation costs for insurance undertakings, in particular small and mid-sized ones, and improve the comparability of reported information.

Enviromental footprint

(16/12/2021) EC – Recommendation on the use of Environmental Footprint methods

The European Commission (EC) has issued a Recommendation on the use of Environmental Footprint methods in relevant policies and systems related to the measurement and/or communication of the life cycle environmental performance of all types of products, both goods and services, and organisations. It is addressed to Member States and private and public organisations that measure or intend to measure and communicate the life cycle environmental performance of their product or organisation to any EU stakeholder. This recommendation does not have the status of applicable legislation; however, EU legislation or policies may refer to it as a method for calculating the life cycle environmental performance of products or organisations.

National recovery, Transformation and Resilience plan

(28/12/2021) MITECO – Guía para el diseño y desarrollo de actuaciones acordes con el principio de no causar un perjuicio significativo al medio ambiente

The Ministerio para la Transición Ecológica y el Reto Demográfico (MITECO) has submitted a Guide with recommendations to adapt both the design and the development of the actions of the National Plan for Recovery, Transformation and Resilience (PRTR), to the do no significant harm (DNSH) principle of the 2020/852 Taxonomy Regulation. Given that the EC is the competent body to show its final conformity with the actions, the content of the Guide is indicative and non-binding.

Other publications of interest

Technology

IT Security

(12/01/2021) Fed/FDIC/OCC – Computer-Security Incident Notification Requirements for Banking Organizations and Their Bank Service Providers

The Agencies have invited comment on a notice of proposed rule that would require a banking organization to provide its primary federal regulator with prompt notification of any ''computer-security incident'' that rises to the level of a ''notification incident.'' The proposed rule would require such notification upon the occurrence of a notification incident as soon as possible and no later than 36 hours after the banking organization believes in good faith that the incident occurred. This notification requirement is intended to serve as an early alert to a banking organization's primary federal regulator and is not intended to provide an assessment of the incident.

(28/01/2021) Gob. España – Real Decreto 43/2021, de 26 de enero, por el que se desarrolla el Real Decreto-ley 12/2018, de 7 de septiembre, de seguridad de las redes y sistemas de información

The Government of Spain has approved Royal Decree 43/2021, which aims to develop Royal Decree-Law 12/2018 on the security of networks and information systems, as regards the strategic and institutional framework for the security of networks and information systems, the supervision of compliance with the security obligations of operators of essential services and digital service providers, and the management of security incidents.

(10/02/2021) Council of the EU – Proposal for a Regulation concerning the respect for private life and the protection of personal data in electronic communications (ePrivacy)

EU member states have agreed on a negotiating mandate for revised rules on the protection of privacy and confidentiality in the use of electronic communications services. These updated 'ePrivacy' rules will define cases in which service providers are allowed to process electronic communications data or have access to data stored on end-users' devices. The draft ePrivacy regulation will repeal the existing ePrivacy directive. As lex specialis to the general data protection regulation (GDPR), it will particularise and complement the GDPR. This agreement allows the Portuguese presidency to start talks with the European Parliament on the final text.

PSD 2

(22/02/2021) EBA – EBA calls on national authorities to take supervisory actions for the removal of obstacles to account access under the Payment Services Directive

The EBA has published an Opinion on supervisory actions national competent authorities (NCAs) should take to ensure banks remove any remaining obstacles that prevent third party providers from accessing payment accounts. The Opinion will contribute to a level playing field across the EU and to a consistent application and supervision of relevant requirements under the Payment Services Directive (PSD2) and the EBA Regulatory Technical Standards on strong customer authentication and common and secure communication (RTS on SCA&CSC).

Information managing and processing

(18/03/2021) CERRE – EU liability rules for the age of Artificial Intelligence

The Centre on Regulation in Europe (CERRE) has released its report on EU liability rules for the age of Artificial Intelligence with the aim of identifying the gaps in existing liability rules for cases involving AI technologies and assesses whether – and how – these rules should be reviewed. The report considers these questions in the context of EU non-contractual liability rules, acknowledging the interaction of these rules with other regulatory instruments such as sector-specific safety rules.

Cybersecurity

(22/03/2021) Council – Cybersecurity: Council adopts conclusions on the EU's cybersecurity strategy

The Council has adopted conclusions on the EU's cybersecurity strategy for the digital decade. The conclusions note that cybersecurity is essential for building a resilient, green and digital Europe and they set as a key objective achieving strategic autonomy while preserving an open economy.

Information managing and processing

(23/03/2021) Fed – Agencies seek wide range of views on financial institutions' use of artificial intelligence

The Federal Reserve Board, the Consumer Financial Protection Bureau (CFPB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA) and the Office of the Comptroller of the Currency (OCC) are gathering insight on financial institutions' use of artificial intelligence (AI). The agencies seek information from the public on how financial institutions use AI in their activities, including fraud prevention, personalization of customer services, credit underwriting, and other operations.

(23/03/2021) MinTic – Ministerio de las TIC abre convocatoria para que entidades públicas desarrollen sus proyectos de Analítica y Big Data

The MinTic opened the call: Big Data at the service of public entities, to support pilot projects of Analytics and Big Data and thus respond to the need for infrastructure, skills improvement and knowledge transfer that national entities have raised to improve their capabilities in the use and exploitation of structured, semi-structured and unstructured data for the development of solutions to public problems and / or citizens.

Cybersecurity

(26/03/2021) MINECO – Manifestaciones de interés relativas al fortalecimiento de las capacidades de ciberseguridad de las pymes y el impulso de la Industria de Ciberseguridad en el marco del Plan de Recuperación, Transformación y Resiliencia

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has published a call for expressions of interest to receive proposals to strengthen the cybersecurity capabilities of smaller and medium-sized enterprise and boost the cybersecurity industry. This request, which is made through the National Cybersecurity Institute (INCIBE), is part of the Recovery, Transformation and Resilience Plan and the Digital Spain 2025 agenda, which has cybersecurity as one of its ten strategic axes.

(29/03/2021) Nist – To Help Protect Our Elections, NIST Offers Specific Cybersecurity Guidelines

The National Institute of Standards and Technology (NIST) has released draft guidelines to reduce the risk of cyberattacks on election systems, that provide a road map to help local election officials prepare for and respond to cyber threats that could affect elections. Comments on the draft will be accepted through May 14, 2021.

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Other publications of interest

Technology

Cybersecurity

(01/04/2021) Cullen – New research on national initiatives addressing 5G cybersecurity

Cullen International's has published new benchmark that provides an overview of national initiatives addressing 5G cybersecurity in EU member states, the UK, Norway and Switzerland. These initiatives include new security requirements for 5G technologies, as well as specific actions taken by European countries to transpose the key security measures recommended in the 5G toolbox.

(07/04/2021) Enisa – Procurement Guidelines for Cybersecurity in hospitals: New Online tool for a customize experience

Enisa has released an online tool to support the healthcare sector in identifying procurement good practices to meet cybersecurity objectives when procuring products or services. The purpose of this tool is: i) to help healthcare organisations to quickly identify the guidelines that are most relevant to their procurement context such as assets procured or related threats; ii) to promote the importance of a good procurement process to ensure appropriate security measures.

Cybersecurity

(08/04/2021) Enisa – EU Cybersecurity Market: New Ad Hoc Working Group open for applications

The European Union Agency for Cybersecurity (Enisa) launches a call for expression of interest concerning an Ad Hoc Working Group on the EU Cybersecurity Market (AHWG). The ENISA Ad Hoc Working Group on the EU cybersecurity market will support ENISA in analysing market trends and segments, with a focus on cybersecurity solutions to meet the market needs of the stakeholders.

(09/04/2021) MINECO – El Gobierno invertirá más de 450 millones en tres años para impulsar la industria de la ciberseguridad y la captación del talento

The Government of Spain has announced that it will invest more than 450 million to boost the cybersecurity industry and attract talent. To this end, the National Cybersecurity Institute (INCIBE) will articulate a new Strategic Plan 2021-2025, aligned with the Digital Spain 2025 agenda and the Recovery, Transformation and Resilience Plan. The plan will be developed through: i) boosting the sector's business ecosystem and attracting talent; ii) strengthening the cybersecurity of citizens, SMEs and professionals; and iii) consolidating Spain as an international node in the field of cybersecurity.

(12/04/2021) Cullen – NIS2: Overview of the new EU cybersecurity rules proposed

Cullen International has just published a new Tracker providing an overview of the new EU cybersecurity rules proposed in the draft revised directive on the security of network and information systems (NIS2). The draft directive was presented by the European Commission on 16 December 2020 and will repeal and replace the current NIS Directive.

Information management

(13/04/2021) MinTic – Cuatro claves para que empresas de Software y TI mejoren su productividad, reduzcan costos y sean más rentables para la reactivación

The Colombian Ministry of Telecommunications (MinTIC) has published the four keys for software and IT companies to improve their productivity, reduce costs and become more profitable for reactivation. These keys are: i) standardize processes to increase labor productivity; ii) improve commercial strategy to increase clients; iii) optimize operational productivity; and iv) raise quality standards to gain competitiveness.

Technological intellectual property

(14/04/2021) ISO – Out of the Box

The ISO has published new standard for compliance management, ISO 37301. This standard recommends the involvement of senior management and advocates compliance as a principle of good governance. It also recommends integrating compliance management right across the organization, to be embedded in its financial, risk, quality, environmental and health and safety management processes as well as its operational requirements and procedures.

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CYBERSECURITY

(20/04/2021) Consejo – El Consejo da luz verde al Centro de Competencia en Ciberseguridad con sede en Bucarest

The Council has decided to boost the security of the internet and other critical network and information systems by establishing a Cybersecurity Competence Centre to pool investment in cybersecurity research, technology and industrial development. The new body, to be based in Bucharest, will in particular channel cybersecurity-related funding from Horizon Europe and the Digital Europe Programme.

TECHNOLOGY SERVICE MODEL

(22/04/2021) MINECO – Expresión de interés relativa a las ayudas económicas para la digitalización de las PYME y autónomos en el marco del Plan de Recuperación, Transformación y Resiliencia: Programa Digital Toolkit

The Ministerio de Asuntos Económicos y Transformación Digital has published a call for expressions of interest in order to achieve a wider knowledge of the different instruments, agents and channels to achieve the planned aid to companies and achieve the objectives set for the digitalisation of SMEs and the self-employed.

CYBERSECURITY

(23/04/2021) ENISA – Exploring Research Directions in Cybersecurity

The EU Agency for Cybersecurity (ENISA) has published a report which identifies key research directions and innovation topics in cybersecurity. The main research areas of the Report are: i) data security; ii) trustworthy software platforms; iii) cyber threat management and response; iv) trustworthy hardware platforms; v) cryptography; vi) user-centric security practices and tools; and vii) digital communication security.

INFORMATION MANAGEMENT AND PROCESSING

(28/04/2021) EP – New rules adopted for quick and smooth removal of terrorist content online

The European Parliament (EP) has approved a new law to address the dissemination of terrorist content online. The new regulation will target content such as texts, images, sound recordings or videos, including live transmissions, that incite, solicit or contribute to terrorist offences, provide instructions for such offences or solicit people to participate in a terrorist group.

DIGITAL TRANSACTIONS

(29/04/2021) EP – Discussion paper on blockchain and smart contracts in insurance: EIOPA invites comments

The European Insurance and Occupational Pensions Authority (EIOPA) published a discussion paper on blockchain and smart contracts in insurance with the aim to provide a high-level overview of risks and benefits of blockchain and smart contracts in insurance from a supervisory perspective. Comments to this discussion paper can be submitted by 29 July.

(29/04/2021) FDIC – FDiTech Launches "Office Hours" to Connect with Stakeholders on Banking-Related Technological Innovation

The Federal Deposit Insurance Corporation´s (FDIC) Office of Innovation is launching a new initiative to connect with stakeholders on a wide range of technology-related topics. The goal of the initiative is to provide an open forum for conversations with fintechs, members of the public, bankers, and other stakeholders to discuss how technology can be used to: improve the efficiency, effectiveness, and stability of U.S. banking operations.

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Other publications of interest

Technology

Information management and processing

(29/04/2021) PE – Parliament supports European digital transformation programme

The European Parliament (EP) adopted plans to deploy digital technologies like AI, supercomputing and data platforms more widely. The Digital Europe Programme (DEP) will fund the increase in the capacity of European supercomputing and data processing making supercomputing more accessible, it will strengthen and support artificial intelligence testing and experimentation, funds will also dedicated to cybersecurity, to strengthen coordination between member states, boost Europe's capabilities and support the deployment of cyber-security technology.

(03/05/2021) ICANN – ICANN Publishes the Proposed for Adoption FY22-26 Operating and Financial Plan and FY22 Operating Plan and Budget For Board Consideration

The Internet Corporation for Assigned Names and Numbers organization (ICANN) has published the Proposed for Adoption FY22-26 Operating and Financial Plan and the FY22 Operating Plan and Budget, which will be considered for adoption by the Board in mid-May. The purpose of this Public Comment is to seek community input on both draft plans.

Cybersecurity

(05/05/2021) ISACA – State of Cybersecurity 2021: Cyber Field Thriving Despite Pandemic

ISACA has conducted a study on cybersecurity, concluding that the industry has remained unscathed despite widespread economic damage resulting from the COVID-19 pandemic. The study states that while cybersecurity jobs remain in high demand, there are significant challenges for new cybersecurity professionals as few organizations offer entry-level opportunities.

Information management and processing

(07/05/2021) Axelos - ITIL 4: preparing organizations for digital transformation

AXELOS has laid the foundations for digital transformation, which is about improving your digital footprint and digitalizing processes. When thinking about digital transformation, it's key to cover the four dimensions of service management: i) organizations and people; ii) information and technology; iii) partners and suppliers; and iv) value streams and processes.

Technological intellectual property

(10/05/2021) ISO – Action plan for developing countries 2021-2025

The International Organization for Standardization (ISO), Action Plan for developing countries is the overall framework for technical assistance and training to support developing country members. Its objective is to empower members to contribute actively to the ISO system and fully realize the benefits of using ISO standards, particularly those addressing social, economic and environmental challenges. Achieving this objective will also make an important contribution to the United Nations Sustainable Development Goals.

Information management and processing

(12/05/2021) EC – Commission launches consultation and discussion on EU digital principles

The European Commission is launching a public consultation on the formulation of a set of principles to promote and uphold EU values in the digital space. The consultation, open until 2 September, seeks to open a wide societal debate and gather views from citizens, non-governmental and civil society organisations, businesses, administrations and all interested parties. These principles will guide the EU and Member States in designing digital rules and regulations that deliver the benefits of digitalisation for all citizens.

(12/05/2021) Ofcom – Ofcom to gain new online safety powers

The UK Government has published its draft Online Safety Bill, granting Ofcom new responsibilities that will help to keep people safe when they are online. Under the draft bill, search services, social media platforms, and other online services that enable user-generated content to be shared between users must mitigate the risk of harm arising from illegal content, for example by minimising the spread of such content. This includes child sexual abuse and terrorist material. These services will also be required to tackle user-generated online fraud.

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Sandbox

(14/05/2021) SGTFI – Resolución para la transformación digital del sistema financiero

The Secretaría General del Tesoro y Financiación Internacional (SGTFI) has published the Resolution with the list of projects that have received a favorable prior evaluation for access to the financial sandbox in the first call. This selection has been made based on the evaluation reports prepared by the financial supervisors, who have analyzed the projects presented in accordance with the requirements of the Law for the digital transformation of the financial system. From this point on, the negotiation period begins between the competent financial supervisor and the project promoter on the protocol governing the testing period.

Search and Innovation

(18/05/2021) EC - Europe's global approach to cooperation in research and innovation: strategic, open, and reciprocal

The European Commission (EC) has published a communication on its Global Approach to Research and Innovation. With it, the EU aims to take a leading role in supporting international research and innovation partnerships, and to bring innovative solutions to make our societies green, digital and healthy.

Cybersecurity

(14/05/2021) ISACA - Understand the Cyber Skills Shortage to Get Ahead

ISACA has published the State of Cybersecurity 2021 report, which details current trends in cybersecurity workforce development, staffing and cybersecurity budgets. The data continues to reinforce trends seen in prior years and demonstrates the needs for both technical and soft skills. According to the report, 55 percent of survey respondents say they have unfilled cybersecurity positions and “hands-on cybersecurity experience remained the primary factor in determining whether a candidate is considered” for a potential role.

Cybersecurity

(20/05/2021) EP – Parliament backs new EU cybersecurity competence centre and network

The European Parliament (EP) has published its plans to reinforce Europe’s preparedness and resilience against cyber attacks by creating a pool for innovation and expertise. The initiative will increase Europe’s capacity against cyber threats and it aims to stimulate innovation among small businesses and start-ups.

(25/05/2021) Mineco - El Gobierno aprueba el ‘Plan de choque de ciberseguridad’ en el marco de un nuevo paquete de medidas ante las ciberamenazas

The Council of Ministers has agreed to implement a package of urgent actions in the field of cybersecurity. The aim is to immediately reinforce the defence capabilities against cyber threats to the public sector and the entities that supply technologies and services to it. The approved agreement includes the adoption of a Cybersecurity Shock Plan, the updating of the National Security Scheme and the promotion of measures to increase the level of cybersecurity of technology providers in the state public sector.

Cybersecurity

(26/05/2021) Enisa – Crossing a bridge: the first EU cybersecurity certification scheme is availed to the Commission

The European Union Agency for Cybersecurity (Enisa) formally transmits to the European Commission (EC) the first candidate cybersecurity certification scheme on Common Criteria. This scheme aims to serve as a successor to the currently existing schemes and has been developed with the support of an Ad Hoc Working Group composed of cybersecurity certification experts.

European Institute of technological innovation

(28/05/2021) EP/Council – Regulation (EU) 2021/819 on the European Institute of Innovation and Technology

The European Parliament (EP) and the Council have published the Regulation concerning the European Institute of Technological Innovation (EIT). This Regulation repeals the Regulation published in 2008 establishing the EIT. The mission of the EIT shall be to contribute to sustainable economic growth in the EU and industrial competitiveness by strengthening the innovation capacity of member states. For the budget period 2021-2027, the EIT shall contribute to delivering results in relation to the general and specific objectives of Horizon Europe.

Other publications of interest

Technology

Cryptoassets

(10/06/2021) BCBS – Consultation on prudential treatment of cryptoassets exposures

Information management and processing

(04/06/2021) EC – European Commission adopts new tools for safe exchanges of personal data

The European Commission (EC) has adopted two sets of standard contractual clauses, one for use between controllers and processors and one for the transfer of personal data to third countries. These new tools will offer more legal predictability to European businesses and help, in particular, small and medium-sized enterprises to ensure compliance with requirements for safe data transfers, while allowing data to move freely across borders, without legal barriers.

(04/06/2021) EC – Commission proposes a trusted and secure Digital Identity for all Europeans

The EC has proposed a framework for a European Digital Identity which will be available to all EU citizens, residents, and businesses in the EU. Citizens will be able to prove their identity and share electronic documents from their European Digital Identity wallets on their phones.

Digital money

(07/06/2021) BoE – Discussion Paper on new forms of Digital Money

The BoE has published a Discussion Paper which aims to broaden the debate around new forms of digital money and seek views on the Bank's emerging thoughts on the subject. This Discussion Paper considers: i) the role of money in the economy; ii) public policy objective; iii) an illustrative scenario for the demand for new forms of digital money; iv) the implications for macroeconomic stability; and v) the regulatory environment.

Cybersecurity

(08/06/2021) EP/Council – Reglamento del Parlamento Europeo y del Consejo por el que se establecen el Centro Europeo de Competencia Industrial, Tecnológica y de Investigación en Ciberseguridad y la Red de Centros Nacionales de Coordinación

The European Parliament (EP) and the Council has published Regulation that establishes the European Cybersecurity Industrial, Technology and Research Competence Centre and the Network of National Coordination Centres. It lays down rules for the nomination of national coordination centres as well as rules for the establishment of the Cybersecurity Competence Community.

ISO green standards

(09/06/2021) ISO – Ones to watch: Game-changing standards in the race against climate change

ISO standards are powerful tools to help organizations and countries implement effective changes to reach net-zero carbon emissions by 2030. ISO has standards that can help shape a sustainable future. This standards are: i) ISO 32210 on the framework for sustainable finance Principles and guidance green finance; ii) ISO 15118 on electric vehicles; iii) ISO 5157 on textiles environmental aspects; iv) ISO 5149 on refrigerating systems and heat pumps; and v) ISO 14001 on environmental management.

Cryptoassets

(10/06/2021) BCBS – Consultation on prudential treatment of cryptoassets exposures

The Basel Committee on Banking Supervision (BCBS) has published a public consultation on preliminary proposals for the prudential treatment of banks' cryptoasset exposures. The proposals split cryptoassets into two broad groups: those eligible for treatment under the existing Basel Framework with some modifications; and others, such as bitcoin, are subject to a new conservative prudential treatment. Comments to this consultation can be sent before 10 September 2021.

PSPs

(11/06/2021) EBA – EBA publishes report on the data provided by PSPs on their readiness to apply strong customer authentication for e-commerce card-based payment transactions

The EBA has published a Report on the data provided by PSPs on their readiness to apply strong customer authentication (SCA) for the subset of payment transactions that are e-commerce card-based payment transactions. The EBA tracked the progress made by issuing and acquiring PSPs from September 2019 to April 2021 by monitoring a number of indicators.

Information management and processing

(17/06/2021) Enisa – EU Telecom Security Authorities discuss the challenges of Over-the-top Communications Services Supervision

ENISA has hosted the 34th meeting of the European Competent Authorities for Secure Electronic Communications (ECASEC). In addition, the group discussed the recent developments in relation to the request ENISA received from the European Commission to prepare a new candidate certification scheme for 5G.

(18/06/2021) Enisa – Pandemic urges strong measures to address risks on the security of personal data

The EU Agency for Cybersecurity (ENISA) has organized the 9th edition of the Annual Privacy Forum. The Forum has concluded that there is a need to put forward and adopt legislative initiatives, such as ePrivacy Regulation or NIS2, that promote a high level of protection and respect fundamental rights and freedoms. It has also been concluded that assurance must be provided to the end-user not only on the level of cybersecurity but also on whether their personal data are being processed according to legal provisions.

(22/06/2021) NIST – NIST Proposes Approach for Reducing Risk of Bias in Artificial Intelligence

The National Institute of Standards and Technology (NIST) is advancing an approach for identifying and managing the effect of biases in artificial intelligence (AI) that can damage people's lives and public trust in AI. The NIST is requesting the public's help in improving it and the comments can be submitted by Aug. 5, 2021.

(23/06/2021) MINECO – Manifestación de interés para la constitución del HUB español de GAIA-X

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has promoted the creation of a national hub for Gaia-X, a non-profit business association that aims to accelerate European capacity for data sharing and digital sovereignty. For the deployment of this initiative, aimed at boosting the data economy in Spain, an expression of interest is launched to identify stakeholders from industry, associations, technology centres and other interest groups. Interested entities can register before 12 July.

Cybersecurity

(23/06/2021) EC – Commission proposes a Joint Cyber Unit to step up response to large-scale security incidents

The European Commission (EC) is laying out a vision to build a new Joint Cyber Unit to tackle the rising number of serious cyber incidents impacting public services, as well as the life of businesses and citizens across the European Union. The Joint Cyber Unit will act as a platform to ensure an EU coordinated response to large-scale cyber incidents and crises, as well as to offer assistance in recovering from these attacks.

Cloud Services

(25/06/2021) MINECO - Manifestaciones de interés para identificar proyectos de empresas españolas que se integren en un Proyecto Importante de Interés Común Europeo de Infraestructuras y Servicios en la Nube de próxima generación

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO), in collaboration with the Centre for the Development of Industrial Technology (CDTI), has published a call for expressions of interest with the aim of identifying projects of Spanish companies that can be integrated into an Important Project of Common European Interest (IPCEI) of Infrastructures and Services in the Cloud. The deadline for submitting expressions of interest is 23 July 2021.

RegTech

(29/06/2021) EBA - EBA assesses benefits, challenges and risks of RegTech use in the EU and puts forward steps to be taken to support sound adoption and scale-up of RegTech solutions

The EBA has published an analysis of the current RegTech landscape in the EU. The Report assesses the overall benefits and challenges faced by financial institutions and RegTech providers in the use of RegTech. It also identifies potential risks arising from RegTech solutions that supervisors will need to address and proposes actions designed to enhance knowledge and skills in competent authorities..

Other publications of interest

Technology

Cybersecurity

(29/06/2021) UIT - Los países refuerzan sus estrategias de ciberseguridad

The ITU has published the fourth edition of the Global Cybersecurity Index (GCI). According to the ICG data, around half of countries globally report having formed a national cyber incident response team, indicating an 11% increase since 2018. In addition, around 64% of countries had adopted a national cybersecurity strategy by the end of the year, while more than 70% conducted cybersecurity awareness campaigns in 2020, compared to 58% and 66%, respectively, in 2018.

(30/06/2021) Anatel - Brasil é o terceiro país das américas em segurança cibernética

The International Telecommunications Union (ITU) has ranked Brazil as the third country in the Americas most committed to the Global Agenda on Cybersecurity. This is the result of actions such as the establishment of the National Information Security Policy, in 2018, and of the National Cybersecurity and Critical Infrastructure Security Strategies, in 2020.

Cloud services

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Cybersecurity

(05/07/2021) EC - Recommendation (EU) 2021/1086 of the European commission of 23 June 2021 on building a Joint Cyber Unit

The EC has published the Recommendation on the establishment of a Joint Cyber Unit. The aim of this recommendation is for Member States and relevant EU institutions, bodies, offices and agencies to ensure a coordinated EU response to and recovery from large-scale cybersecurity incidents and crises

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ARTIFICIAL INTELLIGENCE

(12/07/2021) Cullen - New Cullen cheat sheet on the draft EU Artificial Intelligence Act

Cullen International has published a cheat sheet providing an overview of the main aspects of the key provisions of the draft Artificial Intelligence Act (AIA) published by the European Commission in April 2021.

DIGITAL RIGHTS

(14/07/2021) Gobierno – Carta de Derechos Digitales

The Spanish Government has adopted the Charter of Digital Rights. Without being regulatory in nature, this Charter provides a reference framework to guarantee citizens' rights in the new digital reality and aims to recognise the challenges posed by the adaptation of current rights to the virtual and digital environment.

REMOTE IDENTIFICATION

(16/07/2021) Enisa – Remote Identity Proofing: How to spot the Fake from the Real

The European Union Agency for Cybersecurity has organized a workshop on which they analysed the attack scenarios on remote identification methods and discussed countermeasures for thaose scenarios. The workshop explored: i) deepfake video injection; ii) high-quality 3D silicone masks; and iii) video manipulation of an identity document.

DATA GOVERNMENT

(16/07/2021) EP – Data governance: new rules to boost data sharing across the EU

The Industry, Research and Energy Committee adopted on Thursday its position on the EU Data Governance Act (DGA), aimed at increasing trust in data sharing, create new EU rules on neutrality of data marketplaces and facilitate the reuse of certain data held by the public sector e.g. certain health, agricultural or environmental data, which were previously not available under the DGA.

NEXT TECH

(19/07/2021) MINECO - El Gobierno lanza el Fondo Next Tech, que movilizará hasta 4.000 millones de euros de inversión público-privada para impulsar el crecimiento de empresas digitales y la inversión en tecnología innovadora de alto impacto

The Government has launched, through the Ministry of Economic Affairs and Digital Transformation, the Next Tech Fund aimed at boosting the growth of digital companies and investment in high-impact technology projects. The objective of Next Tech is to mobilize joint resources in public-private collaboration of 4,000 million euros over an initial period of four years, with reference contributions over this period of around 2,000 million euros of joint resources between ICO-AXIS and SEDIA.

DATA OFFICE

(20/07/2021) MINECO - El Gobierno nombra a su primer Chief Data Officer para desplegar la Oficina del Dato en España en el marco del Plan de Recuperación

The Government has appointed Spain's first Chief Data Officer, who will be responsible for setting up the Data Office, under the Secretary of State for Digitalization and Artificial Intelligence. It will have to respond to the main challenges of the data economy. Its objective is to establish the horizontal principles and standards to ensure that data flows transversally across sectors, ensuring privacy and respect for citizens' rights at all times.

ARTIFICIAL INTELLIGENCE

(08/09/2021) IOSCO – IOSCO publishes guidance for intermediaries and asset managers using Artificial Intelligence and Machine Learning

The Council of the International Organization of Securities Commissions (IOSCO) has published a guidance for market intermediaries and asset managers and investors using Artificial Intelligence (AI) and Machine Learning (ML) to regulate and supervise the use. The IOSCO guidance consists of several measures that seek to ensure that market intermediaries and asset managers have, among others: i) appropriate governance; and ii) staff with adequate knowledge, skills and experience to implement the outcomes of the AI.

Other publications of interest

Technology

Artificial Intelligence

(08/09/2021) MITECO – El Gobierno abre una convocatoria de ayudas con 105 millones para apoyar proyectos de investigación industrial y desarrollo experimental en inteligencia artificial y otras tecnologías digitales

The Ministry of Economic Affairs and Digital Transformation (MITECO) has opened a call for financial aid with the dual objective of promoting scientific research, technological development and innovation in artificial intelligence; and to promote technological development for the incorporation of artificial intelligence in the production processes of value chains. The budget of 105 million euros is one of the investments of the Recovery, Transformation and Resilience Plan.

Cybersecurity and technological risks

(09/09/2021) ESAs – ESAs highlight risks in phasing out of crisis measures and call on financial institutions to adapt to increasing cyber risks

The European Supervisory Authorities (ESAs) have issued their second joint risk assessment report for 2021. The report highlights the increasing vulnerabilities across the financial sector not least because of side effects of the crisis measures. The Report also highlight the rise seen in terms of cyber risk, as well as rising prices and volumes traded on crypto-assets.

Cybersecurity

(13/09/2021) ENISA – A risk based approach to optimise cybersecurity certification

The European Union Agency for Cybersecurity (ENISA) has launched the Sectoral Cybersecurity Assessment Methodology (SCSA Methodology). This methodology endorses the identification of security requirements associated with ICT products, services and processes.

Information management and processing

(15/09/2021) EC – State of the Union: Commission proposes a Path to the Digital Decade to deliver the EU's digital transformation by 2030

The European Commission (EC) has proposed an Path to the Digital Decade, a concrete plan to achieve the digital transformation of our society and economy by 2030. Specifically, the EC proposes to engage in an annual cooperation mechanism with Member States that will consist of: i) an annual report on the State of the Digital Decade; ii) multiannual digital decade strategic roadmaps for each Member State; and iii) a mechanism to support the implementation of multi-country projects.

Cybersecurity

(20/09/2021) BIS – Newsletter on cyber security

The Bank of International Settlements (BIS), has published a newsletter about cybersecurity in the banking sector. Particularly, it focuses on the growing concern about cybersecurity since the beginning of the pandemic and considers that this period has been influenced by the increase of remote work, the increase on the use of digital tools and channels or the digitalization of the banking sector.

Digitalisation

(21/09/2021) ECB – Digitalisation: channels, impacts and implications for monetary policy in the euro área

El European Central Bank (ECB) has published a work-paper that explains the phenomenon of digitalization and its effects on productivity, labor markets and inflation. The paper concludes that digitalization differs across countries, implying heterogeneous impacts, with most countries lagging behind the US and Japan. It is also concluded that Digitalisation can change the structure of the economy and influence inflation via indirect channels, such as firms' pricing behavior.

(21/09/2021) EBA - EBA Report on the use of digital platforms

The European Banking Authority (EBA) has published a Report on the platformisation of the EU banking and payments sector. In the report, the EBA identifies a rapid growth in the use of digital platforms to 'bridge' customers and financial institutions, and there is a need to help competent authorities to deepen their understanding of platform-based business models.

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Funding for the recovery plan

(05/10/2021) MINECO - El Gobierno aprueba la distribución de 500 millones de euros a las CCAA para proyectos de digitalización y conectividad en el marco del Plan de Recuperación

The Council of Ministers of the Ministry of Economic Affairs and Digital Transformation (MINECO) has authorised the proposals for the distribution of 500 million euros earmarked for various digitalisation and connectivity projects for the Autonomous Communities within the framework of the Recovery, Transformation and Resilience Plan. With this, the Autonomous Communities will have 360 million euros to promote digital connectivity in reference centres and 140 million euros to promote transversal digital skills among citizens.

Ethics in technology

(06/10/2021) EP - European Parliament resolution of 20 October 2020 with recommendations to the Commission on a framework of ethical aspects of artificial intelligence, robotics and related technologies (2020/2012(INL))

The European Parliament (EP) has adopted a Resolution urging the EC to draw up by next year a legal framework developing ethical principles and legal obligations linked to the use in the EU of artificial intelligence, robotics or other associated technologies. This regulation involves addressing environmental and climate challenges, as well as respect for fundamental rights.

Green and digital transition

(06/10/2021) EC - State aid: Commission invites comments on draft proposal to further facilitate implementation of aid measures promoting the green and digital transition

The European Commission (EC) has invited Member States and any interested parties to comment on proposed amendments to the General Block Exemption Regulation (GBER) with the aim of reflecting changes to the State Aid Guidelines under review and facilitating the EU's green and digital transition. This consultation period will be open until 8 December 2021.

Green algorithms

(15/10/2021) MINECO – El Gobierno lanza el Programa Nacional de Algoritmos Verdes

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has launched an expression of interest to promote the National Green Algorithms Programme. The consultation aims to define the areas of knowledge and challenges needed to foster the development of green artificial intelligence (AI) by design and sustainable environment, more specifically, it seeks to provide transparency to the public-private collaboration process, and to identify proposals and evaluate them in order to enrich the National Green Algorithms Programme.

Cyber risks

(15/10/2021) EIOPA – Cyber risks: what is the impact on the insurance industry?

The European Insurance and Occupational Pensions Authority (EIOPA) has published an article analyzing a study on Covid-19 and cyber risk. The study has revealed that the financial sector has experienced the highest number of Covid-19-related cyber incidents after the healthcare sector, with payment institutions, insurers and credit unions being the most affected

Artificial Intelligence

(16/10/2021) MinTIC – OCDE incluye iniciativa del Ministerio TIC al Observatorio de Políticas de Inteligencia Artificial

The Organisation for Economic Co-operation and Development (OECD) has included within the Artificial Intelligence Policy Observatory (OECD.AI), the initiative of the Ministry of ICT (MinTic), Data Sandbox. Through this initiative, the aim is to promote the development of artificial intelligence by fostering different pilot projects in Analytics and Big Data.
(19/10/2021) FSB - FSB calls for greater convergence in cyber incident reporting

The Financial Stability Board (FSB) has published a report on existing approaches to cybercrime reporting and next steps for greater convergence. The report highlights that a harmonization of regulations related to cyber incidents would serve to promote financial stability. The FSB notes three ways to achieve greater convergence in Cyber incident reporting, which are: i) developing best practices; ii) identifying common types of information to be shared; and iii) creating common terminologies for cyber incident reporting.

Other publications of interest

Technology

ATIFICIAL INTELLIGENCE

(26/10/2021) MINECO – El Gobierno impulsa la creación del primer ecosistema de computación cuántica del sur de Europa

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has promoted the development of a Southern European quantum computer for the development of Artificial Intelligence, based on a public-private cooperation model, strengthening technological and industrial development in Spain. To this end, the Council of Ministers has approved the award of a grant of 22 million euros in line with the strategy of the Recovery, Transformation and Resilience Plan and the National Artificial Intelligence Strategy.

(28/10/2021) BOE – Real Decreto 857/2021, de 5 de octubre, por el que se regula la concesión directa de una subvención al Instituto Universitario Europeo para el desarrollo de las actividades de la Cátedra sobre Inteligencia Artificial y Democracia, en el marco del Plan de Recuperación, Transformación y Resiliencia

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has published Royal Decree 857/2021, which regulates the granting of subsidies for the development of artificial intelligence activities. This Royal Decree is part of the evaluation of Spain's recovery and resilience plan, and contributes to digital transformation and knowledge creation in the field of e-government, as determined in Component 16 of the National Recovery, Transformation and Resilience Plan.

CYBERSECURITY

(29/10/2021) EC – Commissions strengthens cybersecurity of wireless devices and products

The European Commission (EC) has taken action to improve the cybersecurity of wireless devices available on the European market, thorough the publication of the delegated act to the Radio Equipment Directive which aims to make sure that all wireless devices are safe before being sold on the EU market.

NEURO-TECHNOLOGY

(29/10/2021) MINECO – El Gobierno impulsa SpainNeurotech, un ecosistema de innovación de neuro-tecnología en España

The Ministry of Economic Affairs and Digital Transformation (MINECO) has announced the launch of a new Expression of Interest to identify proposals on the application of Artificial Intelligence in neuro-technology. Among its objectives are the application of AI in neuro-technology, fostering research, or generating and retaining talent, respecting the so-called neuro-rights, such as those defended in the Charter of Digital Rights. These proposals will contribute to creating an innovation ecosystem, SpainNeurotech.

DATA MANAGEMENT

(05/11/2021) MinTIC – Analític4, la red colombiana de supercomputación que acompañará a la industria y al Gobierno para generar soluciones basadas en análisis de datos

The Ministry of Information Technologies and Communications of Colombia (MinTIC) and the Centre for Technological Development (BIOS) designed Analític4, the supercomputing network focused on supporting companies and the government sector in strengthening their operational processes through solutions based on data analysis and processing that increase competitiveness and sophisticate products and services.

MACHINE LEARNING

(11/11/2021) EBA – EBA consults on machine learning for internal ratings-based models

The European Banking Authority (EBA) has published a discussion paper on machine learning used in the context of internal ratings-based (IRB) models to calculate regulatory capital for credit risk. The aim of the discussion paper is to set supervisory expectations on how new sophisticated machine learning models can coexist with and adhere to the Capital Requirements Regulation (CRR) when used in the context of IRB models. The discussion paper seeks stakeholders' feedback on many practical aspects related to the use of machine learning in the context of IRB with the aim of providing clarity on supervisory expectations on their use.

ARTIFICIAL INTELLIGENCE

(12/11/2021) MINECO - Manifestaciones de interés para la identificación de propuestas para el impulso de la neurotecnología basada en Inteligencia Artificial en España

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has launched a call for proposals for possible actions and challenges to be undertaken to substantially increase the AI-based neurotechnology ecosystem in Spain. Expressions of interest can be submitted until November 24.

Cybersecurity

(17/11/2021) ENISA - Cybersecurity Spending: An analysis of Investment Dynamics within the EU

The European Cybersecurity Agency has published a report on the evolution of security investments under the provisions of the NIS Directive, which has been implemented by 82% of the 947 organizations identified as Essential Service Operators or Digital Service Providers. This new report aggregates data from all 27 member states and it also analyzes the impact of cybersecurity incidents and assesses how these organizations control their budget and invest to meet their cybersecurity requirements.

(18/11/2021) Fed/FDIC/OCC – Final rule requiring computer-security incident notification

Federal bank regulatory agencies have announced the approval of a final rule to improve the sharing of information about cyber incidents that may affect the U.S. banking system. The final rule requires a banking organization to notify its primary federal regulator of any significant computer-security incident as soon as possible and no later than 36 hours after the banking organization determines that a cyber incident has occurred.

(22/11/2021) ENISA – Step Towards Foresight on Emerging Cybersecurity Challenges

The European Union Agency for Cybersecurity (ENISA) has published the first report on foresight to improve cybersecurity resilience and support the planning of its work. As a key element of ENISA's strategy, foresight increases knowledge and understanding of emerging and future challenges, thus providing a pathway to finding solutions to address those challenges and strengthen the EU's resilience to cybersecurity threats.

Start-up Companies

(26/11/2021) CNMC – La CNMC analiza el anteproyecto de ley para fomentar la creación de empresas emergentes

The CNMC has published the report on the draft regulation to promote the start-up ecosystem. The main objective of the future regulation is to promote the creation of innovative companies through various actions, including tax measures, burden relief, facilitation of regulated testing environments and subsidies. The draft regulation also aims to attract foreign investment through regulatory and fiscal measures, as well as to encourage digital nomadism with the creation of a new visa category and residence authorisation.

Artificial Inteligence

(01/12/2021) ISACA – Artificial Intelligence Adoption in Internal Audit Processes

The Information Systems Audit and Control Association (ISACA) has published how Artificial Intelligence (AI) may benefit internal audit. Its' implementation brings to the table three common benefits: increased efficiency and cost optimization; better resource utilization; and increased business value. With AI applications, internal auditors have an opportunity to lend their expertise in auditing and examine more details of audit findings.

Digital Transformation

(10/12/2021) EIOPA – EIOPA sets out a forward looking digital transformation strategy

The European Insurance and Occupational Pensions Authority (EIOPA) has published its digital transformation strategy, to ensure a systematic, balanced and holistic approach to the technological transformation of the European insurance and pensions markets and their supervision that is currently underway. Digital transformation is generating a wave of change across economic and financial sectors, affecting consumers and businesses across the EU. The EIPOA identifies five long term priorities: i) development of a data ecosystem; ii) supporting artificial intelligence; iii) financial stability and resilience; iv) benefiting from the European single market; and v) enhancing the supervisory capabilities of EIOPA and national competent authorities.

Cyber stress test

(13/12/2021) PRA – Prudential Regulation Authority statement on the 2022 cyber stress test: Retail payment system

The Prudential Regulation Authority (PRA) has announced that it will invite a number of firms to participate in a voluntary cyber stress test. The stress test, which was announced in March 2021, will focus on a severe data integrity incident as the disruption scenario and will test firms' ability to meet the impact tolerance for payments in a severe but plausible scenario. Impact tolerance is broadly defined as the maximum level of disruption that could be tolerated for a service provided by the finance system.

Other publications of interest

Technology

ATIFICIAL INTELLIGENCE

(14/12/2021) ENISA – How to make Machine Learning Cyber Secure?

The European Union Agency for Cybersecurity (ENISA) has published the Securing Machine Learning Algorithms (ML) report. This report presents a taxonomy of ML techniques and core functionalities. The report also includes a mapping of the threats targeting ML techniques and the vulnerabilities of ML algorithms. It provides a list of relevant security controls recommended to enhance cybersecurity in systems relying on ML techniques.

RECOVERY PLAN

(14/12/2021) MINECO – Ejecución del Plan de Recuperación

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has reported on the progress in the deployment of the Recovery Plan, which has accelerated since the second half of 2021 and is expected to be increasing in 2022. reported on the progress in the deployment of the Recovery Plan. The good progress in the implementation of the Plan has made Spain the first country to receive the European Commission's positive preliminary assessment for the transfer of funds for milestones and objectives met in the first half of the year. The amount of these funds totals 10,000 million euros. In terms of execution in 2021, 73% of the funds have been authorized and 64.5% of the planned investment has been committed.

5G CIBERSECURITY

(15/12/2021) CNMC – La CNMC informa sobre el Anteproyecto de Ley de Ciberseguridad 5G

The Comisión Nacional de los Mercados y la Competencia (CNMC) has published its report on the Draft Bill on 5G Cybersecurity prepared by the Secretary of State for Telecommunications and Digital Infrastructure. The purpose of the Draft Bill is to establish the specific security requirements for the deployment and operation of networks and services based on 5G technology, incorporating the measures agreed between the Member States into national regulations. The CNMC takes a positive view of this future regulation, as it reinforces the security of networks based on 5G technology and, therefore, of the new services that will be provided by these networks. Furthermore, this regulation will underpin the digital transformation in multiple economic sectors and essential services for society.

ARTIFICIAL INTELLIGENCE

(22/12/2021) CESE – Dictamen del Comité Económico y Social Europeo sobre la «Propuesta de Reglamento del Parlamento Europeo y del Consejo por el que se establecen normas armonizadas en materia de inteligencia artificial (Ley de Inteligencia Artificial) y se modifican determinados actos legislativos de la Unión»

The European Economic and Social Committee (EESC) has published an Opinion on the Proposal for a Regulation of the European Parliament and of the Council laying down harmonised rules in the field of artificial intelligence and amending certain legislative acts of the Union. The Committee welcomes the fact that the Commission proposal for the Artificial Intelligence Act not only addresses the risks associated with AI, but also raises the bar substantially as regards the quality, performance and trustworthiness of AI that the EU is willing to allow.

DIGITAL TRANSFORMATION

(22/12/2021) – Tesoro Público – Resolución del 22 de diciembre de 2021 por la que se publica el listado de proyectos presentados a la segunda cohorte del espacio controlado de pruebas (Sandbox) que han recibido una evaluación previa favorable / Resolución de 22 de diciembre de 2021 por la que se convoca el acceso al espacio controlado de pruebas previsto en la Ley 7/2020, de 13 de noviembre, para la transformación digital del sistema financiero

The Secretaría General del Tesoro y Financiación Internacional has published the resolution on the list of projects and the favourable pre-assessment of the second call for the testing environment known as sandbox. In addition, it has published the resolution publishing the third call for the sandbox. The start date of the call will be 1 March 2022 and will end on 12 April 2022. Interested parties shall submit their application electronically through the electronic headquarters of the Secretaría General or the general access point.

Cybersecurity

(23/12/2021) Anatel – Las obligaciones de ciberseguridad para las APP propietarias de infraestructuras críticas entran en consulta pública

The Agencia Nacional de Telecomunicaciones (Anatel) from Brazil will receive, until February 4, 2022, contributions to the public consultation on the scope of the Cybersecurity Regulation applied to the Telecommunications Sector. According to Anatel's proposal, some small providers (APP) that have critical infrastructure would be subject to comply with the Regulation's obligations. The proposal extends the focus of the resolution to APPs with submarine cables with international destination and to mobile telephony providers with their own network. Anatel also proposes the incidence of obligations for APPs that have a support network for the transport of interstate traffic in the wholesale market.

(27/12/2021) BoS – El Banco de España aprueba la guía de implementación de TIBER-ES

The Executive Commission of the Bank of Spain (BoS) has approved the TIBER-ES implementation guide, thus completing the national adoption of the advanced cybersecurity testing framework published by the ECB (TIBER-EU). Any financial institution or market infrastructure operating in Spain can undergo a TIBER-ES test, on a voluntary basis, although the degree of sophistication of these tests makes them recommendable only for those that have a certain level of maturity in cyber resilience.

Science, technology and innovation

(28/12/2021) – DOF – Decreto por el que se aprueba el Programa Especial de Ciencia, Tecnología e Innovación 2021-2024.

The Government of Mexico has published a Decree approving the Special Program for Science, Technology and Innovation 2021 - 2024. This Program is updated every three years, coinciding with the beginning of each new Legislature of the Congress of the Union and must include a long-term vision and a projection of up to twenty-five years, establishing the basis for the Science, Technology and Innovation sector to advance towards the solution of national problems and its strengthening. It also contains, among other aspects, the general policy to support science, technology, priority areas of knowledge and technological innovation, as well as strategic projects.

Artificial Intelligence

(29/12/2021) – ECB – Opinion of the European Central Bank of 29 December 2021 on a proposal for a regulation laying down harmonised rules on artificial intelligence (CON/2021/40) and Technical working document produced in connection with ECB Opinion

The European Central Bank (ECB) has published the opinion on harmonised artificial intelligence rules. The ECB acknowledges the importance of setting harmonised requirements specific to AI systems to ensure a consistent and high level of protection of overriding reasons of public interest such as health, safety and fundamental rights. The ECB further acknowledges the increasing importance of AI-enabled innovation in the banking sector.

Other publications of interest

Work Programmes

IOSCO´S WORK PROGRAM

(26/02/2021) IOSCO – IOSCO publishes work program for 2021-2022

The IOSCO has published its 2021-2022 work program to further its core objectives of protecting investors, maintaining fair, efficient, and transparent markets, and addressing systemic risks. The work program covers a two-year horizon and will be reviewed and refreshed as appropriate at end-2021. The new two priorities are: i) financial stability and systemic risks of non-bank financial intermediation activities; and ii) misconduct risks, fraud, and operational resilience.

CNMV 2021 ACTIVITY

(17/03/2021) CNMV – La CNMV presenta su plan de actividades de 2021

The Comisión Nacional del Mercado de Valores (CNMV) has presented its Activity Plan for 2021, which includes 54 specific objectives or actions that the CNMV will develop this year. The CNMV's priority is supervision, which should enable the capital market to contribute to a sustainable and digital recovery. In addition to this rigorous supervision, the CNMV's objectives include promoting the capital markets as a source of financing for economic recovery, facilitating the role of the securities market in the transition towards a more sustainable and inclusive economy, ensuring the reliability of investor information and promoting technological advances applied to the securities markets by preventing risks.

BCBS WORK PROGRAM

(16/04/2021) BCBS – BCBS Work Programme and strategic priorities for 2021/2022

The Basel Committee (BCBS) has published the work programme and strategic priorities for 2021/2022 that outlines the strategic priorities for its policy, supervision and implementation activities. The main priorities are focused on: i) COVID-19 resilience and recovery; ii) horizon scanning and mitigation of risks; iii) Strengthening supervisory coordination and practices; and iv) Basel III implementation.

FINANCIAL RISKS

(05/08/2021) BIS – Committee on Payments and Market Infrastructures publishes work programme for 2021-22

The Committee on Payments and Market Infrastructures (CPMI) has published its work programme for 2021- 2022 for the first time. The work programme focuses on shaping the future of payments and addressing risks in financial market infrastructures. The priorities include: i) enhancing cross-border payments; ii) addressing policy issues arising from innovations in payments; and iii) evaluating and addressing risks in financial market infrastructures that emerged or were accentuated during the COVID-19 pandemic.

Other publications of interest

Others

Brexit

(08/01/2021) EIOPA – MoUs with UK authorities in the area of insurance and pensions

On 5 March 2019, the European Insurance and Occupational Pensions Authority (EIOPA) and all national competent authorities (NCAs) of the European Economic Area (EEA) with competencies in insurance agreed memoranda of understanding (MoUs) with the Bank of England in its capacity as PRA and the Financial Conduct Authority (FCA) of UK. The MoUs took effect on 1 January 2021, at the end of the transition period following the departure of the UK from the European Union. These MoUs ensure cooperation in the fields of insurance prudential and conduct supervision, for mutual assistance and regular exchange of information.

Banking Statistics

(13/01/2021) EBA/ECB – EBA points to a further rise in capital and leverage ratios, whereas profitability remains strongly subdued / ECB publishes supervisory banking statistics for the third quarter of 2020

The European Banking Authority (EBA) has published its quarterly Risk Dashboard together with the results of the Risk Assessment Questionnaire (RAQ). The Q3data shows a rise in capital ratios, and an improvement in the NPL ratio, while the return on equity (RoE) remained significantly below banks' cost of equity. The Risk Dashboard includes, for the first time, data on moratoria and public guarantee schemes. On the other side, the European Banking Authority has published supervisory banking statistics for the third quarter of 2020. The data shows the levels of these ratios:i) capital ratios for significant institutions ; ii) the aggregate non-performing loans (NPL) ratio; iii) the annualised Return on Equity (RoE); iv) the aggregate liquidity coverage ratio; v) the aggregate leverage ratio.

Depositor protection

(20/01/2021) PRA – CP3/21 - Depositor Protection: Identity verification

The PRA has published the Consultation Paper (CP) 3/21 on depositor protection. This CP sets out the PRA proposed rules regarding the timing of identity verification required for eligibility of depositor protection (DP) under the Financial Services Compensation Scheme (FSCS). It also proposes amendments to the PRA's expectations in respect of Insolvency Practitioners (IPs) being best placed to carry out identity verification checks in the event that a firm has failed to do so by the compensation date.

CCP

(21/01/2021) ESMA – ESMA updates guidelines on written agreements between CCP college members

The European Securities and Markets Authority (ESMA) has published the final report on its revised Guidelines regarding written agreements between members of central counterparty (CCP) colleges. The revised Guidelines take into account changes to composition, functioning and management of CCP colleges which were introduced by amendments to the regulatory technical standards (RTS) on CCP colleges, and by EMIR 2.2.

Suspic

(22/01/2021) FDIC – Exemptions to Suspicious Activity Report Requirements

The FDIC has published a proposed rule that would modify the requirements for FDIC-supervised institutions to file Suspicious Activity Reports (SARs). The proposed rule would amend the FDIC's SAR regulation to allow the FDIC to issue exemptions from the SAR requirements. The proposed rule would make it possible for the FDIC to grant relief to FDIC supervised institutions that develop innovative solutions to meet Bank Secrecy Act (BSA) requirements more efficiently and effectively.

CCPs

(27/01/2021) EC – Commission adopts equivalence decision for US central counterparties

The European Commission (EC) has adopted an equivalence decision determining that the US Securities and Exchange Commission (SEC) regime for US central counterparties (CCPs) is equivalent to EU rules. This decision is an important first step for US CCPs registered with the SEC to be recognised in the EU. It will allow such US CCPs to apply for recognition by the European Securities and Markets Authority (ESMA). Once recognised by ESMA, these US CCPs will be able to provide central clearing services in the EU.

Other publications of interest

Others

Open insurance access

(28/01/2021) EIOPA – EIOPA consults on open insurance access to and sharing of insurance-related data

The EIOPA has launched a public consultation on open insurance policies, focusing on access to and exchange of insurance-related data. In this discussion paper, EIOPA analyses whether and to what extent insurance value chains should be "opened up" through the exchange of insurance-related and policyholder-specific data between insurance and non-insurance companies, in order to protect policyholder rights and enable product and service innovation. The main areas of the discussion paper are: i) definition and use cases of open insurance policies; ii) risks and benefits of open insurance policies; iii) regulatory barriers; and iv) possible areas to consider for a robust open insurance policy framework.

Cross-border distribution of funds

(01/02/2021) ESMA – ESMA finalises rules on standardised information to facilitate cross-border distribution of funds

The ESMA has published a final report on implementing technical standards (ITS) under the Regulation on cross-border distribution of funds. The ITS focus on the publication of information by national competent authorities (NCAs) on their websites, the notification of information by NCAs to ESMA and the publication of information by ESMA on its website.

Technical assistance and advice

(02/02/2021) ESMA – ESMA calls experts on post trading to join consultative industry group

The ESMA has published a call for candidates to renew the Consultative Working Group (CWG) for the ESMA's Post Trading Standing Committee (PTSC). The PTSC-CWG is expected to provide technical assistance and advice to the PTSC in all aspects of its work, and in particular in the development of technical standards or guidance in relation to the relevant legislations within the area of competence of the PTSC. It is also expected to assist the PTSC in assessing the potential impact of proposed technical standards and guidance.

Securitisations

(05/02/2021) ESMA – Guidelines on portability of information between securitisation repositories under the Securitisation Regulation

The ESMA has published the Guidelines on portability of information between securitisation repositories under the Securitisation Regulation. These guidelines apply to securitisation repositories and provide clarification on: i) the transfer of securitisation information by a securitisation repository from which registration has been withdrawn to other securitisation repositories; and ii) the content of the policies for the orderly transfer of data which a securitisation repository has to establish for the transfer of securitisation information to other securitisation repositories where requested by a reporting entity or where otherwise necessary. This consultation will be open until April 6, 2021.

IFRS

(12/02/2021) IASB – IASB amends IFRS Standards to improve accounting policy disclosures and clarify distinction between accounting policies and accounting estimates

The IASB has issued narrow-scope amendments to IFRS Standards. The amendments will help companies: i) improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and ii) distinguish changes in accounting estimates from changes in accounting policies. The amendments to IAS 1 (presentation of financial statements) and IAS 8 (accounting policies, changes in accounting estimates and errors) will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

Netting

(18/02/2021) Fed – Federal Reserve Board announces final rule intended to reduce risk and increase efficiency in the financial system by applying netting protections to a broader range of financial institutions

The Federal Reserve Board has published a final rule that is intended to reduce risk and increase efficiency in the financial system by applying netting protections to a broader range of financial institutions. The final rule amends Regulation EE (Financial Institution Netting) to apply netting provisions of the FDIC Improvement Act (FDICIA) to certain new entities including swap dealers.

Benchmarks Regulation

(25/02/2021) ESMA – ESMA consults on methodology to calculate a benchmark in exceptional circumstances

The ESMA has launched a consultation on draft guidelines detailing the obligations applicable to administrators that use a methodology to calculate a benchmark in exceptional circumstances under the Benchmarks Regulation (BMR). The Consultation Paper seeks input on clarifications and specifications regarding the adjustments of benchmarks in exceptional circumstances in relation to three areas: i) transparency of methodology; ii) oversight function; iii) record keeping requirements.

Consumer Trend Report

(10/03/2021) – EBA assesses consumer trends for 2020/2021

The EBA has published its Consumer Trends Report for 2020/2021. The report summarises the trends observed in the EU in respect of the retail banking products and services such as mortgages, consumer credit, deposits, payment accounts, payment services and electronic money. The report also identifies issues that have arisen for consumers in relation with this products and explains the measures the EBA has taken to mitigate the impact of the COVID-19 pandemic on consumers.

Connecting Europe Facility

(12/03/2021) EP – Connecting Europe Facility: provisional deal on next generation programme

The EP and Council negotiators reached a deal to upgrade the Connecting Europe Facility (CEF) and release new funds for transport, digital and energy projects for 2021-2027. With an overall budget of about €30 billion, CEF will fund projects to modernize transport infrastructure and cross-border projects with an EU added value. In the digital sector, CEF will support the development of projects on safe and secure digital networks and 5G systems, as well as the digitalization of transport and energy networks.

Listed companies

(12/04/2021) Gobierno – Ley 5/2021, de 12 de abril, por la que se modifica el texto refundido de la Ley de Sociedades de Capital, aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio, y otras normas financieras, en lo que respecta al fomento de la implicación a largo plazo de los accionistas en las sociedades cotizadas

The Government of Spain has published Law 5/2021 which aims to transpose into Spanish law the Directive of the European Parliament and of the Council of 17 May 2017 amending the Directive on the exercise of certain rights of shareholders of listed companies. The main objective of this Law is for shareholders to participate more in the long term in the listed companies in which they invest. This Law comes into force twenty days after its publication in the Official State Journal (BOE).

Market Data Quality

(15/04/2021) ESMA – ESMA highlights need for increased efforts on emir and SFTR data quality

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has published its final report on the European Markets Infrastructure Regulations (EMIR) and Securitised Financing Transactions Regulation (SFTR) data quality. The report covers the progress made to date in improving EMIR data quality for regulatory and supervisory use and concludes that, while good progress has been made, additional efforts are needed by national competent authorities (NCAs) and ESMA to further improve EMIR data quality.

O-SIIs

(15/04/2021) EBA – EBA updates list of Other Systemically Important Institutions

The EBA has published the list of Other Systemically Important Institutions (O-SIIs) in the EU, which, together with Global Systemically Important Institutions (G-SIIs), are identified as systemically important by the relevant authorities according to harmonised criteria laid down in the EBA Guidelines. This list is based on end-2019 data and also reflects the O-SII score and the capital buffers that the relevant authorities have set for the identified O-SIIs.

Other publications of interest

Others

(15/04/2021) PRA – Non-systemic UK banks: The Prudential Regulation Authority's approach to new and growing banks - PS8/21

This Prudential Regulation Authority (PRA) Policy Statement (PS) provides feedback to responses to Consultation Paper (CP) 9/20 Non-systemic UK banks: The PRA's approach to new and growing banks. This PS is primarily relevant to new and growing non-systemic UK-incorporated banks, although some banks in this category will have sufficient experience and resources to be able to move quickly to the standard expected of most established banks. This determination will depend on a number of factors, notably on: i) whether the bank is part of an established domestic or international banking group; ii) the size and complexity of its activities; and iii) the extent of its available financial and non-financial resources.

IORP

(15/04/2021) ESMA – EIOPA consults on the reporting of costs and charges of IORPs and the risk management by IORPs providing defined contribution schemes

The European Insurance and Occupational Pensions Authority (EIOPA) launched today two consultations on risk assessment by Institutions for Occupational Retirement Provisions (IORPs) providing defined contribution (DC) schemes and the supervisory reporting of costs and charges by IORPs.

Mortgage Loans

(19/04/2021) PRA – PRA statement on the regulatory treatment of retail residential mortgage loans under the Mortgage Guarantee Scheme

The PRA has published an statement on the regulatory treatment of retail residential mortgage loans under the Mortgage Guarantee Scheme. This statement provides information on capital, notification, disclosure, and reporting requirements for loans under the Mortgage Guarantee Scheme (MGS) as set out in the relevant UK legislation.

Foreign Exchange Rates

(20/04/2021) IASB – IASB proposes amendments setting out accounting for when no foreign exchange rate exists

The International Accounting Standards Board (IASB) has published for public consultation proposed amendments to IAS 21 on The Effects of Changes in Foreign Exchange Rates. The proposed amendments aim to help companies determine whether a currency can be exchanged into another currency, and what accounting to apply if the currency cannot be exchanged

Tax

(22/04/2021) Fed – Agencies invite comment on proposed rule for income tax allocation agreements

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Fed), and the Federal Deposit Insurance Corporation (FDIC) have invited comment on a proposed rule that updates and codifies existing guidance on income tax allocation agreements involving depository institutions and their affiliates.

Mystery Shopping

(03/05/2021) EBA – The European Banking Authority publishes report on mystery shopping activities of national authorities

The EBA has published a Report on the mystery shopping activities of National Competent Authorities (NCAs). The Report covers mystery shopping initiatives of NCAs in respect of the following products: i) consumer credit; ii) mortgage credit; iii) deposits; iv) payment services; v) electronic money; and vi) payment accounts.

Pensions

(04/05/2021) PRA – CP21/11: The stronger nudge to pensions guidance

The Prudential Regulation Authority (PRA) has published the Consultation Paper (CP) 21/11 on pensions guidance. The CP contains proposals for implementing a stringer nudge to pensions, and further measures to help consumers make informed decisions. The consultation runs until 29 June 2021.

AML/CFT

(06/05/2021) EBA – The EBA consults on its proposals for a central AML/CFT database

The EBA has published a discussion paper to facilitate the review of the standardised NPL data templates. The discussion paper invites all stakeholders and NPL market participants on the buyer and seller side to provide their input. The consultation runs until 31 August 2021.

CONSUMER DUTY

(14/05/2021) FCA – CP21/13: A new Consumer Duty

The Financial Conduct Authority (FCA) has issued a Consultation Paper 21/13 which contains the FCA´s proposals on a new Consumer Duty, that would set higher expectations for the standard of care that firms provide to consumers. For many firms, this would require a significant shift in culture and behavior, where they consistently focus on consumer outcomes, and put customers in a position where they can act and make decisions in their interests.

DIGITAL ASSETS

(17/05/2021) FDIC – FDIC Issues Request for Information on Digital Assets

The Federal Deposit Insurance Corporation (FDIC) announced that it is gathering information and soliciting comments from interested parties about insured depository institution' current and potential digital asset activities. Given that banks are increasingly exploring the emerging digital asset ecosystem, the FDIC is issuing this request for information to help inform its understanding of the industry's and consumers' interests in this area.

CONTRACT ADMENDMENTS

(19/05/2021) BoE – Derivatives clearing obligation – modifications to reflect interest rate benchmark reform: Amendments to BTS 2015/2205

The Bank of England (BoE) has published the Consultation Paper 2015/2205 which sets out the Bank of England's proposal to modify the scope of contracts which are subject to the derivatives clearing obligation to reflect the ongoing reforms to interest rate benchmarks.This CP is relevant to financial and non-financial counterparties that are subject to the clearing obligation under EMIR, and to central counterparties (CCPs).

COMMODITIES

(26/05/2021) ESMA – ESMA consults on commodity derivatives technical standards as part of MIFIDII recovery package

The ESMA has launched a consultation as part of the post-Covid MiFID II recovery package, seeking market participants' views on its draft technical standards for commodity derivatives. The consultation paper also contains ESMA's proposals for technical standards on position management controls. Comments can be submitted until 23 July 2021.

CROSS-BORDER DISTRIBUTION OF FUNDS

(27/05/2021) ESMA – ESMA publishes guidance on funds' marketing communications

The European Securities and Markets Authority (ESMA) has published the final report on the guidelines on marketing communications under the Regulation on cross-border distribution of funds.

SFTR

(28/05/2021) ESMA – ESMA consults on Guidelines for data transfer between trade repositories under EMIR and SFTR

The ESMA has launched a consultation on amendments to its Guidelines on data transfer between Trade Repositories (TRs) under EMIR, as well as on Guidelines regarding data transfer between TRs under Securities Financing Transactions (SFTR).

CROSS-BORDER PAYMENTS

(31/05/2021) FSB – FSB seeks feedback on its proposals for quantitative targets for enhancing cross-border payments

The Financial Stability Board (FSB) has published a public consultation on global targets for addressing the four challenges of cross-border payments. The proposed targets set goals for improving cost, speed, transparency and access for cross-border payments in the coming years through the actions taken under the Roadmap.

TRANSFER OF FUNDS

(01/06/2021) Fed – Federal Reserve Board invites public comment on proposed rule to govern funds transfers over the Federal Reserve Banks' FedNow Service

The Federal Reserve Board (Fed) invited comment on a proposed rule to govern funds transfers over the Federal Reserve Banks' FedNow Service. The proposed rule would establish a new and comprehensive set of rules governing funds transfers over the FedNow Service and set out the legal rights and obligations of the Reserve Banks and FedNow Service participants.

Other publications of interest

Others

LIBOR

(02/06/2021) FSB - FSB issues statements to support a smooth transition away from LIBOR by end 2021

The Financial Stability Board (FSB) has published a set of documents to support a smooth transition away from LIBOR by the end of 2021. The statements and reports published by the FSB include: i) an updated global transition roadmap; ii) a paper reviewing overnight risk-free rates and term rates; iii) a statement on the use of the Swaps and Derivatives Association (ISDA) spread adjustments; iv) a statement on smooth and timely transition away from LIBOR.

INVESTMENT FRIMS

(07/06/2021) EBA – Consultation paper on draft RTS on the reclassification of investment firms as credit institutions

The EBA launched today a consultation on its draft regulatory technical standards (RTS) on the calculation of the threshold for investment firms. With this consultation, the EBA is seeking to address the level playing field concerns raised by the industry in relation to geographical constraints of some undertakings a well as to ensure a more proportionate and consistent methodology for the calculation of the thresholds. The consultation runs until 17 July 2021.

ECAI

(10/06/2021) ESAs – ESAs publish amended technical standards on the mapping of ECAIs

The European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA), has published two amended Implementing Technical Standards (ITS) on the mapping of credit assessments of External Credit Assessment Institutions (ECAIs). The amendments reflect: i) the recognition of two new credit rating agencies (CRAs); ii) the outcome of a monitoring exercise on the adequacy of existing mappings; and iii) the deregistration of a number of CRAs.

RÉGIMEN DE PERMISOS TEMPORALES

(14/06/2021) PRA – PRA statement on firm authorisation under the Temporary Permissions Regime

The Prudential Regulation Authority (PRA) has published an statement on firm authorisation under the Temporary Permissions Regime (TPR) which provides an update on the PRA's approach to TPR, relevant to applications for authorisation made by banks and insurers in the European Economic Area (EEA).

BAIL-IN

21/06/2021) SRB – SRB publishes approach for notifying impracticability to include bail-in recognition clauses in contracts

The Single Resolution Board (SRB) has published its policy on how banks can notify the authorities when bail-in recognition clauses cannot be added to contracts under third-country law. This explains how the SRB will apply, in practice, the rules set out in contractual recognition of bail-in of the Bank Recovery and Resolution Directive (BRRD).

MARGIN REQUIREMENTS

(30/06/2021) PRA - PS14/21 | CP6/21 - Margin requirements for non-centrally cleared derivatives: Amendments to BTS 2016/2251

The Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) have published the Policy Statement (PS) 14/20 which provides feedback to the responses received to the Consultation Paper (CP) 6/21 on Margin requirements for non-cleared derivatives. The responses to the CP were supportive in general and this Policy Statement includes clarifications to the text.

MONETARY POLICY

(08/07/2021) ECB - ECB's Governing Council approves its new monetary policy strategy/ ECB presents action plan to include climate change considerations in its monetary policy strategy

The European Central Bank (ECB) Governing Council has approved its new monetary policy strategy. The new strategy adopts symmetric 2% inflation target over medium term and confirms that Harmonised Index of Consumer Prices (HICP) remains appropriate price measure but recommends the inclusion of home ownership prices over time. Furthermore, the Governing Council has published a climate action plan which includes climate change considerations in monetary policy operations in the areas of disclosure, risk assessment, collateral framework and corporate sector asset purchases

Pensions

(13/07/2021) EIOPA –Consultation Paper on technical advice on pension tracking services / Consultation Paper on technical advice on pension dashboards

The EIOPA has launched two consultations on the development of pension tracking services and pension dashboards. The two consultations are a response to the European Commission's request for technical advice and are part of the implementation of the Capital Markets Union action plan. The proposals will help citizens in their retirement planning and supporting the Member States in identifying emerging gaps in their pension systems.

Libor

(14/07/2021) FCA – CP 21/22 on LIBOR transition and the derivatives trading obligation (DTO)

The FCA has published the Consultation Paper (CP) 21/22 on LIBOR transition and the derivatives trading obligation. This CP focuses on the classes of swaps that are affected or likely to be affected by the LIBOR transition to decide where the DTO should apply.

PRIIPs

(20/07/2021) EBA –PRIIPs - Proposed scope rules and amendments to Regulatory Technical Standards

The PRA has published the Consultation Paper (CP) 21/23 in relation to the Packaged Retail and Insurance based Investment Products (PRIIPs) disclosure regime. The main aim of the CP is to address the lack of clarity on the PRIIPs scope, misleading performance scenarios and risk indicators.

Mistery Shopping

(21/07/2021) EBA – Methodological guide to mystery shopping

The European Banking Authority (EBA) has published a methodological guide to mystery shopping (MS). The guide sets out in seven steps how MS activities can be conceived and carried out. In particular, how NCAs can use the guide as a complement to other existing supervisory tools, and how to adapt such activities to the particular circumstances, goals and MS powers conferred on an NCA under national law and/or EU law.

Proportionality assessment

(22/07/2021) EBA – EBA launches discussion paper on proportionality assessment methodology

The EBA has launched a Discussion Paper aiming at gathering some preliminary input on how to standardise the proportionality assessment methodology for credit institutions and investment firms. The proportionality assessment methodology entails two separate steps: the definition of four different classifications for credit institutions and investment firms and the definition of the metrics applicable to the different categorisations. Comments to this paper can be sent before 22 October 2021.

Shadow banks

(26/07/2021) EBA – EBA consults on technical standards to identify shadow banking entities

The EBA has launched a public consultation on draft regulatory technical standards (RTS) setting out criteria for the identification of shadow banking entities for the purposes of reporting large exposures. Comments to this consultation can be sent until 26 October 2021.

Atificial intelligence

(26/10/2021) MINECO – El Gobierno impulsa la creación del primer ecosistema de computación cuántica del sur de Europa

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has promoted the development of a Southern European quantum computer for the development of Artificial Intelligence, based on a public-private cooperation model, strengthening technological and industrial development in Spain. To this end, the Council of Ministers has approved the award of a grant of 22 million euros in line with the strategy of the Recovery, Transformation and Resilience Plan and the National Artificial Intelligence Strategy.

Other publications of interest

Others

ATIFICIAL INTELLIGENCE

(28/10/2021) BOE – Real Decreto 857/2021, de 5 de octubre, por el que se regula la concesión directa de una subvención al Instituto Universitario Europeo para el desarrollo de las actividades de la Cátedra sobre Inteligencia Artificial y Democracia, en el marco del Plan de Recuperación, Transformación y Resiliencia

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has published Royal Decree 857/2021, which regulates the granting of subsidies for the development of artificial intelligence activities. This Royal Decree is part of the evaluation of Spain's recovery and resilience plan, and contributes to digital transformation and knowledge creation in the field of e-government, as determined in Component 16 of the National Recovery, Transformation and Resilience Plan.

CYBERSECURITY

(29/10/2021) EC – Commissions strengthens cybersecurity of wireless devices and products

The European Commission (EC) has taken action to improve the cybersecurity of wireless devices available on the European market, thorough the publication of the delegated act to the Radio Equipment Directive which aims to make sure that all wireless devices are safe before being sold on the EU market.

NEURO-TECHNOLOGY

(29/10/2021) MINECO – El Gobierno impulsa SpainNeurotech, un ecosistema de innovación de neuro-tecnología en España

The Ministry of Economic Affairs and Digital Transformation (MINECO) has announced the launch of a new Expression of Interest to identify proposals on the application of Artificial Intelligence in neuro-technology. Among its objectives are the application of AI in neuro-technology, fostering research, or generating and retaining talent, respecting the so-called neuro-rights, such as those defended in the Charter of Digital Rights. These proposals will contribute to creating an innovation ecosystem, SpainNeurotech.

DATA MANAGEMENT

(05/11/2021) MinTIC – Analític4, la red colombiana de supercomputación que acompañará a la industria y al Gobierno para generar soluciones basadas en análisis de datos

The Ministry of Information Technologies and Communications of Colombia (MinTIC) and the Centre for Technological Development (BIOS) designed Analític4, the supercomputing network focused on supporting companies and the government sector in strengthening their operational processes through solutions based on data analysis and processing that increase competitiveness and sophisticate products and services.

MACHINE LEARNING

(11/11/2021) EBA – EBA consults on machine learning for internal ratings-based models

The European Banking Authority (EBA) has published a discussion paper on machine learning used in the context of internal ratings-based (IRB) models to calculate regulatory capital for credit risk. The aim of the discussion paper is to set supervisory expectations on how new sophisticated machine learning models can coexist with and adhere to the Capital Requirements Regulation (CRR) when used in the context of IRB models. The discussion paper seeks stakeholders' feedback on many practical aspects related to the use of machine learning in the context of IRB with the aim of providing clarity on supervisory expectations on their use.

ARTIFICIAL INTELLIGENCE

(12/11/2021) MINECO - Manifestaciones de interés para la identificación de propuestas para el impulso de la neurotecnología basada en Inteligencia Artificial en España

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has launched a call for proposals for possible actions and challenges to be undertaken to substantially increase the AI-based neurotechnology ecosystem in Spain. Expressions of interest can be submitted until November 24.

CYBERSECURITY

(17/11/2021) ENISA - Cybersecurity Spending: An analysis of Investment Dynamics within the EU

The European Cybersecurity Agency has published a report on the evolution of security investments under the provisions of the NIS Directive, which has been implemented by 82% of the 947 organizations identified as Essential Service Operators or Digital Service Providers. This new report aggregates data from all 27 member states and it also analyzes the impact of cybersecurity incidents and assesses how these organizations control their budget and invest to meet their cybersecurity requirements.

Cyber indicents

(18/11/2021) Fed/FDIC/OCC – Final rule requiring computer-security incident notification

Federal bank regulatory agencies have announced the approval of a final rule to improve the sharing of information about cyber incidents that may affect the U.S. banking system. The final rule requires a banking organization to notify its primary federal regulator of any significant computer-security incident as soon as possible and no later than 36 hours after the banking organization determines that a cyber incident has occurred.

Cybersecurity

(22/11/2021) ENISA – Step Towards Foresight on Emerging Cybersecurity Challenges

The European Union Agency for Cybersecurity (ENISA) has published the first report on foresight to improve cybersecurity resilience and support the planning of its work. As a key element of ENISA's strategy, foresight increases knowledge and understanding of emerging and future challenges, thus providing a pathway to finding solutions to address those challenges and strengthen the EU's resilience to cybersecurity threats.

Start-up Companies

(26/11/2021) CNMC – La CNMC analiza el anteproyecto de ley para fomentar la creación de empresas emergentes

The CNMC has published the report on the draft regulation to promote the start-up ecosystem. The main objective of the future regulation is to promote the creation of innovative companies through various actions, including tax measures, burden relief, facilitation of regulated testing environments and subsidies. The draft regulation also aims to attract foreign investment through regulatory and fiscal measures, as well as to encourage digital nomadism with the creation of a new visa category and residence authorisation.

Artificial Inteligence

(01/12/2021) ISACA – Artificial Intelligence Adoption in Internal Audit Processes

The Information Systems Audit and Control Association (ISACA) has published how Artificial Intelligence (AI) may benefit internal audit. Its' implementation brings to the table three common benefits: increased efficiency and cost optimization; better resource utilization; and increased business value. With AI applications, internal auditors have an opportunity to lend their expertise in auditing and examine more details of audit findings.

Digital Transformation

(10/12/2021) EIOPA – EIOPA sets out a forward looking digital transformation strategy

The European Insurance and Occupational Pensions Authority (EIOPA) has published its digital transformation strategy, to ensure a systematic, balanced and holistic approach to the technological transformation of the European insurance and pensions markets and their supervision that is currently underway. Digital transformation is generating a wave of change across economic and financial sectors, affecting consumers and businesses across the EU. The EIPOA identifies five long term priorities: i) development of a data ecosystem; ii) supporting artificial intelligence; iii) financial stability and resilience; iv) benefiting from the European single market; and v) enhancing the supervisory capabilities of EIOPA and national competent authorities.

Cyber stress test

(13/12/2021) PRA – Prudential Regulation Authority statement on the 2022 cyber stress test: Retail payment system

The Prudential Regulation Authority (PRA) has announced that it will invite a number of firms to participate in a voluntary cyber stress test. The stress test, which was announced in March 2021, will focus on a severe data integrity incident as the disruption scenario and will test firms' ability to meet the impact tolerance for payments in a severe but plausible scenario. Impact tolerance is broadly defined as the maximum level of disruption that could be tolerated for a service provided by the finance system.

Atificial intelligence

(14/12/2021) ENISA – How to make Machine Learning Cyber Secure?

The European Union Agency for Cybersecurity (ENISA) has published the Securing Machine Learning Algorithms (ML) report. This report presents a taxonomy of ML techniques and core functionalities. The report also includes a mapping of the threats targeting ML techniques and the vulnerabilities of ML algorithms. It provides a list of relevant security controls recommended to enhance cybersecurity in systems relying on ML techniques.

Other publications of interest

Others

5G Cibersecurity

(15/12/2021) CNMC – La CNMC informa sobre el Anteproyecto de Ley de Ciberseguridad 5G

The Comisión Nacional de los Mercados y la Competencia (CNMC) has published its report on the Draft Bill on 5G Cybersecurity prepared by the Secretary of State for Telecommunications and Digital Infrastructure. The purpose of the Draft Bill is to establish the specific security requirements for the deployment and operation of networks and services based on 5G technology, incorporating the measures agreed between the Member States into national regulations. The CNMC takes a positive view of this future regulation, as it reinforces the security of networks based on 5G technology and, therefore, of the new services that will be provided by these networks. Furthermore, this regulation will underpin the digital transformation in multiple economic sectors and essential services for society.

Artificial Intelligence

(22/12/2021) CESE – Dictamen del Comité Económico y Social Europeo sobre la «Propuesta de Reglamento del Parlamento Europeo y del Consejo por el que se establecen normas armonizadas en materia de inteligencia artificial (Ley de Inteligencia Artificial) y se modifican determinados actos legislativos de la Unión»

The European Economic and Social Committee (EESC) has published an Opinion on the Proposal for a Regulation of the European Parliament and of the Council laying down harmonised rules in the field of artificial intelligence and amending certain legislative acts of the Union. The Committee welcomes the fact that the Commission proposal for the Artificial Intelligence Act not only addresses the risks associated with AI, but also raises the bar substantially as regards the quality, performance and trustworthiness of AI that the EU is willing to allow.

Digital transformation

(22/12/2021) – Tesoro Público – Resolución del 22 de diciembre de 2021 por la que se publica el listado de proyectos presentados a la segunda cohorte del espacio controlado de pruebas (Sandbox) que han recibido una evaluación previa favorable / Resolución de 22 de diciembre de 2021 por la que se convoca el acceso al espacio controlado de pruebas previsto en la Ley 7/2020, de 13 de noviembre, para la transformación digital del sistema financiero

The Secretaría General del Tesoro y Financiación Internacional has published the resolution on the list of projects and the favourable pre-assessment of the second call for the testing environment known as sandbox. In addition, it has published the resolution publishing the third call for the sandbox. The start date of the call will be 1 March 2022 and will end on 12 April 2022. Interested parties shall submit their application electronically through the electronic headquarters of the Secretaría General or the general access point.

Cybersecurity

(23/12/2021) Anatel – Las obligaciones de ciberseguridad para las APP propietarias de infraestructuras críticas entran en consulta pública

The Agencia Nacional de Telecomunicaciones (Anatel) from Brazil will receive, until February 4, 2022, contributions to the public consultation on the scope of the Cybersecurity Regulation applied to the Telecommunications Sector. According to Anatel's proposal, some small providers (APP) that have critical infrastructure would be subject to comply with the Regulation's obligations. The proposal extends the focus of the resolution to APPs with submarine cables with international destination and to mobile telephony providers with their own network. Anatel also proposes the incidence of obligations for APPs that have a support network for the transport of interstate traffic in the wholesale market.

(27/12/2021) BoS – El Banco de España aprueba la guía de implementación de TIBER-ES

The Executive Commission of the Bank of Spain (BoS) has approved the TIBER-ES implementation guide, thus completing the national adoption of the advanced cybersecurity testing framework published by the ECB (TIBER-EU). Any financial institution or market infrastructure operating in Spain can undergo a TIBER-ES test, on a voluntary basis, although the degree of sophistication of these tests makes them recommendable only for those that have a certain level of maturity in cyber resilience.

Science, technology and innovation

(28/12/2021) – DOF – Decreto por el que se aprueba el Programa Especial de Ciencia, Tecnología e Innovación 2021-2024.

The Government of Mexico has published a Decree approving the Special Program for Science, Technology and Innovation 2021 - 2024. This Program is updated every three years, coinciding with the beginning of each new Legislature of the Congress of the Union and must include a long-term vision and a projection of up to twenty-five years, establishing the basis for the Science, Technology and Innovation sector to advance towards the solution of national problems and its strengthening. It also contains, among other aspects, the general policy to support science, technology, priority areas of knowledge and technological innovation, as well as strategic projects.

Artificial Intelligence

(29/12/2021) – ECB – Opinion of the European Central Bank of 29 December 2021 on a proposal for a regulation laying down harmonised rules on artificial intelligence (CON/2021/40) and Technical working document produced in connection with ECB Opinion

The European Central Bank (ECB) has published the opinion on harmonised artificial intelligence rules. The ECB acknowledges the importance of setting harmonised requirements specific to AI systems to ensure a consistent and high level of protection of overriding reasons of public interest such as health, safety and fundamental rights. The ECB further acknowledges the increasing importance of AI-enabled innovation in the banking sector.

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Regulators

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US	SEC, Fed, OCC, FDIC
UK	BoE, PRA, FCA
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