

2Q23 Regulation Outlook

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Executive Summary

In Europe, several publications focused on sustainability and technology stand out, such as the Environmental Taxonomy, the Regulation on Markets in Crypto-assets and the public consultation on RTS and ITS for DORA. At local level, in the same line, the Draft Bill transposing the CSRD in Spain and USA guidelines on third party risk management were published

European publications

- **Regulation on markets in crypto-assets**, which for the first time, sets an European Union level legal framework for this sector. This Regulation lays down uniform requirements for the offer to the public and admission to trading on a trading platform of crypto-assets: i) other than asset-referenced tokens and e-money tokens; ii) of asset-referenced tokens; and iii) of e-money tokens, as well as requirements or crypto-asset service providers. (EP/ Council, May 2023).
- **Draft Delegated Regulation setting the first set of ESRS**. This report includes amending EFRAG's standards, relating risks and opportunities in the CSRD framework. (EC, June 2023)
- **Legislative package on sustainable finance**- This package includes the **Environmental Delegated Act**, which contains a new set of TSC for economic activities making a substantial contribution to one or more of the non-climate environmental objectives. The package also proposes **new rules for ESG rating providers**, which will increase transparency on the market for sustainable investments. Finally, the package includes **recommendations to facilitate transition finance** (EC, June 2023).
- **Consultation on the revised Guide to internal models**, which clarifies how banks should go about including material climate-related and environmental risks in their models. It also provides clarifications for banks that wish to revert to the standardised approach for calculating their risk-weighted assets. (ECB, June 2023).
- **Regulation on payment services and framework for financial data access**. The package aims to ensure that consumers can continue to safely and securely make electronic payments and transactions in the EU, domestically or cross-border, in euro and non-euro. (EC, June 2023)

European publications (cont.)

- **Public consultation of RTS and ITS** which aim to ensure a consistent and harmonised legal framework in the areas of ICT risk management, major ICT-related incident reporting and ICT third-party risk management. (ESAS, June 2023).

Local publications

- **[ES] The Draft Royal Decree regulating the content of the reports on the financial impact of the risks associated with climate change, included in the Art.32 of the Climate change Law**, establishing the criteria for the preparation and publication of the information on the level of exposure to climate and carbon risks, as well as the strategies and targets for their mitigation. (MINECO, April 2023)
- **[ES] Preliminary Draft Bill regulating the corporate reporting framework on environmental, social and governance issues**, which introduces to the Spanish regulation the CSRD novelties that had not been previously introduced in Law 11/2018. (MINECO, May 2023)
- **[US] Final joint guidance designed to help banking organizations manage risks associated with third-party relationships, including relationships with financial technology companies**. According to this guide, sound third-party risk management takes into account the level of risk, complexity, and size of the banking organization and the nature of the third-party relationship. Furthermore, it describes principles and considerations for banking organizations' risk management of third-party relationships and covers risk management practices for the stages of the life cycle of these relationships.



Regulatory outlook

In the coming quarter, both the EBA and BoE stress test results are expected to be published. In the sustainability area, the final Nature-related Financial Disclosures framework is expected to be published. Also due for publication, in the UK, is the Policy Statement on Sustainability Disclosure Requirements

Featured regulatory projections

1. Next quarter

- **(Global) Q3 2023:**
 - IAIS: final recommendations for the regulation of Crypto and Digital Assets (CDA).
 - IAIS-FSB: Revise the 2017 FSB Recommendations to mitigate vulnerabilities in open ended funds (OEFs) stemming from liquidity mismatch.
- **(Global) September 2023:**
 - TNFD: final Nature-related Financial Disclosures framework.
- **(Europe) July 2023:**
 - EBA: Stress Test results 2022/23.
- **(UK) Q3 2023:**
 - FCA: Policy Statement on sustainability disclosure requirements (SDR) and labelling of investments.
- **(UK) July 2023:**
 - BoE: Stress Test results for 2022.

2. Next year

- **(Global) Q4 2023:**
 - IAIS: i) Consultation on changes to certain ICP guidance with relation to climate risk, as well as supporting material; ii) final recommendations for the regulation of Decentralised Finance (DeFi).
- **(Europe) 2023:**
 - EBA: i) RTS on ESG disclosures for STS securitization; ii) review of RTS on sustainability disclosures PAI indicators; iii) CP on the Guidelines on ESG risks management; iv) Final report on prudential treatment exposures; v) CP on GL on institution's stress testing.
 - EIOPA: i) GL promoting supervisory convergence under SFDR, MiFID II, Taxonomy Regulation, CSRD, the Benchmarks Regulation; ii) Amending RTS on the PAI framework and certain product disclosures under SFDR; iii) RTS; ITS; and GL as required under MiCA; iv) RTS and ITS under DORA including as relates to ICT risk management and third party risk management under DORA²; v) RTS on the notifications for cross-border marketing and management of AIFs and UCITS; vi) revision of ITS on external credit assessment institution (ECAI) mapping for corporate ratings under the Capital Requirements Regulation (CCR) and Solvency II; viii) RTS on the minimum elements that should be included in a business reorganisation plan; ix) Revision of RTS on securitisation disclosure requirement (CP); x) Initiate one-off climate change stress test in cooperation with ESRB, ECB, EBA, ESMA².

¹ Published on 05/07/2023

² Draft RTS published on 19/06/2023

- **(Europe) End of 2023:**
 - EP/Council: Regulation laying down the requirements for artificial intelligence (AI Act).
 - **(Europe) December 2023:**
 - ECB: Manage C&E risks in an institution-wide approach, including business strategy, governance and risk appetite, as well as risk management, including credit, operational, market and liquidity risk management.
 - **(Europe) Q1 2024:**
 - EIOPA: i) Review of the digital transformation strategy, integrating it with the data and IT strategy, the SupTech Strategy and partially also the cyber underwriting strategy.
 - **(UK) 2023:**
 - UK.Gov: Consult on the UK Green Taxonomy.
 - PRA: Consultation paper setting the proposals to introduce a new regulatory framework on Diversity, Equity, and Inclusion (DEI) in the financial sector.
 - **(UK) Q4 2023:**
 - UK.gov: Consultation on the introduction of requirements for the UK's largest companies to disclose their transition plan if they have them.
 - **(USA) End of 2023:**
 - Fed: Conclusions obtained from the Pilot Climate Scenario Analysis Exercise (CSA).
- 3. More than a year**
- **(Europe) 2024:**
 - EBA: i) Final guidelines on ESG risk management; ii) Third revision of the SREP guidelines; iii) Final guidelines on stress testing of institutions; iii) Greenwashing report; iv) ITS on ESG reporting.
 - **(Europe) 2025:**
 - EIOPA: i) Implementation of a cyber incident reporting system - Centralised data centre.

Application dates

1. Next quarter

- **(Europe) July 2023**
 - Entry into force of EBA Guidelines on ML/TF risk factors and Guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services.
- **(Europe) September 2023:**
 - Data Governance Act of the EP/Council.
- **(UK) July 2023:**
 - FCA. i) Deadline for implementation of entity integration activities (Consumer Duty application plans); ii) Rules and guidance introduced by the Consumer Duty in relation to new and existing products or services that are open to sale.

2. Next year

- **(Europe) 2023:**
 - Implementation of the provisions amending the CRR III (EC proposal) concerning: i) certain provisions concerning own funds and eligible liabilities; ii) amendments on the prudential requirements of investment firms; ii) certain changes on definitions of entities to be included in the scope of prudential consolidation (e.g. definition of investment holding company); iii) treatment of defaulted exposures and iv) changes to the definitions of institutions to be included in the scope of prudential consolidation.
- **(Europe) December 2023:**
 - First date of reference for the disclosure of GAR.
 - ITS of the EIOPA on the amendments of supervisory reporting and disclosure requirements under Solvency II.
 - Implementation of the EBA technical package for phase 1 of version 3.3 of its reporting framework.
- **(Europe) January 2024:**
 - EBA Guidelines on resolvability.
 - EBA final guidelines on transferability.
 - CSRD: application for companies already subject to the NFRD.
 - MiCA Regulation of the EP/Council.
 - EC Delegated Act on Environmental Taxonomy.
 - EBA: Implementation of the EBA Guideline on ML/TF Risk Factors to include crypto-asset service providers (CASP).
 - Implementation of the EC Delegated Act adopting the first set of ESRS.

- **(Europe) February 2024:**
 - General application of the Digital Services Regulation (exceptions applicable as of November 2022).
- **(Europe) Q2- 2024- Q3 2024:**
 - Implementation of the ESMA stress test exercise for central counterparties (CCPs).
- **(Europe) June 2024:**
 - First date of reference for disclosure of additional (vs GAR) BTAR information.
 - First reference date for the implementation of the EBA Draft ITS amending Commission Implementing Regulation (EU) 2021/451 as regards reporting on IRRBB.
- **(UK) January 2024:**
 - Entry into force of the PRA reporting requirement for firms subject to a minimum leverage ratio requirement (LREQ).
- **(UK) May 2024:**
 - Entry into force of the PRA Policy Statement (PS 6/23) providing responses to comments to CP6/22 on MRM principles for banks.
- **(UK) June 2024:**
 - Labelling, naming and marketing requirements and initial disclosure of PS on sustainability disclosure requirements (SDR) and investment labelling.
- **(UK) July 2024:**
 - Rules and guidance introduced by the Consumer Duty in relation for closed products or services.

3. More than a year

- **(Europe) December 2024:**
 - ECB: Be fully in line with all supervisory expectations, including a robust integration of C&E risks in the institutions' stress testing framework and in the ICAAP.
- **(Europe) 2025:**
 - General application of the provisions amending the CRR which introduce revisions to the Basel III framework in Europe (Basel IV).
 - Member States shall adopt and publish the regulations and administrative provisions necessary to comply with CRD IV amendments.
- **(Europe) January 2025:**
 - DORA application
 - CSRD: application for large companies not currently subject to the NFRD.
- **(Europe) January 2026:**
 - CSRD: implementation for listed SMEs, as well as for small and non-complex credit institutions and captive insurance companies.
- **(UK) June 2025:**
 - FCA: i) first disclosures related to sustainable performance; ii) entity-level disclosures in the sustainability report (large entities).




Relevant publications

Summary of this quarter's most important publications

Theme	Title	Date	Page
 European Banking Authority			
Internal Models	• Draft RTS on the assessment methodology under which competent authorities verify an institution's compliance with the internal model	03/04/2023	12
ML/TF risks	• Guidelines on ML/TF risk factors and Guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services.	18/04/2023	16
Reporting	• Report on the impact and calibration of the Standardised Approach to Counterparty Credit Risk (SA-CCR)).	16/06/2023	21
Directive Mandate	• Guidelines on ML FT risk factors to extend the scope of these Guidelines to crypto-asset service providers (CASPs).	07/06/2023	22
Reporting Requirements	• Technical package for phase 1 of version 3.3 of its reporting framework.	13/06/2023	23
 European Commission			
Taxonomy	• Draft Environmental Delegated Act	13/04/2023	14
ESRS Norms	• Delegated Regulation setting the first set of ESRS	19/04/2023	25
Sustainability	• Legislative package on sustainable finance	23/06/2023	26
Payment Services	• Regulation on payment services and framework for financial data access	30/06/2023	35
 European Parliament/COUNCIL			
Crypto-assets	• The Regulation on markets in crypto-assets	6/05/2023	18
 European Securities and Markets Authority			
Resilience	• Fifth stress test Exercise for central counterparties (CCPs).	02/06/2023	20
 ESAs			
STS	• Final document on sustainability disclosures for simple, transparent and standardised (STS) securitizations.	30/05/2023	19
TPP	• Discussion paper on the criteria for assessing the criticality of ICT third-party service providers (TPPs) and the applicable supervisory fees.	13/05/2023	24
RTS & ITS	• Public consultation of RTS and ITS	27/06/2023	28

Summary of this quarter's most important publications

Theme	Title	Date	Page
	European Central Bank		
Internal Models	• Consultation on the revised Guide to internal models	29/06/2023	31
	ISSB		
Financial Information	• General sustainability-related and climate -related disclosure requirements	30/06/2023	33
	Bank of Spain		
Revolving Loans	• Revolving Credit Transparency Project Guide for institutions subject to its supervision	02/05/2023	40
	PRA		
Cyber stress test	• The findings from the 2022 cyber stress test (CST22)	18/04/2023	37
Risks	• Policy statement (PS5/23) on Risks from contingent leverage	19/05/2023	44
MRM Principles	• Policy statement (PS6/23) providing responses to comments to CP6/22 on MRM principles for banks	22/05/2023	45
Solvent exit planning	• PRA - CP10/23 – Solvent exit planning for non-systemic banks and building societies	18/06/2023	49
	MITECO		
ESG	• Preliminary Draft Bill regulating the corporate reporting framework on environmental, social and governance issues	10/05/2023	42
	MINECO		
Climate risks	• The Draft Royal Decree regulating the content of the reports on the estimation of the financial impact of the risks associated with climate change	20/04/2023	38
Data protection	• The consultation on the Royal Decree establishing a Sandbox for the testing of compliance with the proposed AI Regulation	23/05/2023	46
	Federal Reserve		
Valuations	• Proposed rule designed to ensure the credibility and integrity of models used in real estate valuations	14/06/2023	47
Risk Management	• Final joint guidance designed to help banking organizations manage risks associated with third-party relationships, including relationships with financial technology companies	19/06/2023	48
Stress Test	• 2023 stress test results	30/06/2023	50

Relevant publications

European publications



03/04/2023

Draft RTS on the assessment methodology under which competent authorities verify an institution's compliance with the internal model

1. Context

The Capital Requirements Regulation (CRR) specifies that the EBA has to develop regulatory technical standards setting out the assessment methodology that competent authorities (CAs) shall use when assessing institutions' internal models (IMA) for market risk. For being granted with the approval to use IMA approach, the institution is subject to a thorough and comprehensive examination, where the competent authority assesses the institution's internal model against the relevant regulatory provisions.

In this regard, the EBA has launched a public consultation on its draft Regulatory Technical Standards (RTS) with the aim of setting out a framework to enable CAs to verify institutions' compliance with the requirements applicable to their internal models under the Fundamental Review of the Trading Book (FRTB) rules.

2. Main points

• Governance requirements.

- It sets out how CA are to check the requirements for the set-up of the trading desks in the scope of the IMA. In particular:
 - The distinctive nature of the trading desk.
 - Where there is more than one head dealer, they must have responsibilities and authorities that are clearly separated.
 - Where one dealer is allocated to more than one trading desk, the tasks performed for one trading desk will not create potential conflicts with those performed for the other trading desk.
 - Transactions among trading desks must be consistent with the business strategies of those trading desks; CA must ensure that these transactions are not performed with the objective of reducing the own funds requirements for market risk or meeting the profit and loss attribution and the back-testing requirements.
- The CA must verify that, as part of the back-testing programmes, the institution also back-tests its expected shortfall directly.
- Furthermore, the RTS propose that institutions also consider environmental risk scenarios and their potential effect on the institutions' portfolio in terms of losses. Given the novelty of this requirement, the draft RTS propose that this aspect is assessed by the CA only from 1st January 2025.

• Internal risk-measurement model covering the expected shortfall and the stress scenario risk measure.

- Risk factors. The draft RTS specify that institutions should document whether there are risk factors that are included in the standardised approach but not in the internal risk-measurement model, and the rationale for the choice. They are also expected to monitor the impact of the exclusion, in terms of own funds requirements, as well as profit and loss attribution test results as set out in CRR.
- Proxies and data quality.
 - In relation to proxies, the draft RTS aim at ensuring that the institution uses a proxy only where data are insufficient and when doing so, that the proxy is sufficiently conservative and keeps track of the actual position held (as required by CRR). The draft RTS require CAs to perform several assessments for which there are provided concrete assessment techniques.
 - As regards data quality, it is specified what are the minimum checks that institutions should do on their time series, and they provide CAs with concrete techniques and relevant indicators to detect those time series that are affected by low data quality and require them to investigate what is the reason behind such low quality and assess the impact on the calculation of the own funds requirements.
- Treatment of Foreign-exchange (FX) and Commodity risk in the banking book. Institution's internal policies must set out which are those FX and Commodity positions in the banking book that are included in the scope of the internal model and those that are not, as well as the rationale for the choice. It also requires institutions to document the choices made along with their rationale.
- Back-testing and profit and loss attribution requirements. It is specified that institutions should have in place a daily report identifying the various elements making up the actual and hypothetical profit and losses.
- Calculation of the expected shortfall measure and the stress scenario risk measure. These RTS include concrete assessment methods ensuring, among others:
 - A correct implementation of the **effective liquidity horizon** as well as of the various scaling that institutions are to perform.
 - **A sound identification** of the reduced set of risk factors.
 - Where the institution uses the **derogation** to compute the unconstrained expected shortfall measures and the partial expected shortfall measures for the broad risk factor categories at a reduced frequency, the RTS ensure there is no underestimation of risk.
 - Historical data backtesting the **multivariate joint distribution** of the risk factors as well as correlation parameters to reflect the joint movement of those risk factors.



- **Internal default risk model.** As regards PD and LGD estimates, it is required that institutions have an inventory in place outlining how PDs and LGDs have been obtained for the default risk charge (DRC) model. Based on this inventory, the CA must run several checks that are tailored to the approach used by the institution to obtain PDs and LGDs. Among others, they include checks on the definition of default, on techniques used to rescale a PD to the applicable time horizon, and on the data used to estimate the PD and LGD.

3. Next steps

- Comments to this consultation can be sent before **26 June 2023**

13/04/2023

EC - Draft Environmental Delegated Act

1. Context

In June 2020, Taxonomy Regulation was published. This Regulation aims to help channel capital towards activities that substantially contribute to reaching the objectives of the European Green Deal. In 2021, the EC published the Taxonomy Climate Delegated Act and the Taxonomy Disclosures Delegated Act. In accordance with the mandates of the TR, on 2020 the EC asked the Platform on Sustainable Finance (PFS) for advice on the technical screening criteria (TSC) on remaining four environmental objectives, as well as on the possible need to update the criteria for the climate objectives of the EU Taxonomy, in order to assist the EC on the elaboration of the second delegated act for the remaining objectives of the TR.

In this context, the EC has launched a consultation period on the **Draft Environmental Delegated Act** which contains a new set of TSC for economic activities making a substantial contribution to one or more of the non-climate environmental objectives, namely: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems. The EC is also consulting on **proposed amendments to the Taxonomy Climate Delegated Act**, which sets out the TSC for the first two TR objectives for additional economic activities not yet included in that Delegated Act as well as limited amendments of a technical nature to some of the TSC for activities which were already included to improve the usability, coherence and implementation of that Delegated Act. Finally the EC has published proposed amendments to the Taxonomy Disclosures Delegated Act to ensure that the disclosure requirements laid down in it are consistent with the provisions of the Taxonomy Environmental Delegated Act. The criteria are informed to a very large extent by the recommendations of the PSF.

2. Main points

Text of the draft Environmental Delegated Act and amending the Disclosures Delegated Act

- This Delegated Act specifies the TSC under which certain economic activities in the sectors of **manufacturing, water supply, sewerage, waste management and remediation, construction, civil engineering, disaster risk management, information and communication, environmental protection and restoration and accommodation activities**, qualify as contributing substantially to the non-climate environmental objectives. For certain sectors and activities, such as agriculture, forestry or fishing, as well as certain manufacturing activities, a further assessment and calibration of criteria will be needed. Additionally, it establishes the TSC for determining whether those economic activities cause no significant harm (DNSH) to any of the other environmental objectives. All these TSC are established in the annexes of this Draft Delegated Regulation (Annex I, II, III and IV).
- This Delegated Act adds new disclosure dates for the new objectives and activities to the **Taxonomy Disclosures Delegated Act** (see also the annexes V, VI y VII):
 - From 1 January 2024 until 31 December 2024, non-financial undertakings shall only disclose
 - the **proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities** pursuant to Taxonomy Environmental Delegated Regulation and **the new activities added to the Climate Delegated Act** in their total turnover, capital and operational expenditure and the qualitative information relevant for that disclosure.
 - From 1 January 2024 until 31 December 2024, financial undertakings shall only disclose:
 - the **proportion in their covered assets of exposures to Taxonomy non-eligible and Taxonomy-eligible economic activities** pursuant to Taxonomy Environmental Delegated Regulation and **the new activities added to the Climate Delegated Act**.
 - the **qualitative information** on qualitative disclosures for asset managers, credit institutions, investment firms and insurance and reinsurance undertakings for these activities
 - From 1 January 2025 the KPIs of non-financial undertakings shall cover the economic activities set out in Taxonomy Environmental Delegated Regulation and the activities added to the Climate Delegated Act.
 - From 1 January 2026 the KPIs of financial undertakings shall cover the economic activities set out in Taxonomy Environmental Delegated Regulation and the activities added to the Climate Delegated Act.

Text of the draft amending the Climate Delegated Act.

- The additional economic activities that contribute substantially to **climate change mitigation** cover largely the transport sector and its value chain (more information on the activities in the Annex I):
 - New activities within the manufacturing sector:
 - Manufacture of automotive and mobility components
 - Manufacture of rail constituents
 - Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation
 - Manufacturing of aircraft
 - New activities within the transport sector:
 - Leasing of aircraft
 - Passenger and freight air transport
 - Air transport ground handling operations



- The additional economic activities that contribute substantially to **climate change adaptation** cover largely activities enabling adaptation to the unavoidable effects of climate change (more information on the activities in the Annex II):
 - New activity within the Water supply, sewerage, waste management and remediation sector: desanilisation.
 - New activity within the Construction of new buildings sector: civil engineering.
 - New activity within the Information and communication: software enabling climate risk management.
 - New activity within the Professional, scientific and technical activities: consultancy for climate risk management.
 - New sector added: disaster risk management (14) and new activities within this sector: emergency services and flood risk prevention and protection infrastructure.

3. Next Steps

This delegated acts shall enter into force on the [twentieth] day following that of their publication in the Official Journal of the European Union. They shall apply from **1 January 2024**.

18/04/2023

EBA - Guidelines on ML/TF risk factors and Guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services.

1. Context

Access to at least basic financial products and services is a prerequisite for people to participate in economic and social life. The EBA's assessment of the scale and impact of de-risking highlighted that while decisions not to establish or to end a business relationship, or not to carry out a transaction, may be in line with the European Union (EU) Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework, de-risking of entire categories of customers without due consideration of individual customers' risk profiles, especially the most vulnerable customers, can be unwarranted and a sign of ineffective money laundering and terrorist financing (ML/TF) risk management. In 2022, the European Commission asked the EBA to issue new guidelines on the steps credit and financial institutions (hereafter institutions) should take to facilitate access to financial services by those categories of customers that the EBA's analysis had highlighted as particularly vulnerable to unwarranted de-risking.

In this context, to clarify regulatory expectations, and tackle unwarranted de-risking, the EBA has issued two new sets of **Guidelines on ML/TF risk factors and Guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services**. These Guidelines aim to ensure that customers have access to the financial services they need to participate fully in society and that they are not denied such access on unfounded anti-money laundering and combating the financing of terrorism (AML/CFT) grounds or without a valid reason. These Guidelines will help foster a common understanding by institutions and AML/CFT supervisors of effective ML/TF risk management practices in situations where customers' access to financial products and services, particularly the most vulnerable, must be safeguarded.

2. Main points

Guidelines on ML/TF risk factors

- When assessing the risk profile of a **customer or prospective customer that is a non-profit organisation (NPO)** for the first time, as not all NPOs are exposed in a similar way to ML/TF risk, and institutions should take risk-sensitive measures to understand, among others: i) governance and exertion of control; ii) reputation/adverse media findings; iii) funding methods; and iv) operations in jurisdictions associated with higher ML/TF risks and high-risk third countries.
- Institutions should also consider at least the following factors that may contribute to **reducing risks**:
 - Roles and responsibilities of the NPO's governing body and its managers have to be clearly documented.
 - The NPO's legal requirement to annually disclose its financial statements or to issue an annual report that identifies the sources of funds, the main purpose of the NPO's activities and the categories of beneficiaries of its programmes.
 - The NPO's ability to demonstrate that it is or has been subject to independent reviews or external audits.
 - The good public reputation the NPO enjoys according to relevant, reliable and independent sources.
 - The funding the NPO receives from governments, supranational or international organisations that are not associated with high-risk third countries or with jurisdictions with higher ML/TF risks. In addition, the source of the NPO's funds can be clearly established.
 - The lack of links with high-risk third countries by the NPO, or if it has, the NPO can demonstrate that it has taken appropriate steps to mitigate the ML/TF risks.
 - The NPO's activities and beneficiaries do not expose it to higher ML/TF risks.
 - The NPO only delivers assistance and support to individuals through direct material help, such as providing IT equipment or medical devices.
- In the event the NPO is conducting **activities in jurisdictions subject to EU or United Nations (UN) sanctions**, institutions should establish whether the NPO benefits from any provisions related to humanitarian aid and derogations in EU/UN financial sanctions regimes. When deciding how to service these customers and in accordance with their own asset freezing obligations, institutions should obtain evidence that provide reasonable assurance that the NPO conducts its activities in these jurisdictions in line with the exemptions provided in the regime, or that it benefits from a derogation granted by a relevant competent authority.
- For initial screening purposes and throughout the business relationship once it is established, institutions should take the steps necessary to **understand how the NPO operates** and conducts its operations. Institutions that are likely to have NPO customers, for example because they provide money transfer services or current account services, should consider establishing a dedicated contact point for this specific category of customers to have a good understanding of the way the sector is set up and operates.



Guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services

- Institutions should set up their policies, controls and procedures in a way that enables them to identify relevant risk factors and to assess ML/TF risks associated with individual business relationships in line with the EBA ML/TF risk factors guidelines. The following guidelines are proposed for this institutions regarding **risk assessment**:
 - To differentiate between the risks associated with a particular category of customers and the risks associated with individual customers that belong to this category.
 - To ensure that the implementation of these policies, procedures and controls does not result in the blanket refusal or termination of business relationships with entire categories of customers that they have assessed as presenting higher ML/TF risk.
- Regarding **customer due diligence (CDD)**, institutions are recommended to apply the following measures:
 - To put in place risk-sensitive policies and procedures to ensure that their approach to applying CDD measures does not result in them unduly denying customers legitimate access to financial services.
 - Before taking a decision to reject or to terminate a business relationship, to satisfy themselves that they have considered and rejected all possible mitigating measures that could reasonably be applied in the particular case, taking into account the ML/TF risk associated with the existing or prospective business relationship.
- For the purposes of **reporting and recording obligations**, EBA proposes the following guidelines:
 - To set out in their policies and procedures the criteria that will be used to determine the reasonable grounds on which they would suspect that ML/TF is taking place or is being attempted.
 - To document any decision to refuse or terminate a business relationship and the reason for doing so, and should be prepared to make this documentation available to their competent authority upon request.
- There are provisions specific to the **interplay with Directive 2014/92/EU** on the comparability of payment account fees, the transfer of payment accounts and access to basic payment accounts and access to basic payment accounts:
 - Institutions obliged to offer such basic accounts should set out in their account opening policies and procedures how they can adjust their CDD requirements to take into account the limited functionalities of a basic payment account. In particular, the fact that these functionalities help to mitigate the risk that the customer could abuse these products and services for financial crime purposes.
 - When ensuring non-discriminatory access to a basic payment account, institutions should make sure that where digital onboarding solutions are in place, these also comply with the aforementioned directive and with these guidelines and that the digital solutions do not produce automated rejections.
 - Over time and as their understanding of the ML/TF risk associated with individual business relationships grows, institutions should update the individual risk assessment of the customer and adjust the extent of monitoring and the type of products and services for which that customer is eligible.
- There are guidelines proposed with the objective of **adjusting the intensity of monitoring measures** in their policies and procedures:
 - To set out how they adjust the level and intensity of monitoring in a way that is commensurate with the ML/TF risk associated with the customer and in line with the customer's risk profile.
 - Implementation of guidance on handling applications from individuals that may have credible and legitimate reasons to be unable to provide traditional forms of identity documentation.
- **Targeted and proportionate limitation of access to products or services** can be achieved through the following proposals:
 - By including into policies and procedures, where permitted by national law, options and criteria on adjusting the features of products or services offered to a given customer on an individual and risk-sensitive basis.
 - By ensuring that controls and procedures specify that possible limitations of products and services are applied taking into consideration the personal situation of the individuals, the ML/TF risks associated therewith and their basic financial needs.

3. Next Steps

These guidelines will apply **three months** after publication in all EU official languages.

26/05/2023

EP/COUNCIL -the Regulation on markets in crypto-assets

1. Context

As part of the larger digital finance package, the European Commission (EC) published in 2020 the proposal of Regulation on markets in crypto-assets with the objective of developing a European approach that fosters technological development and ensures financial stability and consumer protection.

In this context, the EP and Council have adopted the **Regulation on markets in crypto-assets** which for the first time, sets a European Union (EU) level legal framework for this sector. This Regulation lays down uniform requirements for the offer to the public and admission to trading on a trading platform of crypto-assets: i) other than asset-referenced tokens and e-money tokens; ii) of asset-referenced tokens; and iii) of e-money tokens, as well as requirements or crypto-asset service providers.

2. Main points

- **Scope of application.** The Regulation applies to natural and legal persons and certain other undertakings that are engaged in the issuance, offer to the public and admission to trading of crypto-assets or that provide services related to crypto-assets in the EU.
- **Crypto-assets other than asset-referenced tokens or e-money tokens.** It is not allowed to make an offer or admit to trading to the public of a crypto-asset other than an asset-referenced token or e-money token in the EU unless that person: i) is a legal person; ii) has drawn up, notified and published a crypto-asset white paper; iii) has drafted and published the marketing communications.
 - A crypto-asset white paper shall contain, among others: i) information about the offeror or the person seeking admission to trading; ii) information about the issuer, if different from the offeror or person seeking admission to trading; iii) information about the operator of the trading platform; iv) information about the crypto-asset project.
 - Marketing communications, shall comply with all of the following requirements: i) clearly identifiable as such; ii) information in the marketing communications is fair, clear and not misleading; consistent with the information in the crypto-asset white paper and clearly state that a crypto-asset white paper has been published.
 - The notification of the crypto-asset white paper and of the marketing communications will be sent to the competent authority of their home Member State.
- **Asset-referenced tokens.**
 - Authorisation to offer asset-referenced tokens to the public and to seek their admission to trading. In general, it is not allowed to make an offer to the public or seek the admission to trading, of an asset-referenced token, within the EU, unless the issuer is: i) a legal person that is established in the EU; ii) credit institution that complies the requirements established in the Regulation (e.g., draws up a crypto-asset white paper and notifies the respective competent authority).
 - Obligations of issuers of asset-referenced tokens. Issuers of asset-referenced tokens shall act honestly, fairly and professionally and shall communicate with the holders and prospective holders of asset-referenced tokens in a fair, clear and not misleading manner.
 - Reserve of assets. Issuers of asset-referenced tokens shall constitute and at all times maintain a reserve of assets.
- **E-money tokens.**
 - Requirements for the offer to the public or admission to trading of e-money tokens. A person shall not make an offer to the public or seek admission to trading of an e-money token, within the EU, unless that person is the issuer of such e-money token and is authorised as a credit institution or as an electronic money institution and has notified and published a crypto-asset white paper to the competent authority.
- **Authorisation conditions for crypto-assets service providers.** It is not allowed to provide crypto-asset services, within the Union, unless that person is: i) a legal person that has been authorised as crypto-asset service provider; ii) a credit institution, central securities depository, investment firm, market operator, electronic money institution, undertakings for collective investment in transferable securities management company, or an alternative investment fund manager.

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.
- It shall apply **18 months** after entry into force



30/05/2023

ESAs - Final document on sustainability disclosures for simple, transparent and standardised (STS) securitizations.

1. Context

In November 2019, the European Parliament (EP) and Council published the Regulation on sustainability-related disclosures in the financial services sector (SFDR), which requires manufacturers of financial products and financial advisers to end-investors to consider the principal adverse impacts (PAI) of investment decisions on sustainability factors. However, securitisation is not a financial product covered by the SFDR. Therefore, the capital markets recovery package (CMRP) introduced in 2021 the option for originators of simple, transparent and standardised securitisations (STS) to disclose specific information regarding the consideration of adverse impacts on sustainability factors. The ESAs were mandated to develop RTS to adapt SFDR to the specificities of securitisations. In this context, on 2 May 2022 the ESAs issued a Consultation Paper (CP) setting out the Draft RTS.

In this context, the ESAs have published the **final document on sustainability disclosures for STS securitizations**, which provides the content, methodologies, and presentation of information about the principal adverse impacts on sustainability factors of the assets financed by the underlying exposures of securitisations in order to help market participants make informed decisions about the sustainability impact of their investments.

2. Main points

- **Format of disclosure.** Disclosure is achieved by use of a Principal adverse impact statement (PAI statement) presented in the template set out in the Annex of this draft RTS.
- **Sustainability policies.** The originator shall provide a concise explanation of whether and, if so, how PAIs on sustainability factors are taken into account in the originator's credit granting criteria and in the selection of underlying exposures to be added to the pool at the time of marketing.
- **Indicators to be reported in the annual PAI sustainability statement.** There is a set of mandatory indicators and a set of additional indicators (social/governance and environmental). Of the additional ones, the use of at least one social/governance and at least one environmental indicator is required. The mandatory indicators for each type of asset are:
 - Non-green asset ratio. The requirement for originators to disclose the proportion of non-green assets ratio (i.e. 100% of assets minus GAR) in the PAI statement has been removed.
 - Indicators relating to residential real estate. It includes two types of indicators: i) the exposure to energy-inefficient real estate assets; and as a novelty with regard the CP ii) the exposure to fossil fuels through real estate assets. Furthermore, the final RTS allows originators to provide information on any further indicator that they consider as relevant.
 - Indicators relating to auto loans and leases. These include: i) exposure to vehicles that do not comply with relevant emission thresholds; ii) exposure to vehicles which fail to meet air pollution thresholds and standards.

3. Next steps

- These RTS will be endorsed by the European Commission (EC) within 3 months of their publication and will enter into force **20 days** after their publication in the Official Journal of the EU.

02/06/2023

ESMA - Fifth stress test Exercise for central counterparties (CCPs).

1. Context

One of the objectives of Regulation (EU) No 648/2012 on OTC derivatives, central counterparties (CCPs) and trade repositories (EMIR) is to promote central clearing and ensure safe and resilient CCPs. Therefore, ESMA shall at least annually, in cooperation with the European Systemic Risk Board (ESRB), initiate and coordinate Union-wide assessments of the resilience of CCPs to adverse market developments.

In this context, and following this mandate, the ESMA has launched the **fifth stress test Exercise for CCPs** with the objective of: i) assess the resilience of CCPs to adverse market developments; ii) identify any potential shortcomings in the CCPs' resilience; iii) issue recommendations as appropriate.

2. Main points

- **Scope.** The exercise covered 14 authorised EU CCPs and two UK CCPs classified as Tier 2.
- **Credit stress.** The aim is to assess the sufficiency of CCPs' resources to absorb losses under a combination of market price shocks and member default scenarios. ESMA plans to identify additional theoretical market stress scenarios and assess their impact. The additional theoretical scenarios will need to be defined after receiving and analysing CCPs' cleared exposures.
- **Concentration risk.** The aim is to assess the impact of liquidation costs derived from concentrated positions. The analysis will consist of the identification of the concentrated positions present in the portfolios of CCPs and the estimation of the potential liquidation costs that could be derived from having to close these out in case of clearing member defaults.
- **Liquidity Stress.** Assess the sufficiency of CCPs' liquid resources under a combination of market price shocks, member/liquidity provider default scenarios and additional liquidity stress assumptions. This exercise is not designed to check compliance of CCPs with regulatory requirements or identify deficiencies in individual CCPs' stress testing frameworks.
- **Climate risk.** Assess the degree to which the CCP's business model is affected by the transition to a carbon-neutral economy, the consequences of the transition on the collateral posted by clearing members, and explore the impact of physical risk on CCPs. The climate stress test is categorized in pillars:
 - Approach to business model risk. Will assess how long-term transition to a carbon-neutral economy can affect the CCP.
 - Approach to collateral replacement risk. Will explore how, over the long term, a change in the valuation or in the eligibility of assets used as collateral would force market participants to replace or top-up the amount of assets.
 - Approach to physical risk. Will assess the likelihood and/or the severity that an extreme weather event could impact the CCP and its ecosystem, in particular its clearing members.
- **Reverse Stress.** Increases the severity of the contemplated scenarios and identifies breaking points of the eco-system for credit, concentration and liquidity risks.

3. Next steps

- The data submitted by the reporting entities will first be validated by ESMA and the National Competent Authorities (NCAs) and later analysed. The results are scheduled to be published in a final report in **H2 2024**.



06/06/2023

EBA - Report on the impact and calibration of the Standardised Approach to Counterparty Credit Risk (SA-CCR).

1. Context

Article 514 of the Capital Requirements Regulation (CRR) requests the EBA to report to the European Commission (EC) on the impact and relative calibration of the three new standardised approaches to calculate the exposure values (EV) of derivative transactions under the counterparty credit risk (CCR) framework, introduced by Regulation of the European Union (EU) 2019/876 (CRR2). The CRR2 implemented the Standardised Approach to Counterparty Credit Risk (SA-CCR) into EU legislation, replacing both the Mark-to-Market Method (MtM) and the Standardised Method (SM) for calculating the exposure value of derivatives transactions. In addition, the CRR2 introduced a simplified version of SA-CCR (simplified SA-CCR) and revised the Original Exposure Method (OEM) for institutions with smaller derivative business.

In this context, the EBA has published its **Report on the impact and calibration of the SA-CCR, simplified SA-CCR and OEM**. The impact of setting alpha equal to 1 under SA-CCR for the purposes of the output floor (OF) on a permanent basis is also analysed.

2. Main points

- **Scope.** The report uses four samples which differ significantly in terms of size and composition. To avoid double-counting, only credit institutions at the highest level of EU and the European Economic Area (EEA) are included in the samples.
 - COREP sample (1306 institutions – used to analyse the EU landscape regarding CCR)
 - Impact sample Quantitative Impact Study (QIS) (65 institutions)
 - QIS calibration sample (40 institutions)
 - QIS cumulative sample (160 institutions – used for the OF analysis)
- **Main conclusions of the report:**
 - Estimated aggregate impact from the introduction of new counterparty credit risk (CCR) standard methods in the EU in terms of exposure value (EV) decreases 7.2% (+31% for the median bank). Larger banks mainly experienced negative impacts while banks with smaller derivative business displayed large positive impacts on CCR, but limited impact on total credit risk.
 - Derivative business mainly moved from the Mark-to-Market Method to the SA-CCR. Compared to the old methods, margined business is better recognised under SA-CCR.
 - In terms of calibration, compared to the internal model method (IMM), SA-CCR produces EV figures 60% higher on average (+40% for the median bank).
 - Simplified SA-CCR EV figures are on average 60% higher than the SA-CCR ones (+40% for the median bank).
 - Setting alpha equal to 1 on a permanent basis under SA-CCR for the purposes of the OF reduces the impact of the Output Floor only marginally (-0.2%).

3. Next steps

- For CCR III, **until 31 December 2029**, institutions with IMM permission shall replace alpha by 1 in the SA-CCR calculation of the exposure value for their derivative contracts. Such alpha value can be permanently modified for the purpose of the Output Floor by the EC, taking into account this EBA Report.

07/06/2023

EBA – Guidelines on ML FT risk factors to extend the scope of these Guidelines to crypto-asset service providers (CASPs).

1. Context

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

In this context, the EBA has issued a consultation paper (CP) witch amends **Guidelines on ML FT risk factors to extend the scope of these Guidelines to crypto-asset service providers (CASPs)**. The amending guidelines highlight specific risk factors that reflect specific features of crypto assets and CASPs, and emphasise the need for secure remote onboarding tools to be put in place by credit and financial institutions.

2. Main points

- **Amendments.** Minor changes to general and sector - specific Guidelines have been introduced on ML/TF risk factors. The main novelty is the introduction of guideline 21.
 - **Sectoral guideline for CASPs (Guideline 21).** CASPs should be mindful that they are exposed to ML/TF risks due to specific features of their business model and technology used as part of their business which allows them to transfer crypto assets instantly across the world and onboard customers in different jurisdictions.
- **Risk factors.**
 - Product, services and transactions. The following factors, among others, may contribute to increasing risk: i) products that allow payments from third parties that are neither associated with the product nor identified upfront; ii) products involving new business practices. On the other hand, there are factors that contribute to reduce risk: i) products with reduced functionality; ii) products which permit transactions between the customer's account and crypto-asset accounts; iii) products that are available only to certain categories of customers.
 - Customer. It distinguish factors that may contribute to increasing risk depending on the nature of the customer (e.g., a company, which has been recently established and is processing large volumes of transactions) and on the customer's behaviour (e.g., tries to open multiple crypto asset accounts with the CASP). There are also factors that contribute to reducing risk (e.g., where the customer is well known to the CASP through previous business relationships).
 - Country or geographical. As a factor contributing to the increased risk, it stand out where the customer's funds that are exchanged to crypto assets are derived from personal or business links to jurisdictions associated with higher ML/TF risk. As a factor contributing to reducing risk is where the transfer comes from or is sent to a crypto asset account or a distributed ledger address that is hosted by a provider of services in crypto assets ecosystem that is regulated and supervised outside the EU.
 - Distribution channel. It contributes to increasing risk, when the business relationship is established by using remote customer onboarding solutions that are not compliant with the EBA's Guidelines on this regard. As a factor contributing to reducing risk is when CASPs places reliance on customer due diligence measures applied by a third party in accordance with the Directive on the prevention of the use of the financial system for the purposes of ML/TF.
- **Measures.** CASPs should ensure that they have adequate transaction monitoring and advanced analytics tools in place that are commensurate to the nature and volume of the CASP's activities, including the type of crypto assets made available for trading or exchanged.

3. Next steps

- Comments to this CP can be submitted by **31 August 2023**.
- The Guidelines will apply **6 months** after their publication on the EBA website.



13/06/2023

EBA - Technical package for phase 1 of version 3.3 of its reporting framework..

1. Context

The EBA specifies reporting requirements and gathers the technical information related to the Validation rules, the EBA Data Point Model(s) (DPM) as well as the eXtensible Business Reporting Language (XBRL) Taxonomies, with the objective of providing a comprehensive overview of the reporting requirements applicable for each reference date.

In this context, the **EBA has published the technical package for phase 1 of version 3.3. of its reporting framework.** The technical package provides standard specifications and includes the validation rules, the DPM and the XBRL taxonomies for this phase.

2. Main points

- **Amended reporting requirements.** The EBA reporting framework v3.3 includes the following amended reporting requirements:
 - Integration of the intermediate European Union (EU) parent undertakings (IPU) threshold monitoring templates into DPM and XBRL taxonomies.
 - Updates to the Implementing Technical Standards (ITS) on disclosures and reporting on minimum requirement for own funds and eligible liabilities (MREL) and total loss absorbing capacity (TLAC), in response to the daisy chain amendments introduced by the Banking Package 2021.
 - Amendments to the ITS on Supervisory Benchmarking, including the expansion of the IFRS9 benchmarking exercise to high default portfolios, new market risk templates on default risk charge and residual risk add-on, as well as other minor updates and corrections.
 - Integration of ESG pillar 3 disclosures into DPM and taxonomy.

3. Next steps

- The EBA's reporting framework 3.3 will apply from **December 2023.**

13/06/2023

ESAs -discussion paper on the criteria for assessing the criticality of ICT third-party service providers (TPPs) and the applicable supervisory fees

1. Context

On December 2022 the European Parliament (EP) and the Council published the Digital Operational Resilience Act (DORA) of the Financial Sector which aims to ensure the financial sector in Europe is able to stay resilient through a severe operational disruption, by creating a regulatory framework on digital operational resilience whereby all firms need to make sure they can withstand, respond to and recover from all types of ICT-related disruptions and threats. In this sense, the European Commission (EC) requested a technical advice from the ESAs to further specify the criteria for identifying ICT CTPPs and to determine the fees applicable to such providers.

In this context, The European Banking Authority (EBA), European Securities and Markets Authority (ESMA), European Insurance and Occupational Pensions Authority (EIOPA), have published a **discussion paper on the criteria for assessing the criticality of ICT third-party service providers (TPPs) and the applicable supervisory fees**, in preparation for the issuance of their technical opinion.

2. Main points

- **Two-step assessment.** The ESAs have proposed a methodology for the assessment of the criticality assessment of the TPPs by supervised companies, based on a set of indicators in two steps of assessment. In the first step, all ICT TPPs are assessed against a set of quantitative indicators with minimum thresholds of relevance. In the second step, those that exceed the above thresholds will undergo a new assessment based on an additional set of criticality indicators.
- **Criteria typology.** The indicators are classified according to criteria and assessment step, the criteria being the following: i) impact on service provision; ii) importance of financial institutions; iii) critical or important functions; and iv) degree of substitutability.
- **CTPP oversight fees.** The ESAs has proposed methods of calculations of the oversight fees resulting in: i) fixed fees, e.g. registration, recognition and certification fees to be paid by financial entities; and ii) annual supervisory fees, on the basis of the principle of annuality and the principle of full cost recovery, they are calculated based on the estimated (direct and indirect) costs to be incurred by the ESAs to perform their tasks.

3. Next steps

- Comments to the discussion paper can be submitted by **23 June 2023**.
- The ESAs must issue their technical opinion by **30 September 2023**.



19/06/2023

EC - Delegated Regulation setting the first set of ESRS

1. Context

On 21 April 2021 the EC adopted a legislative proposal for a Corporate Sustainability Reporting Directive (CSRD) which would oblige companies under scope to report in compliance with European Sustainability Reporting Standards (ESRS). Under the proposed CSRD, EFRAG was mandated to develop draft of these standards. In this sense, the EFRAG published in November 2022 the final version of the ESRS setting out the requirements that undertakings shall comply to report on sustainability-related impacts, risks and opportunities under the CSRD. However, the EC was to pronounce on these EFRAG standards and adopt them by Delegated Act.

In this context, the EC has published the draft **Delegated Regulation setting the first set of ESRS**, amending EFRAG's standards. The information shall enable the understanding of the undertaking's impacts on those matters and how they affect the undertaking's financial development, performance and position

2. Main points

- **Materiality.** All standards and all disclosure requirements and data points within each standard will be subject to materiality assessment by the undertaking, with the exception of the disclosure requirements specified in the General disclosures standard (ESRS 2) (the mandatory reporting requirement for ESRS E1 - Climate Change and ESRS S1 - Own Workforce, Disclosure Requirements (DRs) 1 to 9).
- **Phasing-in certain requirements.** In the Annex regarding the list of phased-in Disclosure Requirements, it is stated that:
 - Undertaking with less than 750 employees may omit: scope 3 GHG emissions data and the disclosure requirements specified in the standard on own workforce (ESRS S1) in the first year that they apply the standards; and the disclosure requirements specified in the standards on biodiversity (ESRS E4), on value-chain workers (ESRS S2), affected communities (ESRS S3), and consumers and end-users (ESRS S4) in the first two years that they apply the standards.
 - All undertakings may omit the following information in the first year that they apply the standards: anticipated financial effects related to non-climate environmental issues (pollution, water, biodiversity, and resource use); and certain datapoints related to their own workforce (social protection, persons with disabilities, work-related ill-health, and work-life balance).
- **Making certain disclosures** voluntary. The EC has further converted a number of the mandatory datapoints proposed by EFRAG into voluntary datapoints. This includes, for example: i) biodiversity transition plans; ii) certain indicators about non-employees in the undertaking's own workforce.
- **Further flexibilities in certain disclosures.** The EC has modified datapoints regarding corruption and bribery and regarding the protection of whistle-blowers that might be considered to have infringed on the right not to self-incriminate.

3. Next steps

- Comments to this draft can be sent before **7 July 2023**.
- This Delegated Act applies from **1 January 2024** to the undertakings that were already subject to the non-financial reporting requirements introduced by the Non-Financial Reporting Directive (NFRD) in line with the applicability of CSRD.

23/06/2023

EC – Legislative package on sustainable finance

1. Context

In 2021, the EC published a study on Sustainability Related Ratings, Data and Research which stated the lack of clarity over the operations of Environmental, Social and Governance (ESG) rating providers. Furthermore, the EC launched a public consultation on ESG ratings, the feedback confirmed concerns with the lack of transparency of ESG ratings methodologies and objectives.

On the other hand, in April 2023, EC launched a consultation period on the Draft Environmental Taxonomy Delegated Act which develops the environmental objectives (3-6) along with new activities for the objectives 1 and 2. Additionally, the EC proposed amendments on the Taxonomy Disclosures Delegated Act to ensure that the disclosure requirements laid down in were consistent with the new provisions of the Taxonomy Environmental Delegated Act.

In this context, the EC has published a **legislative package on sustainable finance**, adding new activities to the EU Taxonomy and proposing new rules for ESG rating providers, which will increase transparency on the market for sustainable investments. Finally, the package also includes recommendations to facilitate transition finance.

2. Main points

Environmental Delegated Act and amending the Disclosures Delegated Act

- **Activities making substantial contribution to the sustainable use and protection of water and marine resources – Annex I:** The technical screening criteria have been adjusted (e.g., by simplifying those that are too ambitious or complex) concerning the following activities: Urban Waste Water Treatment and nature based solutions.
- **Activities making substantial contribution to the transition to a circular economy– Annex II:** For manufacturing, changes were mostly focused on improving the usability of the criteria, particularly these changes regards to the manufacturing of plastic packaging goods and manufacturing of electrical and electronic equipment. Regarding construction and real estate activities changes were introduced to the technical screening criteria to provide clarifications or definitions of some terms used and to align the wording. Modifications were also introduced for the activity Provision of IT data-driven solutions to make it coherent with the related activity for the water objective. As regards waste and water activities as well as services activities, most changes were in the technical screening criteria in order to provide clarifications.
- **Activities making substantial contribution to the pollution prevention and control – Annex III:** As regards manufacturing of active pharmaceutical ingredients or drug substances and of pharmaceutical products, as well as waste and remediation activities, changes were mostly in the technical screening criteria or aimed to help clarify the activity description or the application of these criteria.
- **Activities making substantial contribution to the protection and restoration of biodiversity and ecosystems – Annex IV:** Targeted changes were made to the conservation activity and the tourism activity.
- **Changes to the Taxonomy Disclosures Delegated Act – Annexes V to VIII:** Corrections in the technical screening criteria were made including in particular the harmonisation of codes for economic activities and further consistency and usability improvements across the Annexes of the Disclosures Delegated Act for non-financial and financial undertakings. Additionally amendments have been introduced in the reporting dates, particularly the reporting period for eligible activities of the financial undertakings, which now will be from from 1 January 2024 until 31 December 2025.

Text amending the Climate Delegated Act

- **Activities making substantial contribution to climate change mitigation – Annex I:** Clarifications in the technical screening criteria have been included in the new activities of manufacturing automotive components, rail constituents and electrical equipment. Regarding the adjustments to the waterborne transport activities, the main change concerns specific additions concerning maritime activities. Finally, some changes have also been included the aviation activities to improve usability.
- **Activities making substantial contribution to climate change adaptation – Annex II:** On the one hand, descriptions of the activities have been changed to: i) extend the scope (desalination) and ii) add limitations to the newly covered activities addressing potential overlaps between these activities and other closely related activities already covered in the Taxonomy Climate Delegated Act or the Taxonomy Environmental Delegated Act (software, consultancy, emergency services and flood risk prevention and protection infrastructure). On the other hand, changes to the DNSH criteria were introduced to ensure coherence between activities across the delegated acts, and to better reflect the scope of different activities e.g. in the software activity. Finally, the activity Civil engineering was removed.



Proposal for a Regulation on the transparency and integrity of ESG rating activities.

- **Scope.** This Regulation would apply to ESG ratings issued by ESG rating providers operating in the EU that are disclosed publicly.
- **Authorisation to provide ESG ratings in the EU.** Legal persons established in the EU that wish to provide ESG ratings shall apply for authorisation to ESMA.
- **Integrity and reliability of ESG rating activities.**
 - Organisational requirements, processes and documents concerning governance. ESG rating providers shall ensure the independence of their rating activities, including from all political and economic influences or constraints and shall employ systems, resources and procedures that are adequate to comply with this Regulation. Also, they shall ensure that rating analysts, employees and any other natural person whose services are placed at its disposal or under its control and who are directly involved in the provision of ESG ratings, have the knowledge and experience that is necessary for the performance of the duties and tasks assigned. Furthermore, they shall have in place and publish on their website procedures for receiving, investigating and retaining records concerning complaints made.
 - Transparency requirements. ESG rating providers shall disclose on their website the methodologies, models and key rating assumptions they use in their rating activities. In addition, shall have in place robust governance arrangements, including a clear organisational structure with well-defined, transparent, and consistent roles and responsibilities for all persons involved in the provision of an ESG rating.

Recommendation on facilitating finance for the transition

- **Scope.** This Recommendation is addressed to undertakings that want to contribute to the transition to climate neutrality and environmental sustainability, while enhancing their competitiveness and are seeking finance for investments for this purpose. It is also addressed to financial intermediaries and investors, as well as Member States.
- **Sustainable finance tools to determine and articulate transition finance needs.** Undertakings can consider their transition finance needs based on their sustainability impacts, risks and opportunities. These can be identified through a materiality assessment. To determine their transition finance needs, undertakings could start by setting transition targets.
- **Use of credible transition pathways to set science-based targets.** Undertakings can use publicly available cross-sectoral or sector-specific decarbonisation scenarios and pathways.
- **Use of climate benchmark.** Undertakings can use methodologies used for EU climate benchmarks to complement science-based scenarios or pathways.
- **Green or other sustainability loans.** If an undertaking has transition finance needs, it can seek specific types of loans such as sustainability-linked loans, green loans or other specific purpose loans. Undertakings can also issue capital market instruments or specific bond types.

3. Next steps

- The new Delegated Acts shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union and will apply from **1 January 2024**.
- The proposal for a Regulation on ESG rating shall enter into force on the **20th** day following that of its publication in the Official Journal of the EU and it shall apply **6 months after**.

27/06/2023

ESAs - Public consultation of RTS and ITS

1. Context

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

In this context, the ESAs have launched a **public consultation of RTS and ITS** which aim to ensure a consistent and harmonised legal framework in the areas of ICT risk management, major ICT-related incident reporting and ICT third-party risk management.

2. Main points

RTS on ICT risk management framework

Within the RTS, two levels of Risk Management Framework are defined, a general one and a simplified one for the entities mentioned in Article 16 of DORA (e.g. small and non-interconnected firms). The main elements to be included in the Risk Management Framework are:

- **ICT securities policies, procedures, protocols and tools.** Financial entities shall ensure that they design, acquire and implement ICT security policies, procedures, protocols and tools that are integrated into the ICT risk management framework, with the objective of ensuring the resilience, continuity and availability of ICT systems, especially those that support critical functions. They must also maintain high levels of availability, authenticity, integrity and confidentiality of data at rest, in use, and in transit. In this regard, the following 9 elements are addressed, providing details on the measures expected in each: i) governance; ii) ICT Risk Management; iii) ICT Asset Management; iv) encryption and cryptography; v) ICT Operation Security; vi) network Security; vii) project and Change Management; viii) physical and Environmental Security; ix) ICT and information security awareness and training.
- **Human resources policy and access control.** As part of their human resource policy, financial entities shall include ICT security related elements throughout the entire employee relationship lifecycle (from recruitment to termination of the contractual relationship). Identity management policies and procedures are to be developed and implemented, enhancing leading practices in strong authentication methods and access controls.
- **ICT related incident detection and response.** Financial entities shall set clear roles and responsibilities to effectively detect and respond to ICT-related incidents and anomalous activities to ensure the security and continuity of their operations.
- **ICT business continuity management.** Financial entities shall include in the ICT business continuity policy, among others: i) definition of the objectives, including the interrelation of ICT and overall business continuity; ii) definition of the scope covered by the ICT business continuity plan; iii) scope and timeframe of the continuity policy, as well as the crisis communication and governance plan; iv) alignment of this continuity plan with the rest of the plans of the same type existing in the financial institution. Additional requirements are also established for central counterparties and central securities depositories, the testing of the continuity plan itself, taking into account the business impact analysis (BIA) and the risk assessment performed and its annual review. In addition to the business continuity plan, response and recovery plans are established to identify the most relevant disruptive scenarios (cyber-attacks, failure of critical functions or third-party services, etc.) and define alternative recovery options and measures to mitigate possible damage caused by failures in the services provided by third parties.
- **Report on the ICT risk management framework review.** Article 6 of the DORA requires financial entities to report annually (or upon request in the case of institutions subject to the simplified framework) on the status of the technology risk management framework. This RTS specifies that this report must be approved by the Entity's management body, be reported in a searchable electronic format and include elements such as i) introductory section identifying the financial institution and setting out an executive summary of the current status and main changes since the previous report ii) reasons for the review iii) timeframe of the review, as well as identification of those responsible iv) summary of results and measures taken to remediate identified deficiencies v) overall conclusions and next steps.

RTS on criteria for the classification of ICT-related incidents

- **Classification criteria.** It proposes 7 different classification criteria for ICT-related incidents or, as applicable, operational or security payment-related incidents. In addition, the document proposes that some of these criteria should have different weights in the classification of major incidents. In particular, the primary criteria are: i) clients, financial counterparts and transactions affected; ii) data losses iii) critical services affected; secondary criteria are considered to be: iv) reputational impact; v) duration and service downtime; vi) geographical spread; and vii) economic impact.
- **Materiality thresholds for determining major incident.** The ESAs define individual materiality thresholds for each criterion (e.g. 10% or more than 50,000 customers affected among other criteria) and propose that financial entities classify incidents as major if these thresholds are exceeded for at least: i) two primary criteria or ii) one primary criterion and two secondary criteria. The ESAs also propose that recurring incidents with the same apparent cause, nature, impact or service affected and which individually are not major, but which occur at least twice within a three-month period, should be classified as major.
- **Criteria and materiality thresholds for determining significant cyber threats.** In relation to the classification of significant cyber threats, it proposes an approach based on the probability of materialisation of the threat, whether the threat could affect critical or important functions of the financial entity, providers, customers or counterparties and whether it could fulfil the conditions of major incident if it materialises.
- **Major incidents in other Member States.** The ESAs stress the importance of knowing the impacts and root causes of incidents occurring in entities in other states in order to mitigate the contagion of these incidents to other entities. It also proposes that all details of incidents be shared with other relevant Competent Authorities (CAs).

ITS to establish the templates for the register of information

- **Register of information in relation to all contractual arrangements on the use of ICT services provided by ICT third-party service providers.** Financial entities maintaining the register of information either at entity level or at consolidated and sub-consolidated level shall fill-in the templates of the register of information with data using the formats set out. The content is the following:
 - Template: Financial entity maintaining the register of information (RT.01.01). Identification of the financial entity maintaining and updating the register of information at entity-level.
 - Template: Financial entity maintaining the register of information (RT.01.02). Identification of the financial entity maintaining and updating the register of information at sub-consolidated or consolidated level.
 - Template: Contractual Arrangement-general information (RT.02.01). List all contractual arrangements between the entities signing and the direct ICT third-party service providers at entity, consolidated and sub-consolidated levels.
 - Template: Contractual Arrangement-specific information (RT.02.02). Provide details in relation to each contractual arrangement with regard to: i) the ICT services included in the scope of the arrangement; ii) the functions of the financial entities supported by those ICT services; iii) other relevant information in relation to specific ICT service providers, both at the entity level and at the consolidated and sub-consolidated levels.
 - Template: List of intra-group contractual arrangements and links with contractual arrangements with ICT third-party service provider which are not part of the same group (RT.02.03). Reconciliation of the register of information at entity level once consolidated at group level in case one or more providers in the contractual chain are parts of the same group at consolidated and sub-consolidated level.
 - Template: Entities signing the Contractual Arrangements for receiving ICT service(s) or on behalf of the entities making use of the ICT service(s) (RT.03.01). Provide information on the entities signing the contractual arrangements with the direct ICT third-party service providers on behalf of the entities making use of the ICT services at consolidated and sub-consolidated level.
 - Template: Entities making use of the ICT services (RT.04.01). List all entities making use of the ICT services provided by the ICT third-party service providers at consolidated and sub-consolidated level.
 - Template: ICT third-party service providers (RT.05.01). List general information to enable the identification of: i) the direct ICT third-party service providers; ii) the subcontractors, both at entity level and at consolidated and sub-consolidated level.
 - Template: ICT service supply chains (RT.05.02). Identify and link to one another the ICT third-party service providers, which are part of the same ICT service supply chain, both at entity level and at consolidated and sub-consolidated levels.
 - Template: Alternative ICT third-party service providers (RT.05.03). Report basic information on the alternative ICT third-party service provider(s) identified by the financial entities as alternative provider(s), both at entity level and at consolidated and sub-consolidated levels.
 - Template: Functions identification (RT.06.01). Identification information on the functions of the financial entities both at entity level and at consolidated and sub-consolidated level.
 - Template: ICT services identification (RT.07.01). Identification through the creation of an ICT service identifier the ICT services provided by ICT third-party service providers both at entity level and at consolidated and sub-consolidated level.

- Template: Assessments of the ICT services (RT.08.01). Capture information in relation to the risk assessment on the ICT services (e.g. Substitutability, date of last audit, etc.) both at entity level and at consolidated and sub-consolidated level.
- Template: Definitions from Entities making use of the ICT Services (RT.99.01). Capture entity-internal explanation, meaning and definitions of the closed set of indicators used in the register of information both at entity level and at consolidated and sub-consolidated level.
- Template: List of financial entities within the scope of sub-consolidation and consolidation (RT.99.02). list all the financial entities within the scope at consolidated and sub-consolidated level.

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

- **Governance arrangements regarding the policy on the use of ICT services supporting critical or important functions.** The management body of a financial entity shall adopt a written policy on the use of ICT services supporting critical or important functions provided by ICT third-party service providers. This policy must be revised at least once a year and should be included in the ICT-related risk strategy derived from third parties.
- **ICT third-party service providers supporting critical or important functions.** The policy on the use of ICT services supporting critical or important functions provided by ICT third-party service providers shall differentiate between the: i) ICT third-party service providers that are authorised or registered by a competent authority in a Member State or in a third country, and those who are not; ii) provision of ICT services supporting critical or important functions by ICT intragroup service providers and by ICT third-party service providers that are outside the group; iii) provision of ICT services supporting critical or important functions by ICT third-party service providers located within a Member State and the ones located in third countries.
- **Main phases of the life cycle for the use of ICT services supporting critical or important functions provided by ICT third- party service providers.** The policy on the use of ICT services supporting critical or important functions provided by ICT third-party service providers shall specify the requirements, including principles, responsibilities, and procedures, for each main phase of the lifecycle of the use of such ICT services. The policy on the use of ICT services supporting critical or important functions provided by third-party ICT service providers shall specify requirements, including principles, responsibilities, and procedures, for each main phase of the lifecycle of the use of such ICT services, covering at least: i) involvement of management bodies in decision-making, ii) planning and evaluation of contracts with third parties, iii) involvement of business and control units in the management of contracts, iv) implementation, monitoring and management of contractual arrangements, iv) documentation of the evolution of agreements, including the record-keeping, and v) exit strategies

3. Next steps

- Comments to the documents can be sent before **11 September 2023**.
- The ESAs will considered the feedback received and will publish a Final Report by **January 2024**.



29/06/2023

ECB – Consultation on the revised Guide to internal models

1. Context

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

Following the consultation of the different chapters and the issue of the consolidated version in October 2019, the ECB has now published a **consultation on the revised Guide to internal models**, which reflects updates on the legal framework and builds on the ECB's experience gained over the years in supervising internal models. In the revised version under consultation, the Guide clarifies how banks should go about including material climate-related and environmental risks in their models. It also provides clarifications for banks that wish to revert to the standardised approach for calculating their risk-weighted assets. Specifically on credit risk, the Guide helps all banks to move towards a common definition of default and a consistent treatment of massive disposals. The update of the market risk chapter details how to measure default risk in trading book positions. The Guide also provides clarifications regarding CCR.

2. Main points

- **General topics**

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

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

3. Next steps

- Comments to this Guide shall be submitted by **15 September 2023**.

30/06/2023

ISSB – General sustainability-related and climate-related 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 International Financial Reporting Standards (IFRS) Foundation began working towards the creation of an International Sustainability Standards Board (ISSB) in October 2019. In this context, the ISSB published in November 2021 a prototype of the standards for climate disclosure requirements (S1 General Requirements for Disclosure of Sustainability-related Financial Information y S2 Climate-related Disclosures) with the objective to provide a framework that ensure that companies provide sustainability-related information alongside financial statements.

In this context, the ISSB has published the final version of the **standard S1 General Requirements for Disclosure of Sustainability-related Financial Information** and the **standard S2 Climate-related Disclosures** which will help to improve stakeholder's trust and confidence in company disclosures about sustainability to inform investment decisions. Furthermore, it will create a common language for disclosing the effect of climate-related risks and opportunities on a company's prospects.

2. Main pointsIFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

- **Disclosure requirements.** The disclosure requirements require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity. In particular, an entity is required to provide disclosures about governance, strategy, risk management, metrics and targets.
- **Conceptual Foundations.**
 - **Fair presentation.** All sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects shall be fairly presented.
 - **Materiality.** An entity shall disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. In this context, the information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports.
 - **Reporting entity.** An entity's sustainability-related financial disclosures shall be for the same reporting entity as the related financial statements.
 - **Connected information.** An entity shall provide users with information that enables them to assess: i) the connections between the items to which the information relates; ii) the connections between disclosures provided by the entity within its sustainability-related financial disclosures.
- **Location of disclosures.** An entity is required to provide disclosures required by IFRS Sustainability Disclosure Standards as part of its general purpose financial reports.
- **Timing of reporting.** An entity shall report its sustainability-related financial disclosures at the same time as its related financial statements, covering the same reporting period as the related financial statements.
- **Links to other reference standards.** For those risks and opportunities not covered by IFRS S1, entities may rely on the Global Reporting Initiative (GRI) and European Sustainability Reporting (ESRS) standards.

IFRS S2 Climate-related Disclosures

- **Disclosure requirements.** The disclosure requirements require an entity to disclose information about its exposure to climate-related risks and opportunities in relation to the following aspects:
 - **Governance.** Climate-related financial disclosures on governance aims to enable users of general purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities. Specifically, an entity shall disclose:
 - The **governance body** or individual responsible for oversight of climate-related risks and opportunities and disclose, among others, how responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body or individual.
 - The **management's role** in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about whether the role is delegated to a specific management-level position and whether management uses controls and procedures to support the oversight of climate-related risks and opportunities.
 - **Strategy.** An entity shall disclose information to enable users of general purpose financial reports to understand: i) the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects; ii) the current and anticipated effects of those climate-related risks and opportunities on the business model and value chain; iii) the effects of those climate-related risks and opportunities on the strategy and decision-making; iv) the effects of those climate-related risks and opportunities on the financial position.

- Risk Management. An entity shall disclose:
 - The **processes** and **related policies** the entity uses to identify, assess, prioritise and monitor climate-related risks.
 - The processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of opportunities.
 - The extent to which, and how, the processes for **identifying, assessing, prioritising and monitoring** climate-related risks and opportunities are **integrated into and inform the entity's overall risk management** process.
- Metrics and targets. An entity shall disclose:
 - **Cross-industry** metric categories (e.g., scope 1,2,3 greenhouse gas emissions, the amount and percentage of assets or business activities vulnerable to climate-related transition or physical risks).
 - **Industry-based** metrics that are associated with particular business models, activities or other common features that characterise participation in an industry.
 - **Targets** set by the entity, and any targets it is required to meet by law or regulation, to mitigate or adapt to climate-related risks or take advantage of opportunities.
- **Links to other reference standards**. The climate resilience disclosure guidance in IFRS S2 is aligned with the proposed by the Task Force on Climate-related Financial Disclosures (TCFD).

3. Next steps

- An entity will apply this Standard for annual reporting periods beginning on or after **1 January 2024**. Earlier application is permitted.



30/06/2023

EC – Regulation on payment services and framework for financial data access

1. Context

The payment services market has changed significantly in recent years. Electronic payments in the European Union (EU) have been constantly growing and accelerated by the COVID-19 pandemic. New providers, enabled by digital technologies, have entered the market, in particular providing open banking services, that is securely sharing financial data between banks and financial technology firms. More sophisticated types of fraud have also emerged, putting consumers at risk and affecting trust.

In this context, the EC has published the revision of the **Payments Service Directive (PSD3)**, a **proposal for a Regulation on payment services in the internal market (PSR)**, and a **proposal for a Regulation on a framework for financial data access**. The package aims to ensure that consumers can continue to safely and securely make electronic payments and transactions in the EU, domestically or cross-border, in euro and non-euro. Whilst safeguarding the rights of customers, it also aims to provide greater choice of payment service providers on the market.

2. Main points

Proposal for a Directive on payment services and electronic money services in the internal market (PSD3)

- **Scope.** The proposal for a Directive lays down rules concerning the access to the activity of providing payment services and electronic money services, within the Union, by payment institutions.
- **Licensing and supervision general rules.** Member States shall require undertakings that intend to provide any of the payment services, or electronic money services, to obtain authorisation from the competent authorities (CAs) of the home Member State for the provision of those services. As a novelty with regard PSD2, there are 2 new requirements to obtain authorization. Undertakings must present: i) an overview of EU jurisdictions where the applicant is submitting or is planning to submit an application for authorisation to operate as a payment institution; and ii) a winding-up plan in case of failure, which is adapted to the envisaged size and business model of the applicant.
- **Initial capital.** Member States shall require payment institutions to hold, at the time of authorisation, initial capital. The new Directive provides different initial capitals (e.g., where the payment institution provides only money remittance, its capital shall at no time be less than EUR 25 000 instead of 20 000 as stated in PSD2).
- **Calculation of own funds for payment institutions not offering electronic money services.** Member States shall require payment institutions, to hold own funds calculated in accordance with this Regulation. The calculation methods remain unchanged in this proposal for a Directive.
- **Safeguarding requirements.** Member States shall require a payment institution which provides payment services or electronic money services, to safeguard all funds it has received from payment service users or through another payment service provider for the execution of payment transactions.
- **Record keeping.** Member States shall require payment institutions to keep all appropriate records for the purpose of this Regulation for at least 5 years.
- **Granting of authorization.** Member States shall authorize an applicant payment institution for the payment services and electronic money services it intends to provide, provided that the applicant payment institution comply with several requirements. As a novelty of the proposal, there are new requirements: i) the payment institution must be a legal person established in a Member State; and ii) must comply with the initial capital requirements.
- **Communication of the decision to authorise or refuse authorization.** Within 3 months of receipt of an application for authorization CAs shall inform the applicant whether the authorisation is granted or refused.
- **Use of agents.** Payment institutions that intend to provide payment services through agents shall comply with several requirements. As a novelty, the proposal set a new regime for distributor of electronic money services and payment institutions that intend to outsource operational functions of payment or electronic money services.

Proposal for a Regulation on payment services in the internal market (PSR)

- **Subject matter.** This Regulation lays down uniform requirements on the provision of payment services and electronic money services, as regards: i) the transparency of conditions and information requirements for payment services and electronic money services; and ii) the respective rights and obligations of payment and electronic money service users.
- **Payment systems and access to accounts held with credit institutions.** Regarding payment system operators, the requirement to have access rules and procedures which are proportionate, objective and non-discriminatory is extended in comparison with PSD2, also to payment systems designated by a Member State pursuant to Directive 98/26 (Settlement Finality Directive).
- **Transparency of conditions and information requirements for payment services.** This rules apply to single payment transactions, framework contracts and payment transactions covered by those contracts. The payments shall be made in the currency agreed between the parties and where, for the use of a given payment instrument, the payee requests a charge or offers a reduction, the payee shall inform the payer thereof prior to the initiation of the payment transaction. As a novelty compared to PSD2, several clarifications are added, one is to ensure that payment service providers insert in payment account statements the information needed to unambiguously identify the payee, including a reference to the payee's commercial trade name.

- **Authorisation of payment transactions.** The payment service provider of the payee is required to provide its payment service user, upon request, with a service checking that the unique identifier of the payee matches the name of the payee as provided by the payer and notifying the provider of the payer of any detected discrepancy. Where they do not match, the provider of the payer is to notify the payer of any such discrepancy and the detected degree thereof.
- **Operational and security risks and authentication.** Payment service providers shall establish a framework with appropriate mitigation measures and control mechanisms to manage operational and security risks relating to the payment services they provide. This rules have been modified by adding among other, a new provision requiring payment service providers to have transaction monitoring mechanisms in place to provide for the application of strong customer authentication and to improve the prevention and detection of fraudulent transactions.

Proposal for a Regulation on a framework for financial data access

- **Scope.** This proposal seeks to establish a framework governing access to and use of customer data in finance (financial data access, FIDA).
- **Data access.** The data holder shall, upon request from a customer submitted by electronic means, make the data within the scope of this regulation (e.g., mortgage credit agreements, loans and accounts data) available to the customer. The customer has the right to request that the data holder shares this data with a data user. There are several conditions for the users, data should be used only for the purposes and the conditions agreed with the customer.
- **Responsible data use.** There are set requirements to ensure responsible data use and security. It is ensured that there will not be any discrimination or restriction in the access to services as a result of the use of the data.
- **Financial data sharing schemes.** There are requirements for the creation and governance of financial data sharing schemes whose aim is to bring together data holders, data users and consumer organisations.
- **Eligibility for data access and organization.** A financial information service provider shall be eligible to access customer data if it is authorised by the CA of a Member State and shall submit an application for authorisation to the CA, including among others: i) a programme of operations setting out in particular the type of access to data envisaged; and ii) a business plan including a forecast budget calculation for the first 3 financial years which demonstrates that the applicant is able to employ the appropriate and proportionate systems, resources and procedures to operate soundly.

3. Next steps

- The Proposal for a Directive for a Directive on payment services and electronic money services and the proposal for a Regulation on payment services in the internal market will apply **18 months** after the entry into force.
- The Regulation on a framework for financial data access will apply **24 months** after the date of entry into force..

Relevant publications

Local publications



BANK OF ENGLAND
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18/04/2023

PRA - the findings from the 2022 cyber stress test (CST22) .

1. Context

In December 2021, the PRA announced its plans to invite a number of systemic, as well as smaller firms, to participate in a voluntary cyber stress test which would focus on a severe but plausible data integrity scenario on a retail payment system. Cyber stress testing is a relatively new tool, and the Financial Policy Committee (FPC) agreed that this exercise would be launched as an exploratory test, rather than a formal pass-fail assessment, but participating firms would be expected to share their findings with supervisors.

In this context, the PRA has published **the findings from the 2022 cyber stress test (CST22)** that are relevant to PRA-regulated firms and financial market infrastructure firms (FMI), including firms that did not participate in the test.

2. Main points

The key findings drawn from the stress test are the following:

- **Industry coordination:**
 - Timely and co-ordinated decision-making and action across the industry is critical in limiting the impact of an incident. Firms should make decisions taking into account the potential consequences of their actions on others, and understand the actions that others might take to contain the risk of contagion. Therefore, response actions and public communications have to be co-ordinated effectively across the industry.
 - PRA encourages the existing Sector Response Framework to leverage existing fora to develop principles-based playbooks and to define delegated decision-making where relevant cross-industry fora might be unable to decide quickly enough. They also encourage firms to review how decision-making and co-ordinated action across the sector is best executed out of business hours in cases when prompt action is needed to contain an incident.
- **Communication:**
 - Aligning communication across entities and through channels is an important tool for maintaining public confidence in times of extreme stress. Given the short amount of time for responding to an incident, it is important for firms to consider how pre-scripted messages, which can be adapted to the specifics of the incident, could help maintain public confidence. Such pre-scripted messages should be considered for both individual firms and across the industry collectively.
- **Contingencies:**
 - Firms should test payment rerouting processes to operate safely, quickly, and at scale as it could help to lessen the impact of an incident. PRA urges firms to identify and prioritise critical payments which will aid firms' focus on payments that are the most important for managing the impact on financial stability.
- **Mitigants:**
 - It is crucial that robust and scalable processes exist which allow firms to mitigate the impact of failing to make payments by their value date. It is important for firms to consider what mitigants might be suitable to their businesses, develop and invest in them as necessary, and ensure processes to action those mitigants are both robust and scalable.
- **Reconciliation:**
 - Firms should develop and test suitable tools and/or scripts to help automate data reconciliation in advance of an incident. FMIs are likely to be key providers of clean data during data integrity incidents. As a result, FMIs should plan to meet that need in advance of such an incident and prepare and test processes to do so. Equally, firms having a direct dependency on FMIs should plan, prepare, and test processes to receive this clean data, as well as explore the availability of alternative reliable data sources.
- **Testing capabilities:**
 - It is important that firms undertake appropriate planning, preparation, and testing to further strengthen individual firm capabilities and the underpinning assets, including technologies and processes which support the industry's ability to respond and recover. It is important for firms to review their testing plans to ensure they cover a broad range of scenarios across confidentiality, data integrity and availability.

3. Next steps

- PRA expects that firms will draw on the stress test's key findings and incorporate relevant test findings to ensure that their important business services can remain within impact tolerances in severe, but plausible scenarios, by **March 2025**

20/04/2023

MINECO - The Draft Royal Decree regulating the content of the reports on the estimation of the financial impact of the risks associated with climate change

1. Context

In May 2021, the Spanish Parliament approved Law 7/2021 on climate change and energy transition with the aim of ensuring compliance with the objectives of the Paris Agreement of 2015 and facilitating the decarbonization of the Spanish economy. This Law incorporated in its article 32 a series of reporting obligations for companies in order to incorporate information regarding the level of exposure to climate and carbon risks and the strategies and objectives for their mitigation. In this regard, in October 2021, the MINECO issued a public consultation on the Royal Decree implementing article 32 of the Law, which was to be approved before May 20, 2023.

In this context, the MITECO has published the **Draft Royal Decree regulating the content of the reports on the estimation of the financial impact of the risks associated with climate change** for financial institutions, listed companies and other large companies in order to establish the criteria for the preparation and publication of the financial risks reports. These institutions must publish the report on the estimation of the financial impact of the risks associated with the climate on an annual basis.

2. Main points

MINECO has established a description of the following elements in the report on physical and transitional risks and climate related opportunities:

- **Scope of application:**
 - Companies issuing securities admitted to trading on regulated markets that prepare consolidated accounts, as well as those that are not part of a consolidated group, which are required to include in the consolidated management report or in the individual management report, the statement of non-financial information. The report shall be included in their management report.
 - Consolidated groups of credit institutions and credit institutions not integrated in one of these consolidated groups subject to the supervisory regime of the Bank of Spain and the European Central Bank. Their report shall be included in the information of prudential relevance.
 - The consolidated groups of insurance and reinsurance entities and the insurance and reinsurance entities not integrated in one of these groups are subject to the supervisory regime of the Directorate General of Insurance and Pension Funds. The report shall be published together with the financial situation and solvency report.
 - The companies that prepare consolidated accounts and the companies that do not form part of a consolidated group, other than those provided for in the preceding letters and that are obliged to include in the consolidated management report or in the individual management report, the statement of non-financial information. The report shall be published within the management report.
- **Governance structure of the organization**, including information about:
 - Relevance of climate-related aspects in defining business strategy, actions, implementation of risk management policies, and the setting and monitoring of business objectives and performance indicators.
 - Existence of departments or mechanisms and senior management personnel with responsibility for identifying, assessing, monitoring and managing climate-related risks and opportunities.
- **Processes for identifying and assessing risks and how these are integrated into your overall business risk analysis**, including information about:
 - Provision of processes to assess the size and potential scope of risks and description of these processes and resources used.
 - Definitions, risk terminology and frameworks used for risk classification.
 - The organization's arrangement of processes by which risks are managed.
 - The way in which they are integrated into the overall risk management system.
- **The present and future transitional and physical risks, as well as climate-related opportunities in the report writing**, including information about:
 - The short-, medium- and long-term horizons used in the analysis.
 - Processes for identifying risks and opportunities with a material impact.
 - The climate-related risks and opportunities that have a material financial impact on the organization at each of those horizons.
- **Actual and potential impacts of physical and transition risks and opportunities on the organization's activities, strategy, and financial planning**, including:
 - Impacts on its products and services, its capital investment, the development of research and development activities, and its access to financing.
 - Impacts on the organization's value and supply chain, on its adaptation and mitigation activities.
 - Influence of actual or potential impacts on the organization's financial performance.
 - How these impacts affect the organization's financial planning, as well as time horizons.
 - Prioritization of climate-related risks and opportunities.

- **Strategic approach to managing risks and opportunities**, including information about:
 - The organization's decisions and commitments, as well as changes in its strategy and business model to adapt to and mitigate the negative impacts of climate-related risks.
 - The organization's decisions and commitments, as well as changes in its strategy and business model to promote positive impacts from climate-related opportunities.
- **Metrics, scenarios and targets to assess and manage climate risks and opportunities**, including the following:
 - Metrics used to measure and manage climate-related risks and opportunities.
 - Identification of the methodology followed.
 - If calculated, scope 1, 2 and 3 of greenhouse gas emissions.
 - Definition of the time period covered, the year used as a reference, as well as the performance indicators that can be used to assess progress in meeting these objectives.
 - Existence of variable remuneration for employees, managers, and executive directors, including members of the Board of Directors, linked to the achievement of climate objectives, and if so, a description of this remuneration

3. Next steps

- Comments to this Project of Royal Decree may be submitted until **May 5, 2023**.

02/05/2023

BoS - Revolving Credit Transparency Project Guide for institutions subject to its supervision

1. Context

In order to ensure customer protection, transparency and financial conduct, the BoS has been paying special attention to the appropriate marketing of revolving loans, which, due to their special characteristics and complexity, present a high risk of over-indebtedness for the debtor.

In this context, the BoS has published the **Revolving Credit Transparency Project Guide for institutions subject to its supervision** in order to establish the criteria for the preparation and publication of financial risk reports. This guide sets out the best market practices identified in the exercise of its supervisory function, and the criteria and procedures that the BoS considers appropriate for compliance with the rules applicable to the activity of granting revolving credit. The guidelines of the European Banking Authority (EBA) on products oversight and governance arrangements for retail banking products, on remuneration policies and practices related to the sale and provision of retail banking products and services, and on loan origination and monitoring, adopted by the BoS as its own, have been considered in their preparation. In addition, the opinion issued by the EBA on disclosure to consumers buying financial services through digital channels, and the guidance to supervisors in the field of digitisation of short-term, high-cost consumer credit, published by the International Financial Consumer Protection Organisation (FinCoNet).

2. Main points

- **Purpose and scope of application:**
 - The guide is aimed at supervised institutions that engage in revolving consumer credit and identifies recommended best practices in the design, marketing and arrangement of revolving credit for the following institutions:
 - **Credit institutions.**
 - **Financial credit institutions**, including those authorised to operate as hybrid payment institutions or hybrid electronic money institutions.
 - **Electronic money institutions and payment institutions.**
- **Revolving credit governance and oversight procedures:**
 - Marketing policies. Institutions must: i) have specific and up-to-date revolving credit marketing policies approved by the management body that take into account the interests of customers and their characteristics; ii) identify the target audience for which the revolving credit is intended, taking into account the nature and risks of the product, and the financing needs of potential customers; iii) ensure that all staff marketing the revolving credit have the necessary up-to-date knowledge and skills to apply the criteria set by the institution and identify the target audience; and iv) where the revolving credit is marketed in non-financial environments, institutions should strengthen their controls to ensure adequate pre-contractual support for the product.
 - Product design. Institutions are expected to offer the customer: i) the possibility to choose the amount of the instalment that is most convenient for the customer from among those contractually established, as well as the possibility to change the amount of the instalment during the life of the contract; ii) all permitted repayment modes of the credit, and adequately inform them of the main features of each available mode; iii) the deferred revolving payment instalments offered to the customer should not impose maximum limits on the repayment of the credit; iv) the amount of the periodic instalment should always cover the interest and, where applicable, fees and other charges arising from the revolving credit or the payment instrument associated with it; v) institutions should take into account the best interest of the customer, so as not to prolong the debt excessively and to allow repayment of the credit within a reasonable period; and vi) if defaults occur, it is advisable that late payment interest is not capitalised through further drawdowns of the credit which, in turn, will generate interest.
 - Marketing channels. Institutions are expected to differentiate, in their marketing policies, each of the revolving credit distribution channels used, and the staff who market it should act accordingly.
 - Remuneration criteria associated with the sale of revolving credit. Institutions' remuneration policies and practices related to the sale of retail banking products are expected to ensure that the forms of remuneration do not encourage staff involved in the marketing and sale of revolving credit to put their own interests or the interests of the institution ahead of those of customers.
- **The revolving credit agreement and contractual amendments:**
 - Where institutions have the right to unilaterally modify any term of the revolving credit agreement, it shall give the customer at least one month's notice of the exact terms of such modification and the rights, if any, enjoyed by the customer in relation to the modification.
 - Amendments to the terms of the credit agreement proposed by the institutions that are more favourable to the customer may be implemented immediately.
 - If the agreement provides for the possibility of unilateral changes in the cost of credit to the detriment of the customer by the institution, institutions are expected to provide transparent information in the agreement on the manner and reasons that may give rise to such a change, so that the customer can foresee, on the basis of clear and comprehensible criteria, any changes in the cost of credit.
 - Extensions of the revolving credit limit not provided for in the contract should be restricted to those requested by the customer.
 - In order for the institution to charge a fee for exceeding the revolving credit limit, it must be stated in the contract.

- **Information and actions prior to the conclusion of the revolving credit contract:**
 - Advertising and commercial communications. The advertising of banking products and services must be clear, sufficient, objective and not misleading. To this end, institutions should include in advertising for revolving credit an explicit, clear, exact and up-to-date reference to the cost of the credit.
 - Customer assistance prior to the contract. Institutions should assist the customer, on an individual basis, by explaining the content of the pre-contractual information, the essential characteristics of the products proposed and the specific effects they may have on the customer, including the consequences in the event of non-payment.
 - Creditworthiness assessment. For the granting of revolving credit, it shall be assessed whether the customer has sufficient economic capacity to meet its obligations throughout the life of the operation without incurring over-indebtedness.
 - Information prior to the contract. Institutions must provide customers, free of charge and in good time, with the information they need to compare the various offers and make an informed decision on whether to take out a credit agreement, by providing them with the Standardised European Consumer Credit Information.
- **Periodical information and other communications to the customer:**
 - Institutions must provide their customers with a settlement document for each settlement of interest or fees for their services, clearly and accurately stating the nominal interest rate applied in the period already accrued and, where applicable, the rate to be applied in the period commencing; the fees applied; any other expenses included in the settlement; the taxes withheld; and, in general, everything necessary to enable the customer to check the settlement made and calculate the cost of the service.
- **Insurance linked to revolving credit:**
 - Institutions that market insurance linked to the taking out of revolving credit and which entail a cost for the customer must inform the customer, in an explicit and comprehensible manner, of the accessory nature of this product and its characteristics, as well as the conditions that would apply to the contract if the insurance were not taken out.
- **Material transparency requirements:**
 - The content and format of all documentation and information that institutions provide or make available to their customers, both pre-contractually, at the time of entering into the contract and during the life of the credit, is expected to ensure that it is actually comprehensible.

3. Next steps

- Comments to this draft can be sent before **31 May 2023**.

10/05/2023

MITECO - Preliminary Draft Bill regulating the corporate reporting framework on environmental, social and governance issues

1. Context

In December 2022, the European Parliament (EP) and the Council published Directive (EU) 2022/2464 (CSRD) on sustainability reporting by companies, which replaces Directive 2014/95/EU (NFRD) on disclosure of non-financial information and diversity information by certain large companies and certain groups. The main objective of this new Directive is to improve the framework for the presentation and verification of the information by introducing important new features with respect to the obligated parties, the content of the sustainability information, the rules according to which the information must be prepared, its presentation format, the requirement for verification of this information and the regulation of the essential aspects of this verification. In Spain, the NFRD had already been incorporated into domestic law through Law 11/2018, of 28 December, and now the CSRD must also be incorporated. The deadline for this has been established in the Directive until July 2024.

In this context, the MINECO has published for comments the **Preliminary Draft Bill regulating the corporate reporting framework on environmental, social and governance issues**, which introduces the CSRD novelties that had not been previously introduced in Law 11/2018.

2. Main points

• Obligated parties

- The scope of the sustainability reporting obligation is extended to all companies and groups of companies that meet the definition of large company, regardless of whether they are listed or not. This obligation is also extended to small and medium-sized enterprises (SMEs), but only if they have issued securities admitted to trading on a regulated secondary market in the European Union (EU), excluding in any case micro-enterprises. However, obliged SMEs will have a number of facilities at their disposal, such as: a reduced content, specific rules with which to present such information and an additional period to prepare for this new requirement.
- Companies not subject to the law of a Member State or belonging to the European Economic Area that have relevant activity in the EU territory will have to provide sustainability information. Subsidiaries or branches established in the EU territory will be responsible for the publication of the sustainability report of the third country company. In order to ensure the quality and reliability of the information, sustainability reports of third country companies must be published together with a verification report.

• Content of the information on sustainability

- The information now required corresponds almost entirely to what is already provided for in the statement of non-financial information regulated in Law 11/2018 of 28 December. However, it is worth highlighting as new feature the mandatory application of the dual materiality approach, which implies the presentation of information regarding the impact generated by the company on sustainability issues, as well as information on how these issues affect the evolution, results and situation of the company. The information shall cover the entire value chain of the company, shall be both forward-looking and backward-looking, and shall consider short, medium and long-term time horizons. Additionally, the obligation to include the information required by Article 8 of the Regulation (EU) 2020/852 on sustainability (Taxonomy Regulation) is introduced.
- Additionally, obliged companies must include in their management report information on key intangible resources, with a particular focus on internally generated intangibles. However, some information on intangibles may be intrinsic to sustainability issues, in which case it should be part of the sustainability reporting.

• Standards on which the information should be prepared

- Companies will prepare this information on environmental, social, human rights and governance issues in accordance with sustainability reporting standards that will be adopted by the European Commission (EC) through delegated acts. And SMEs will have specific standards adopted by the EC according to their capacity and characteristics.

• Reporting format

- Sustainability information should be part of the management report, and should be placed in a specific section of the report. As a new feature, all obliged companies will be required to produce their management report in the electronic reporting format, as well as to label sustainability information.

- **Requirement for verification of information and regulation of essential aspects**

- From the perspective of the requirement to verify information on sustainability, this obligation was already incorporated in Law 11/2018. A new feature is that verification can be carried out either by an auditor or by an independent verification service provider accredited by the national accreditation body. In the case of auditors, it provides for the possibility that the auditor may be different from the auditor who audits the financial statements of the entity reporting on sustainability.
- Regardless of the subject that carries out the verification of sustainability information, it should be subject to compliance with requirements equivalent to those established for the activity of statutory audit. In particular, equivalent requirements should be established with regard to training and examination, continuing education, quality assurance systems, professional ethics, independence, objectivity, confidentiality and professional secrecy, appointment and dismissal, organisation of work, investigations and sanctions, and reporting of irregularities.
- It is required starting with the obligation to issue a report on the compliance of sustainability reporting with EU requirements on the basis of a limited verification engagement and then moving to the issuance of a report based on a reasonable verification engagement, when the Commission adopts rules on this issue.

3. Next steps

Comments to this draft can be sent to the Instituto de Contabilidad y Auditoría de Cuentas before **25 May 2023**



19/05/2023

PRA – Policy statement (PS5/23) on Risks from contingent leverage

1. Context

PRA rules require firms to have in place sound, effective, and comprehensive strategies, processes, and systems to identify and manage any major sources of risk that affect their capital adequacy, including the risks of excessive leverage. Specifically, firms should consider their vulnerability due to excessive leverage or contingent leverage that may require unintended corrective measures to their business plans. In this context, the PRA published on October 2022 the **Consultation Paper (CP) 12/22** which sets out the proposals to update the PRA's supervisory expectations for firms undertaking an Internal Capital Adequacy Assessment Process (ICAAP) in relation to the **risks from contingent leverage**, and to introduce a new data reporting requirement for collecting data on trading exposures where these risks may most likely arise.

In this context, the PRA has published **PS5/23 on Risks from contingent leverage** providing feedback to responses to the CP 12/22. Among other aspects, the PRA has added a clarification on the business lines and trade structures in scope of the ICAAP expectations, and how to assess the materiality of contingent leverage risks to a firm's business.

2. Main points

- **ICAAP supervisory expectations.** The PRA proposes to insert **guidance on the risks of contingent leverage** into in Supervisory Statement on the ICAAP and the SREP (SS31/15) by adding a new section on the risks of excessive leverage. Under the proposed guidance, firms would be expected to consider the extent to which they would be able to continue to participate in certain activities as a result of using trades with a higher leverage exposure than before.
 - In carrying out an assessment of the risk of excessive leverage firms should consider any contingent leverage risk in transactions and trade structures that receive lower leverage ratio exposure measure values than other economically similar transactions (e.g., agency models to transact in security financing transactions (SFTs) or derivatives, SFT netting packages, collateral swaps)
 - The extent to which firms can use these more capital efficient forms of trades may be limited in certain conditions (e.g., in the event of the default of counterparties, the movement of certain market parameters, or changes to broader market conditions).
 - Firms should consider the extent to which they would need, and be able, to continue to participate in these trades and the extent to which they would instead need to use economically similar transactions or structures that receive higher leverage ratio exposure measure values.
 - To the extent that firms would not continue to participate in such trades in certain circumstances, firms should consider what implications this might have for their revenues. Examples of risks and assumptions that firms should pay particular consideration to include, but are not limited to: i) Contractual obligations; ii) Franchise risk; iii) Liquidity management.
 - As part of their ICAAP responses, firms should set out contingent leverage risks by each relevant trade structure that optimises leverage exposure.
 - As a novelty, the PS introduces clarification on the business lines and trade structures in scope of the ICAAP expectations, and how to assess the materiality of contingent leverage risks to a firm's business.
- **Reporting requirements.** The PRA proposes that firms subject to a minimum leverage ratio requirement (LREQ firms) report data on **trades that the PRA has identified to be most relevant** to the risk of contingent leverage at the same level of application as their existing leverage ratio reporting requirements. These are: i) collateral swaps; ii) netted repos; iii) agency trade models to transact in SFTs; and iv) cash and synthetic prime brokerage positions:
 - Firms would be required to report a breakdown of these trades by the amounts internalised, netted, or guaranteed (ie any condition that leads to a reduction in the leverage exposure amounts). These data would be provided with a breakdown of the highest level of liquidity (level 1 HQLA), exposures designated for franchise clients, and any intra-group exposures for firms that are headquartered outside of the UK. This would enable the PRA to use internal scenario assessments to judge the materiality of contingent leverage risks that may arise in a market stress.
 - The PRA proposes the data would be reported on a six-monthly basis at the applicable reporting reference dates (30 June and 31 December).
- As a novelty, **the PRA has made the following minor changes to the reporting requirement:**
 - Removed a row from reporting template LV-52 asking that written credit derivatives backed by level 1 HQLA be reported separately.
 - Made minor drafting changes to the reporting rule, templates, and instructions for clarity and consistency.
- In addition, the PRA considers that the changes to the ICAAP expectations and the reporting requirement do not materially alter the cost benefit analysis (CBA) presented in CP12/22.

3. Next steps

- The **ICAAP expectations** will take effect on **publication of this PS**.
- The **reporting requirement for LREQ firms** will take effect on **1 January 2024**, with a first reporting reference date of 30 June 2024.



22/05/2023

PRA – Policy statement (PS 6/23) providing responses to comments to CP6/22 on MRM principles for banks.

1. Context

In CP6/22 published in June 2022, the PRA proposed firms should adopt five principles which it considers to be key in establishing an effective model risk management (MRM) framework. The principles were intended to complement existing requirements and supervisory expectations in force on MRM. In CP6/22, the PRA also invited entities to respond if they considered that there were any components of the MRM framework where the proposed principles were not sufficient to identify, manage, monitor and control risks associated with artificial intelligence (AI) or machine learning (ML) models.

In this context, the PRA has published the **PS 6/23 providing responses to comments to CP6/22 on MRM principles for banks**. Responses to the CP show a high level of support for the PRA proposals and recognise the need to manage the risks posed by models that have a material impact on business decisions

2. Main points

The PS introduces the following changes:

- **Scope.** CP6/22 proposed the application of the principles to all firms in the banking sector. The scope of application is amended to narrowed the scope so that it applies only to firms with internal model (IM).
- **Financial reporting.** The wording of the document is amended to make clear the intent is for a report to be made available to the audit committee on a regular basis to support the audit committee in carrying out its role. This is to make clear that no changes have been made to the PRA rules or expectations relating to audit committees.
- **Model tiering (Principle 1.3).** The PRA considers that assessments of model complexity are standard practice in industry, and are consistent with the notion that more complex models are prone to greater levels of uncertainty. While the PRA expects firms' model tiering approaches to at least consider a metric to characterise model complexity, the relevant factors to determine model complexity will vary across firms and models. The PRA has amended Principle 1.3 (c) of the final SS accordingly.
- **Senior Management Function (SMF) accountability for MRM framework (Principle 2.2).** The PRA does not consider the appointment of an accountable SMF to prejudice the respective responsibilities of business, risk, and control functions. In line with SS28/15 –Strengthening individual accountability in banking, the SMF responsibility for MRM is additional and complementary to the responsibilities of SMF holders for business, risk, and control functions. The PRA has modified the wording of Principle 2.2 to remove potential ambiguity in responsibilities of the SMF and clarify that more than one SMF may be appointed.
- **Subsidiaries (Principle 2.6).** The PRA has clarified that subsidiaries using models developed by their parent-group may leverage the outcome of the group's validation of the model if the conditions in Principle 2.6 (c) are satisfied, e.g., if they can verify the relevance of the data and assumptions for the intended application of the model by the subsidiary.
- **Post model adjustments (PMAs) (Principle 3.4 & Principle 5.1).** The PRA has modified the principle on model adjustments (Principle 3.4) to acknowledge that model adjustments are an important risk management tool, and changes have been made to Principle 5.1 to recognise the need for proportionality.
- **Model documentation for vendor models (Principle 3.5).** The PRA recognises that the documentation provided by vendors is unlikely to be as extensive and detailed as for internally developed models, and that there is no obligation on vendors to disclose proprietary information on their products. The PRA expects firms to ensure the level of detail in the documentation of third party vendor models is sufficient to validate their use of the model. This is in line with current requirements, e.g., Internal Ratings Based (IRB) approaches for credit risk (SS11/13) and current expectations, e.g., MRM principles for stress testing models (SS3/18). The PRA has updated Principle 3.5 (a) to this effect.
- **Escalation processes (Principle 5.3).** The PRA has considered the responses received on escalation processes, and acknowledges that Principle 5.3 could be too prescriptive in some cases. Therefore, the PRA has adjusted this principle to make it more proportionate. These processes should be determined by firms

3. Next steps

- The PS will enter into force **12 months** after its publication (i.e., Friday 17 May 2024).
- Firms that first receive permission to use an IM to calculate regulatory capital will have **12 months** from the grant of that permission to comply with the expectations of the PS.

23/05/2023

MINECO – The consultation on the Royal Decree establishing a Sandbox for the testing of compliance with the proposed AI Regulation

1. Context

Artificial intelligence (AI) systems may pose risks to the respect of citizens' fundamental rights, such as those relating to discrimination and personal data protection, or even cause serious problems for the health or safety of citizens. In this regard, the European Commission (EC) presented in April 2021 a proposal for an AI Regulation with the aim of establishing a regulatory framework that provides for reliable, ethical and robust AI.

In this context, the Government of Spain has published the **consultation on the Royal Decree establishing a Sandbox for the testing of compliance with the proposed AI Regulation**. The purpose of this Sandbox will be to study the operability of the requirements set out in the proposed Regulation, as well as the self-assessment of compliance and the testing of monitoring systems of participants' high-risk AI systems during their operation.

2. Main points

- **Eligibility requirements in the Sandbox.** Participation in the Sandbox is open to AI system providers and users resident in Spain or having a permanent establishment in Spain. They will be able to access the Sandbox:
 - As a participating user, legal entities, public administrations and public sector entities making use of a high risk AI system, provided that the AI provider of this system also has access to the controlled test environment.
 - The applying AI provider submitting one or more AI systems, provided that they are different. Such a system may be either a high-risk system, general purpose, foundational model or generative AI systems.
- **Admission procedure in the Sandbox.** Calls for applications for participation in the Sandbox will be published for those AI system providers and users who wish to do so, thus initiating the admission procedure. Applications will be assessed taking into account, among others:
 - Degree of innovation or technological complexity of the product or service.
 - Degree of corporate social or public interest impact.
 - Degree of explainability and transparency of the algorithm included in the AI system presented.
- **Development of the Sandbox.** Participation with any AI system in the Sandbox shall aim to meet, among others, the following requirements:
 - The establishment, implementation, documentation and maintenance of a risk management system relating to the AI system in question.
 - In case of AI systems involving training with data, they shall be developed on training, validation and test data sets that meet the quality criteria specified by the competent body.
 - AI systems shall technically allow automatic recording of events ('logs') throughout the life cycle of the system.
 - The AI system shall be designed and developed in such a way as to ensure that its operation is sufficiently transparent for the users of the system to interpret the results of the system and to be able to use it properly.

Once admitted, the participating AI supplier shall carry out the actions enabling it to fulfil the above requirements. The competent body may make available technical help guides and personalised advice to facilitate the tasks to be performed by the AI supplier in the context of the controlled test environment.

- **Self-assessment of compliance with the Sandbox and post-market monitoring of AI systems.** Once the prerequisites have been fulfilled, a self-assessment of compliance with the requirements of the participating AI systems will be carried out with the aim of helping these participants to cope with the future conformity assessment process to be established by the AI Regulation.
- **Communication channels, information gathering, refinement of guidelines and other documents of the Sandbox.**
 - A specific consultation mailbox for participants will be set up in the electronic headquarters of the competent body, so that any doubts or questions raised during the Sandbox can be submitted.
 - The competent body may provide technical guides or other documents on aspects that facilitate the development of AI systems in a reliable, robust and ethical manner, based on the experiences of the controlled test environment.
- **Finalisation of the tests and the Sandbox.** The duration of participation in the Sandbox shall be specified in the relevant calls. In any case, participants may voluntarily leave the tests they are taking in the Sandbox.

3. Next steps

- Comments on this draft Royal Decree may be submitted before **29 May 2023**.
- This Royal Decree will be in force for **36 months** from its entry into force or until the AI Regulation enters into force and becomes applicable (whichever is earlier).



14/06/2023

Fed/CFPB/FDIC/FHFA/NCUA/OCC - Proposed rule designed to ensure the credibility and integrity of models used in real estate valuations.

1. Context

Section 1125 of the Financial Institutions Reform, Recovery, and Enforcement Act directs the Agencies to promulgate regulations to implement quality control standards regarding Automated Valuation Models (AVMs) used in real estate valuations. While advances in AVM technology and data availability have the potential to contribute to lower costs and reduce loan cycle times, institutions using AVMs shall take appropriate steps to ensure the credibility and integrity of their valuations, as well as establish quality control standards designed to comply with applicable non-discrimination laws.

In this context, the Agencies have published for comment the **Proposed rule designed to ensure the credibility and integrity of models used in real estate valuations.**

2. Main points

- **AVMs used in connection with making credit decisions.** Particularly, the proposed rule would apply to AVMs used in connection with making a decision regarding whether to originate, modify, terminate, or make other changes to a mortgage. In this regard, the proposed rule would cover the use of AVMs in deciding whether to change the terms of an existing mortgage even if the change does not result in a new mortgage origination, as long as a mortgage originator or secondary market issuer, or servicers that work on the originator's or secondary market issuer's behalf, uses the AVM to determine the value of a mortgage secured by a consumer's principal dwelling.
- **AVMs used by secondary market issuers.** The proposed rule would cover AVMs used in the determination of coverage of the underlying assets of securitisations, which includes appraisal waiver decisions as well as determinations regarding, among other things, structuring, preparing disclosures for, or marketing initial offerings of mortgage-backed securitization.
- **AVM uses not covered by the proposed rule.** Uses of the AVM for monitoring value over time or validating an already completed valuation are outside the scope of the proposed rule. On the other hand, the proposed rule would not cover use of an AVM by a certified or licensed appraiser in developing an appraisal.
- **Quality control standards.** The proposed rule would require mortgage originators and secondary market issuers that engage in credit decisions or determination of coverage of the underlying assets of securitisations themselves, or through or in cooperation with a third party or affiliate, shall adopt and maintain policies, practices, procedures, and control systems to ensure that AVMs used in these transactions adhere to quality control standards designed to ensure: i) a high level of confidence in the estimates produced; ii) protect against the manipulation of data; iii) to avoid conflicts of interest; iv) to require random sample testing and reviews; v) non-discrimination to heighten awareness among lenders of the applicability of nondiscrimination laws to AVMs. The proposed rule would not set specific requirements for how institutions are to structure these policies, practices, procedures, and control systems.

3. Next steps

- The Agencies propose an effective date of the first day of a calendar quarter following the 12 months after publication in the Federal Register of any final rule based on this proposal. This extended effective date would give institutions time to come into compliance with the rule.



19/06/2023

Fed/FDIC/OCC- Final joint guidance designed to help banking organizations manage risks associated with third-party relationships, including relationships with financial technology companies

1. Context

Banking organizations routinely rely on third parties for a range of products, services, and other activities. This can offer significant benefits, such as quicker and more efficient access to technologies, human capital, delivery channels, products, services, and markets. On the contrary, the use of third parties, especially those using new technologies, may present elevated risks to banking organizations and their customers, including operational, compliance, and strategic risks. In this regard, the Agencies published in July 2021 a proposal for guidance on third party risk management.

In this context, the Fed, FDIC, and OCC have issued the **Final joint guidance designed to help banking organizations manage risks associated with third-party relationships, including relationships with financial technology companies**. The guidelines do not introduce significant changes with respect to the 2021 draft. They state that sound third-party risk management takes into account the level of risk, complexity, and size of the banking organization and the nature of the third-party relationship. Furthermore, it describes principles and considerations for banking organizations' risk management of third-party relationships and covers risk management practices for the stages of the life cycle of these relationships: i) planning; ii) due diligence; iii) contract negotiation; iv) ongoing monitoring; and v) termination.

2. Main points

- **Risk management.** It is up to each banking organization to identify its critical activities and third-party relationships that support these critical activities. Notably, an activity that is critical for one banking organization may not be critical for another. Regardless of a banking organization's approach, a key element of effective risk management is applying a sound methodology to designate which activities and third-party relationships receive more comprehensive oversight.
- **Third-party relationship life cycle.** It is important to involve staff with the requisite knowledge and skills in each stage of the risk management life cycle. A banking organization may involve experts across disciplines, such as compliance, risk, or technology, as well as legal counsel, and may engage external support when helpful to supplement the qualifications and technical expertise of in-house staff. Agencies identify the following stages in the third-party risk management lifecycle:
 - **Planning.** Effective planning allows a banking organization to evaluate and consider how to manage risks before entering into a third-party relationship.
 - **Due Diligence and Third-Party Selection.** It provides management with the information needed about potential third parties to determine if a relationship would help achieve a banking organization's strategic and financial goals.
 - **Contract Negotiation.** When evaluating whether to enter into a relationship with a third party, a banking organization typically determines whether a written contract is needed, and if the proposed contract can meet the banking organization's business goals and risk management needs. After such determination, a banking organization typically negotiates contract provisions that will facilitate effective risk management and oversight.
 - **Ongoing Monitoring.** Effective third-party risk management includes ongoing monitoring throughout the duration of a third-party relationship, commensurate with the level of risk and complexity of the relationship and the activity performed by the third party. Ongoing monitoring may be conducted on a periodic or continuous basis, and more comprehensive or frequent monitoring is appropriate when a third-party relationship supports higher-risk activities, including critical activities.
 - **Termination.** A banking organization may terminate a relationship for various reasons, such as: i) expiration or breach of the contract; ii) the third party's failure to comply with applicable laws or regulations; or iii) a desire to seek an alternate third party.
- **Governance.** Regardless of how a banking organization structures its process, the following practices are typically considered throughout the third-party risk management life cycle: i) oversight and accountability; ii) independent reviews; and iii) documentation and reporting.
- **Supervisory reviews of third-party relationships.** Supervisory reviews will evaluate risks and the effectiveness of risk management to determine whether activities are conducted in a safe and sound manner and in compliance with applicable laws and regulations.

3. Next steps

- These guidelines apply from **6 June 2023**.



28/06/2023

PRA - CP10/23 – Solvent exit planning for non-systemic banks and building societies

1. Context

The Prudential Regulation Authority's (PRA) identified in 2021, and confirmed in its business plan for 2022/23, that it would do more in the coming years to increase confidence that firms can exit the market with minimal disruption, in an orderly way, and without having to rely on the backstop of an insolvency or resolution process.

In this context, the PRA has launched this CP where it outlines the proposals for non-systemic banks and building societies in the UK to prepare, as part of their business-as-usual (BAU) activities, for an orderly solvent exit; and if needed, to be able to execute one. The PRA understands solvent exit as the process through which a firm ceases PRA-regulated activities (deposit-taking) while remaining solvent throughout. The firm should transfer or repay (or both) all deposits as part of its solvent exit. Once the firm has transferred and/or returned all deposits, a solvent exit will end with the removal of the firm's Part 4A PRA permission.

2. Main points

- The PRA proposes new rules and expectations to help firms prepare for solvent exit as part of their BAU activities. These would apply to all firms under PRA supervision, regardless of how unlikely or distant an eventual need to execute a solvent exit may seem.
- The PRA proposes to clarify its expectations of firms for whom solvent exit has become a reasonable prospect. The proposed expectations cover producing a detailed solvent exit execution plan and executing and monitoring a solvent exit.
- The proposals in this CP would result in consequential changes to Supervisory Statement (SS) 3/21 – Non-systemic UK banks: The PRA's approach to new and growing banks. The PRA proposes to replace the term solvent wind-down with solvent exit when referencing or describing a solvent cessation of PRA-regulated activities, and to delete the Solvent wind down section. The objective of this proposal is to introduce greater clarity and accuracy in the language associated with ceasing PRA-regulated activities while solvent.

3. Next steps

- This consultation closes the **27 October 2023**.
- The PRA proposes that the implementation date for the changes resulting from this CP would be **Q3 2025**.



30/06/2023

Fed - 2023 stress test results

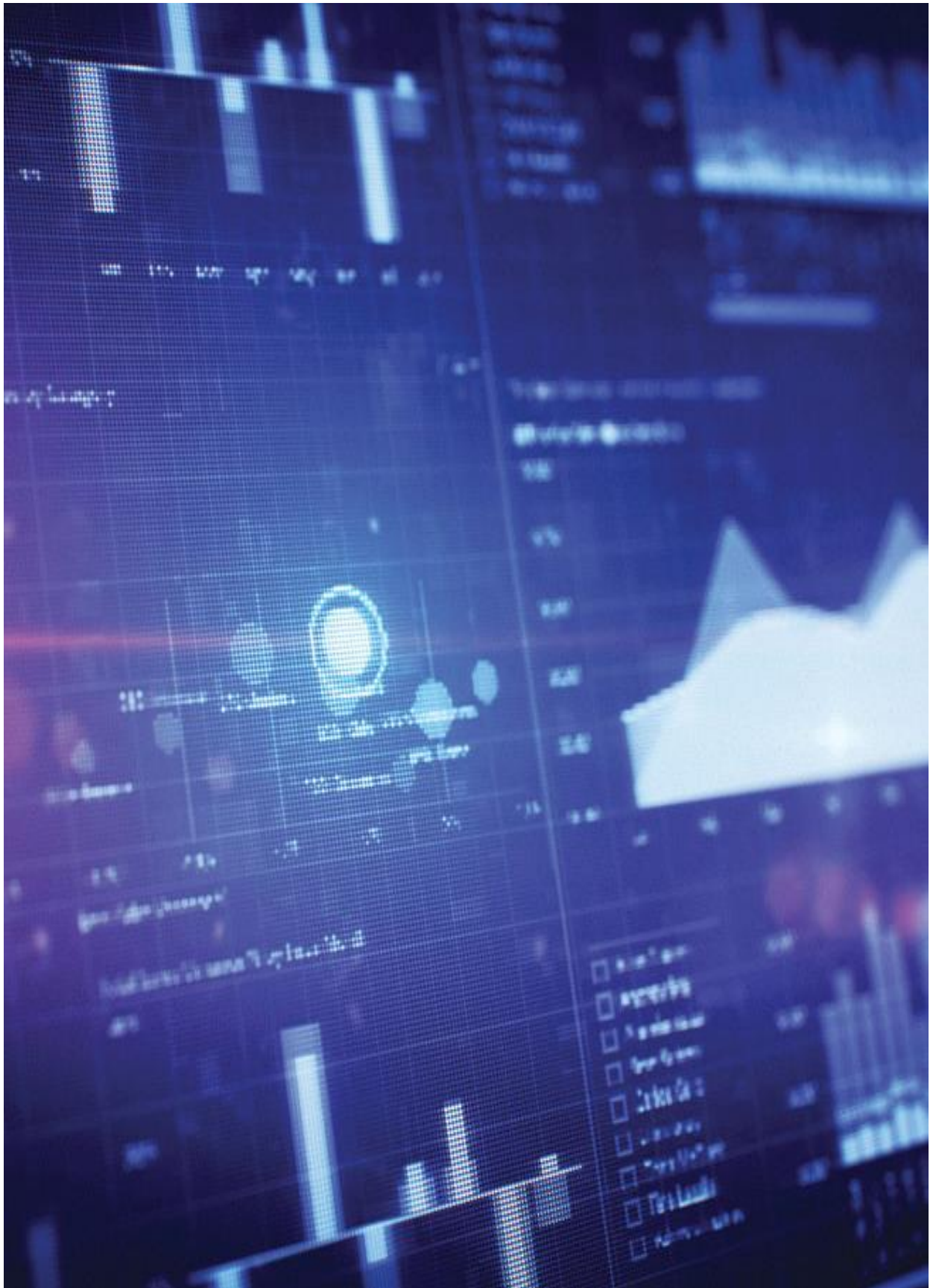
1. Context

The Fed's stress test evaluate the resilience of large banks by estimating their capital levels, losses, revenue and expenses under hypothetical scenarios. The stress test are performed annually, using a minimum of two different scenarios to test a bank's capital adequacy during times of stress, and publicly discloses bank-level results. In February 2023, the Fed published these scenarios, which start in the first quarter of 2023 and extend through the first quarter of 2026. Each scenario includes 28 variables; this set of variables is the same as the set provided in last year's supervisory stress test scenarios.

In this context, the Fed has released the **2023 stress test results** which demonstrates that large banks are well positioned to weather a severe recession and continue to lend to households and businesses even during a severe recession. A total of 23 banks participated in this year's exercise.

2. Main points

- **Capital.** Under the severely adverse scenario, the aggregate CET1 capital ratio is projected to decline from 12.4% at the start of the projection horizon to a minimum of 10.1% in the first quarter of 2025, before rising to 10.7 % at the end of nine quarters.
- **Pre-tax Net Income.** Aggregate cumulative pre-tax net income is projected to be negative \$190 billion, which equals negative 1% of average total assets. Furthermore, this is negative for 20 out of 23 banks and varies considerably across banks, ranging from negative 5.7% to positive 1.9%. This range reflects differences in the sensitivity of the various components of pre-tax net income to the economic and financial market conditions in the severely adverse scenario.
- **Losses.** Aggregate losses on loans and other positions are projected to be \$541 billion. These losses are comprised mainly of: i) \$424 billion in loan losses; ii) \$18 billion in additional losses from items such as loans booked under the fair-value option; iii) \$94 billion in trading and counterparty losses.
- **Pre-provision Net Revenue (PPNR).** Banks are projected to generate an aggregate of \$349 billion in PPNR, which is equal to 1.8% of their combined average assets. The ratio of PPNR to average assets varies across banks, primarily because of differences in business focus. For instance, the ratio of PPNR to assets tends to be higher at banks focusing on credit card lending, since credit cards generally produce higher net interest income relative to other forms of lending.



Other publications of interest

Capital, liquidity and leverage

DRAFT CIRCULAR

[\(09/05/2023\) BdE- Audiencia pública proyecto de circular que modifica Circular 2/2016 a entidades de crédito sobre supervisión y solvencia y Circular 1/2022 a establecimientos financieros de crédito sobre liquidez normas prudenciales y obligaciones de información](#)

The Bank of Spain (BoS) has published a Draft circular amending Circular 2/2016 to credit institutions on supervision and solvency and Circular 1/2022 to financial credit institutions on liquidity, prudential rules and reporting obligations. This Circular aligns Circular 2/2016 wording with the content of the reform of Law 10/2014 by Law 18/2022 in relation to non-Community institutions operating in Spain without a branch, and introduces certain assessment criteria in the authorisation process. In addition, this Circular revises the reporting obligations to the BoS on remuneration for both credit institutions and financial credit institutions.

BASEL FRAMEWORK

[\(10/04/2023\) BIS - Various technical amendments and FAQs](#)

The Basel Committee on Banking Supervision (BCBS) has published a proposal for technical amendments and answers to frequently asked questions (FAQs) to promote consistent global implementation of the Basel framework. The set of interpretive issues addressed in this document relate to: (i) the standardized approach for operational risk; (ii) the disclosure rules for credit valuation adjustment (CVA) risk; (iii) the description of the calculation of indicator scores for global systemically important banks (G-SIBs); (iv) the terminology used in the countercyclical capital buffer; and (v) the application of the liquidity rules to certain products.

EXTERNAL MRELS

[\(18/04/2023\) BoE - External minimum requirements for own funds and eligible liabilities \(MREs\) – 2023](#)

The Bank of England (BoE) has published the 2023 external MREs for all firms with a resolution entity incorporated in the UK for which an MREL above minimum capital requirements has been communicated. The Bank has updated the format of the disclosure to reflect the fact that as of 1 January 2023 most firms have reached their end-state MREs and that, in future, firms which become newly subject to a preferred resolution strategy involving the use of stabilisation powers will be subject to the transition arrangements set out in the Bank's revised Statement of Policy (SoP) on its approach to setting MREL. This year's disclosure also reflects firm-specific judgements to adjust the MREL for firms with a partial transfer preferred resolution strategy, under paragraph 4.8 of the MREL SoP.

INTEREST RATE RISK

[\(26/04/2023\) EBA - EBA updates on the definition of a large decline of net interest income in relation to the interest rate risk in the banking book](#)

The European Banking Authority (EBA) has published an Opinion in response to the European Commission (EC) amendments relating to the draft Regulatory Technical Standards (RTS) on the supervisory outlier tests (SOT) specifying technical aspects of the revised framework on interest rate risks for banking book (IRRBB) positions. In particular, the EBA suggests amendments to its initial draft RTS, amending the level of what constitutes a large decline, now 5 % instead of 2,5% of Tier 1 Capital, in view of the current rate conditions.

RISKS FROM CONTINGENT LEVERAGE

[\(19/05/2023\) PRA - PS5/23: Riesgos del apalancamiento contingente](#)

The Prudential Regulation Authority (PRA) has published a Policy Statement (PS) 5/23 on contingent leverage risks, providing feedback on the responses to Consultation Paper (CP) 12/22. Among other things, this document adds clarification on business lines and trading structures within the scope of the Internal Capital Adequacy Assessment Process (ICAAP) expectations, and on how to assess the materiality of contingent leverage risks to a firm's business.

CONTROLLER'S HANDBOOK

[\(25/05/2023\) OCC - Liquidity: Updated Comptroller's Handbook Booklet and Rescissions](#)

The Prudential Regulation Authority (PRA) has published a Policy Statement (PS) 5/23 on contingent leverage risks, providing feedback on the responses to Consultation Paper (CP) 12/22. Among other things, this document adds clarification on business lines and trading structures within the scope of the Internal Capital Adequacy Assessment Process (ICAAP) expectations, and on how to assess the materiality of contingent leverage risks to a firm's business.

Other publications of interest

Capital, liquidity and leverage

EXPECTED CREDIT LOSS REQUIREMENTS

[\(30/05/2023\) IASB - IASB begins planned review of financial-crisis-era reform to loan-loss accounting](#)

The International Accounting Standards Board (IASB) has launched a call for stakeholders' feedback on its post-implementation review of the expected credit loss requirements in IFRS 9 Financial Instruments. The IASB conducts post-implementation reviews on all major new accounting requirements after companies have applied them for at least two years. The review of IFRS 9 is being conducted in three parts. The first part, which covered the classification and measurement requirements, concluded in December 2022. The current review is the second part and covers the impairment requirements. The final part, which will cover hedge accounting, will be held at a later stage.

STRESS TEST

[\(02/06/2023\) ESMA - Stress test Exercise for Central Counterparties](#)

The European Securities and Markets Authority (ESMA), has launched the fifth stress test Exercise for central counterparties (CCPs) with the objective of: i) assess the resilience of CCPs to adverse market developments; ii) identify any potential shortcomings in the CCPs' resilience; iii) issue recommendations as appropriate. The data submitted by the reporting entities will first be validated by ESMA and the National Competent Authorities (NCAs) and later analysed. The results are scheduled to be published in a final report in H2 2024.

COUNTERPARTY CREDIT RISK

[\(05/06/2023\) EBA - Report on the impact and calibration of the Standardised Approach to Counterparty Credit Risk \(SA-CCR\)](#)

The European Banking Authority (EBA) has published its Report on the impact and calibration of the Standardised Approach to Counterparty Credit Risk (SA-CCR), simplified SA-CCR and Original Exposure Method (OEM). The impact of setting alpha equal to 1 under SA-CCR for the purposes of the output floor (OF) on a permanent basis is also analysed. For CCR, until 31 December 2029, institutions with the internal model method (IMM) permission shall replace alpha by 1 in the SA-CCR calculation of the exposure value for their derivative contracts. Such alpha value can be permanently modified for the purpose of the OF by the European Commission, taking into account this EBA Report.

LCR AND NSFR

[\(15/06/2023\) EBA - EBA reports on the LCR and NSFR implementation in the EU in the context of the new economic environment and TLTRO repayment](#)

The European Banking Authority (EBA) has published its third Report on the monitoring of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) implementation in the European Union (EU). This Report assesses the potential impact on LCR and NSFR levels of the upcoming central bank funding repayment (mainly repayments of the targeted longer-term refinancing operations - TLTRO) as well as of a potential scenario of higher liquidity risk, particularly affecting government bonds, derivatives and repo markets, in the context of a higher interest rate environment, inflation and recession risks. The findings include the following: i) pending alternative funding sources are used, the repayment of central bank funding could cause a significant reduction of the LCR at EU level; ii) the maturity of all the remaining central bank funding could cause a fall in the weighted average NSFR which, while still relevant, is considered less important than in the case of the LCR.

SYSTEM-WIDE EXPLANATORY SCENARIO

[\(19/06/2023\) BoE - Bank of England launches first system-wide exploratory scenario exercise](#)

The Bank of England (BoE) has launched its first system-wide exploratory scenario (SWES) exercise. The exercise aims to improve understanding of the behaviours of banks and non-bank financial institutions (NBFIs) in stressed financial market conditions. It will explore how those behaviours might interact to amplify shocks in UK financial markets that are core to UK financial stability. Participating firms will include large banks, insurers, central counterparties and a variety of funds (pension funds, hedge funds, and funds managed by asset managers). Participants will be actively engaged in both the design and execution of the exercise. A final report will be published in 2024, which will include the system-wide findings, implications for the SWES markets of focus, and any conclusions for the assessment of risks to UK financial stability.

Other publications of interest

Capital, liquidity and leverage

.INSURANCE CAPITAL STANDARD

[\(23/06/2023\) IAIS - Final consultation in preparation for adoption of the Insurance Capital Standard 2024](#)

The International Association of Insurance Supervisors (IAIS) has launched the fourth and final public consultation on the Insurance Capital Standard (ICS) before its planned adoption in December 2024. The ICS as a prescribed capital requirement (PCR) will provide a consolidated, risk-based measure of capital adequacy for Internationally Active Insurance Groups (IAIGs). Group-wide supervisors (GWSs) will use the ICS as a binding requirement. Comments can be sent before 21 September 2023.

REVIEW OF SOLVENCY II

[\(29/06/2023\) PRA - CP12/23 - Review of Solvency II: Adapting to the UK insurance market](#)

The Prudential Regulation Authority's (PRA) has launched the Consultation Paper (CP) 12/13 where it proposes to deliver significant reforms for Solvency II: i) simplifications and process improvements to the calculation of the transitional measure on technical provisions (TMTP); ii) a new, streamlined set of rules for internal models (IM) where these are used by insurers to calculate their capital requirements; iii) greater flexibility for insurance groups in the calculation of group solvency requirements; iv) the removal of certain requirements for branches international insurers operating in the UK; v) the streamlining and removal of reporting requirements; vi) a new mobilization regime; and vii) an increase to the size thresholds. Responses are accepted before 1 September 2023.

Other publications of interest

Supervision

SYSTEMIC RISK

[\(04/04/2023\) IAIS - IAIS publishes report assessing implementation of the Holistic Framework insurance standards in ten major markets](#)

The International Association of Insurance Supervisors (IAIS) has published its report on the targeted jurisdictional assessment (TJA) of the implementation of the Holistic Framework supervisory material. The report summarises the outcomes of the assessment of the implementation of standards that form part of the IAIS Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector across ten major insurance markets. The in-depth targeted jurisdictional assessment (TJA) shows an overall consistent and strong implementation of the Holistic Framework standards, indicating enhanced macroprudential supervisory practices in the insurance sector.

ESIS OPERATIONS THROUGH AGENTS

[\(19/04/2023\) CNMV - Información al sector sobre la operativa de entidades que prestan servicios de inversión a través de los agentes](#)

The Comisión Nacional del Mercado de Valores (CNMV) has published an informative document on the operations that entities that provide investment services (banks and investment services companies) (ESIs) carry out in the securities market through their agents, after carrying out a supervisory task. In this regard, it has detected some incidents related to: i) remuneration systems for agents; ii) training requirements; iii) provision of advisory services by agents; iv) control procedures; and v) the role of the prescriber or introducer of clients.

SUPERVISORY BENCHMARKING EXERCISE

[\(21/04/2023\) EBA - EBA updates list of institutions involved in the 2023 supervisory benchmarking exercise](#)

The European Banking Authority (EBA) has published an updated list of institutions, which have a reporting obligation for the purpose of the 2023 European Union (EU) supervisory benchmarking exercise. The EBA will be conducting the 2023 benchmarking exercise on a sample of 117 institutions from 16 countries across the EU and the European Economic Area (EEA).

SUPERVISORY PRACTICES

[\(04/05/2023\) EBA - EBA notes EU wide consistent implementation of 2022 priorities in supervisory work programmes and further improvements in the functioning of supervisory colleges but calls for more attention in some areas](#)

The European Banking Authority (EBA) has published its annual Report on convergence of supervisory practices for 2022. According to this report, the European supervisors as a whole have met their objective in relation to most of the supervisory priorities set in the [EBA European Supervisory Examination Programme \(ESEP\)](#) for 2022, although competent authorities are still in the process of building up their capacity to review the risks associated with the digital transformation and the environmental, social and corporate governance (ESG) domain. Competent authorities also showed an ability to react to macro events that affected the financial situation of institutions under their supervision, though timely information exchange and cooperation should be enhanced. Lastly, supervisors consciously applied proportionality in their supervisory practices.

MEASURES TO STRENGTHEN SUPERVISION

[\(30/05/2023\) EBA - EBA Peer Review finds credit valuation adjustment risk is overall supervised sufficiently and recommends some follow-up measures to further strengthen supervision](#)

The European Banking Authority (EBA) has published its Peer Review on excluding transactions with non-financial counterparties established in a third country from credit valuation adjustment (CVA) risk. The Review found that the competent authorities targeted in this review assessed CVA risk sufficiently although some elements of such an assessment were missing. The EBA, therefore, has set out a series of follow-measures to address these deficiencies.

Other publications of interest

Supervision

SUPERVISORY COLLEGES

[\(30/05/2023\) EBA - EBA consults on new RTS and ITS on supervisory colleges](#)

The European Banking Authority (EBA) has launched a public consultation on draft Regulatory Technical Standards (RTS) and draft Implementing Technical Standards (ITS) on the functioning of supervisory colleges under the Capital Requirements Directive (CRD). These new technical standards will focus on: i) enhanced information exchange within the college; and ii) effective identification of emerging risks in case of an event of adverse material impact on the risk profile of the group or its entities; The consultation runs until 30 August 2023

SUPERVISORY PRIORITIES

[\(13/06/2023\) DSG – Supervisory priorities](#)

The Directorate General for Insurance and Pension Funds (DSG) has published its supervisory priorities 2023-2025. The main areas of supervision include: i) the methodology for valuation of technical provisions in insurance and reinsurance institutions; ii) the quality of stress scenarios considered by insurance institutions in their risk and solvency self-assessment process (ORSA); iii) the supervision of groups of insurance institutions as a supervisory unit

GLOBAL MONITORING EXERCISE

[\(29/06/2023\) IAIS - Global Monitoring Exercise](#)

The International Association of Insurance Supervisors (IAIS) has published the updated Global Monitoring Exercise (GME) document, which outlines the objectives and process of the GME. The changes focus on an updated methodology to calculate individual insurers' systemic risk footprint in the individual insurer monitoring (IIM). In summary, key changes made include: i) updating of the insurer pool selection criteria; ii) removal of the financial guarantees indicator; iii) IIM indicator reweighting; iv) updating currency exchange rates used in the calculation of IIM systemic risk scores; and v) fixing the rescaling factor between the liability liquidity and short-term funding indicators.

Other publications of interest

Restructure and resolution

CONSEQUENCES FOR DEPOSITORS IN THE EVENT OF A BANK INSOLVENCY

[\(18/04/2023\) BoE - Improving depositor outcomes in bank or building society insolvency](#)

The Bank of England (BoE), as Resolution Authority, has published an update on work launched in December 2021 to improve the consequences for depositors in the event of bank or building society insolvency. The proposals contain three initial areas that could better support timely payout of eligible depositors' covered balances and improve continuity of payments and other banking services: (i) an online portal, enabling depositors to provide alternative account details so that the Financial Services Compensation Scheme (FSCS) can electronically transfer the covered balance of their deposit at the failed firm to another bank or building society; (ii) improved continuity of banking services; and (iii) for those depositors who need to open a new bank account to achieve continuity, exploring better operational support and increased capacity at receiving banks.

AMENDMENTS TO THE BANKING CRISIS MANAGEMENT FRAMEWORK

[\(18/04/2023\) EC - Banking Union: Commission proposes reform of bank crisis management and deposit insurance framework](#)

The European Commission (EC) has adopted a proposal to adjust and further strengthen the EU's existing bank crisis management and deposit insurance (CMDI) framework, with a focus on medium-sized and smaller banks. The experience has shown that many failing medium-sized and smaller banks have been managed with solutions outside the resolution framework. This sometimes involved using taxpayers' money instead of the bank's required internal resources or private, industry-funded safety nets (deposit guarantee schemes and resolution funds). The proposal has the following objectives: i) preserving financial stability and protecting taxpayers' money; ii) shielding the real economy from the impact of bank failure; and iii) better protection for depositors.

AMENDMENTS TO THE BANKING CRISIS MANAGEMENT FRAMEWORK

[\(18/04/2023\) ECB - ECB and SRB welcome European Commission's legislative proposals for bank crisis management and deposit insurance framework](#)

The European Central Bank (ECB) and the Single Resolution Board (SRB) has welcomed the European Commission's proposed legislative changes to the European bank crisis management and deposit insurance framework. The ECB and the SRB took part in the consultation process that led to the European Commission's (EC) proposals and published related documents, such as the ECB contribution and the SRB contribution. Both institutions stand ready to provide technical input to further enhance the Commission's proposals and ensure that the overall framework is consistent and workable.

MREL POLICY

[\(15/05/2023\) SRB - Single Resolution Board keeps MREL policy stable and publishes MREL dashboard Q4.2022](#)

The Single Resolution Board (SRB) of the European Union (EU) has decided to maintain its policy on the calibration of MREL (total and subordinated component) with minimal changes this year. The objective is to provide a stable regulatory environment in a phase where some banks are still building up their MREL stock ahead of the upcoming deadline on 1 January 2024. The only change concerns the scope of entities subject to internal MREL. The SRB reduces the size threshold for credit institutions considered as Relevant Legal Entities from EUR 10bn to EUR 5bn, keeping the other thresholds unchanged. As part of its ongoing strategic review, SRB will launch a public consultation on MREL for the 2024 cycle and beyond in the second half of this year.

RESOLUTION PLANNING

[\(16/05/2023\) SRB - Resolution Planning Cycle Booklet 2023](#)

The Single Resolution Board (SRB) of the European Union (EU) has published its Resolution Planning Cycle Booklet for 2023. This plan has been updated on an annual basis taking into account changes in the market and in banks themselves. The resolution plan informs stakeholders about the SRB's resolution planning activities and describes the main processes and phases of the current Resolution Planning Cycle.

RESOLVABILITY

[\(13/06/2023\) EBA - EBA published its final resolvability testing Guidelines](#)

The European Banking Authority (EBA) has published its Guidelines for banks and resolution authorities on resolvability testing. These guidelines introduce a self-assessment by resolution entities of their resolvability focusing on the minimum standard set by the EBA Resolvability Guidelines and Transferability Guidelines.

Other publications of interest

Reporting and disclosure

RISK DASHBOARD

[\(04/04/2023\) EBA - Robust EU/EEA banking sector shows strong capital and liquidity ratios](#)

The European Banking Authority (EBA) has published its quarterly Risk Dashboard (RDB) together with the first edition of the RDB on minimum requirement for own funds and eligible liabilities (MREL). Volatility in European Union/ European Economic Area (EU/EEA) banks' equity and debt has been strongly affected by Silicon Valley Bank (SVB) and Credit Suisse related events, although direct exposures of EU/EEA banks towards these banks were limited according to indications from supervisory reporting as of Q4 2022. Banks' capital and liquidity ratios remain strong and profitability continues to increase

RESUBMISSION OF HISTORICAL DATA

[\(18/04/2023\) EBA - EBA consults on approach to the resubmission of historical data under the EBA reporting framework](#)

The European Banking Authority (EBA) has launched a public consultation on the draft Guidelines on resubmission of historical data under the EBA reporting framework. The objective of the draft Guidelines is to provide a common approach to the resubmission by the financial institutions of historical data to the competent and resolution authorities in case there are errors, inaccuracies or other changes in the data reported in accordance with the supervisory and resolution reporting framework developed by the EBA. The consultation runs until 31 July 2023.

TAXONOMY ARCHITECTURE

[\(27/04/2023\) EBA/ EIOPA - EBA publishes draft version of its revised taxonomy architecture](#)

The European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) have been working jointly with Eurofiling to produce a revised version of the taxonomy architecture in order to implement the improvements introduced by data point model (DPM) Refit to data point modelling, such as the historicisation of certain concepts. The revisions also simplify the structure by removing unnecessary artefacts, such as normative codes for taxonomy frameworks.

RISKS FOR THE INSURANCE SECTOR

[\(15/05/2023\) EIOPA - Risk Dashboard shows macro and market risks as top concern for insurers](#)

The European Insurance and Occupational Pensions Authority (EIOPA) of the European Union (EU) has published its Risk Dashboard based on Q4 2022 Solvency II data. The analysis shows that Risks related to the macroeconomic environment continue to be the most relevant for the insurance sector. Forecasts for global GDP growth have ticked up slightly and unemployment remains low. On the other hand, market risks are high amid increased volatility in the bond and equity markets. Insurers' relative exposure to bonds, equity and property nevertheless remains largely unchanged

NON-FINANCIAL REPORTING REQUIREMENTS

[\(24/05/2023\) UK.Gov - Smarter regulation non-financial reporting review: call for evidence](#)

The Department for Business and Trade (DBT), working with the Financial Reporting Council (FRC), the UK regulator for corporate reporting, has conducted a review of the non-financial reporting requirements UK companies need to comply with to produce their annual report. This builds on the Smarter regulation to grow the economy policy paper which set out how the government would improve regulation across the board to reduce burdens and drive economic growth now that the UK has left the European Union (EU). The review will also consider if current company size thresholds (micro, small, medium and large) that determine certain non-financial reporting requirements, and the preparation and filing of accounts with Companies House, remain appropriate. Consultation closes on 16 August 2023.

TRANSPARENCY OF SUPPLIER FINANCE

[\(25/05/2023\) IASB - IASB increases transparency of companies' supplier finance](#)

The International Accounting Standards Board (IASB) has issued disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments supplement requirements already in International Financial Reporting Standards (IFRS) Accounting Standards and require a company to disclose: i) the terms and conditions; ii) the amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities sit on the balance sheet; iii) ranges of payment due dates; and iv) liquidity risk information.

Other publications of interest

Reporting and disclosure

TRANSPARENCY CALCULATIONS

[\(31/05/2023\) ESMA - Amended rules for transparency calculations to start applying on 5 June 2023](#)

The European Securities and Markets Authority (ESMA), has informed stakeholders that Regulatory Technical Standards (RTS) 1 and 2 concerning certain transparency requirements applicable to transactions in financial instruments consisting of equity and equity-like (RTS 1) and non-equity instruments (RTS 2), under MiFIR, will start to apply on June 5, 2023. Some of the amendments will affect the transparency calculations for equity, equity-like and non-equity instruments. The pre-trade threshold whose volume can be considered large (LIS) for ETFs will change from €1,000,000 to €3,000,000 and the smaller post-trade thresholds LIS from €10,000,000 to €15,000,000. The other RATIO parameters will remain unchanged. The new pre-trade and post-trade LIS thresholds are to be applied from and including June 5, 2023.

MONEY MARKET FUNDS STRESS TESTS

[\(06/06/2023\) ESMA - Money market funds stress tests](#)

The European Securities and Markets Authority (ESMA) has published an article on the results of the stress tests of Money Market Funds (MMFs). The results show that liquidity and credit risks would be the most impactful for MMFs, in the context of the adverse scenario. However, the different redemption scenarios tested show the ability of MMFs to meet redemption requests under adverse circumstances, despite a calibration reflecting the intensity of the March 2020 stress episode.

BENCHMARKING EXERCISE

[\(12/06/2023\) EBA - Final Draft ITS on supervisory benchmarking for the 2024 exercise](#)

The European Banking Authority (EBA) has published its Final draft Implementing Technical Standards (ITS) on the benchmarking of credit risk, market risk and IFRS9 models for the 2024 exercise. The most significant change, compared to the data collection of 2023, is the roll out for the benchmarking of accounting metrics IFRS9 to high default portfolios (HDP). For market risk, new templates are added for the collection of additional information, notably the Default Risk Charge (DRC) and the Residual Risk Add-On (RRAO). For credit risk, only minor changes have been made.

REPORTING FRAMEWORK

[\(12/06/2023\) EBA - Technical package for phase 1 of its 3.3 reporting framework](#)

The European Banking Authority (EBA) has published the technical package for phase 1 of version 3.3. of its reporting framework. The technical package provides standard specifications and includes the validation rules, the Data Point Model (DPM) and the XBRL taxonomies for this phase. In particular, includes: i) updates to the Implementing Technical Standards (ITS) on disclosures and reporting on minimum requirement for own funds and eligible liabilities (MREL); ii) amendments to the ITS on Supervisory Benchmarking; and iii) integration of ESG pillar 3 disclosures into DPM and taxonomy.

REPORTING SUPERVISOR

[\(13/06/2023\) EBA/EIOPA - EBA and EIOPA publish Data Point Modelling Standard 2.0 to foster collaboration and harmonisation in the field of supervisory reporting](#)

The European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) have published the evolution of the Data Point Model (DPM) or DPM 2.0 reporting standard. DPM 2.0 supports the entire reporting lifecycle, from data definition to analysis, and enhances the digital processing of regulatory data required by authorities.

GUIDELINES ON CCPs

[\(23/06/2023\) ESMA - ESMA publishes Guidelines on templates for summary resolution plans and for written arrangements for resolution colleges](#)

The European Securities and Markets Authority (ESMA) has published two Final Reports including guidelines on the central counterparties (CCPs) Resolution Regime under the CCP Recovery and Resolution Regulation (CCPRRR). On the one hand, the Guidelines on the template written arrangements for resolution colleges will assist National Competent Authorities (NCAs) in the creation of the resolution colleges, and also ensure a smooth process to both establish and review the resolution college agreement. In addition, the Guidelines on the template summary resolution plans provide resolution authorities with guidance as to the type of information that should be included in the summary that would be shared with the CCP.

Other publications of interest

Compliance

CONSUMER PROTECTION

[\(24/04/2023\) EBA - EBA identifies fraud in retail payments and over indebtedness as key issues affecting consumers](#)

The European Banking Authority (EBA) has published the 8th edition of its Consumer Trends Report for 2022/23, which summarises trends observed for the products and services under the EBA's consumer protection mandate. The Report has also identified two issues facing consumers in the European Union (EU): fraud in retail payments and over-indebtedness and arrears. These issues will shape the EBA's consumer protection priorities over the next two years.

COMPETITION AND CONSUMER PROTECTION

[\(25/04/2023\) GOV.UK - New bill to stamp out unfair practices and promote competition in digital markets](#)

The Competition and Markets Authority (CMA) has welcomed draft legislation enhancing its ability to promote competition and protect consumers, including new powers for its Digital Markets Unit (DMU). The bill has 3 areas of focus: i) consumer protection (the CMA has taken enforcement action against those who use unfair practices to dupe people into handing over their money, taking action on fake reviews, subscription traps and pressure selling.); ii) digital markets (the bill establishes a new, targeted regime built for the digital age, overseen by the DMU, that will use a proportionate approach to hold digital firms accountable for their actions); and iii) competition (bolstered investigative and enforcement powers will mean the CMA can conduct faster and more flexible competition investigations).

FAIR VALUE FRAMEWORKS

[\(10/05/2023\) FCA - Consumer Duty: Findings from our review of fair value frameworks](#)

The UK Financial Conduct Authority (FCA) has reviewed the fair value measurement frameworks of 14 firms. According to this review, in general, the frameworks suggest that firms have taken into account both, the price and value requirements and the shift towards a focus on consumer outcomes. This publication does not introduce new requirements on firms, but they suggest some areas of the framework that need to be focused on.

PROTECTION OF UNINSURED DEPOSITORS

[\(11/05/2023\) FDIC/OCC - FDIC Board of Directors Issues a Proposed Rule on Special Assessment Pursuant to Systemic Risk Determination/Acting Comptroller Issues Statement in Support of FDIC Notice of Proposed Rulemaking on Special Assessments](#)

The US Federal Deposit Insurance Corporation (FDIC) Board of Directors have approved a notice of proposed rulemaking, which would implement a special assessment to recover the cost associated with protecting uninsured depositors following the closures of Silicon Valley Bank and Signature Bank. The Federal Deposit Insurance Act (FDI Act) requires the FDIC to take this action in connection with the systemic risk determination announced on March 12, 2023. As proposed, it is estimated that a total of 113 banking organizations would be subject to the special assessment. Banking organizations with total assets over \$50 billion would pay more than 95 percent of the special assessment. No banking organizations with total assets under \$5 billion would be subject to the special assessment. The Office of the Comptroller of the Currency (OCC) has issued a statement in support of the notice of proposed rulemaking on special assessments. The special assessment is intended to recover the losses to the Deposit Insurance Fund incurred by protecting the uninsured depositors of Silicon Valley Bank and Signature Bank following the US government's systemic risk determination in March 2023.

POLICIES AND PROCEDURES MANUAL

[\(25/05/2023\) OCC - OCC Revises Bank Enforcement Manual to Address Actions Against Banks with Persistent Weaknesses](#)

The Office of the Comptroller of the Currency (OCC) has announced revisions to its policies and procedures manual (PPM) on bank enforcement actions to reflect its consideration of actions against banks that exhibit or fail to correct persistent weaknesses. This could include additional requirements and restrictions, such as requirements that a bank improve its capital or liquidity position, as well as restrictions on the bank's growth, business activities, or payments of dividends.

ELEGIBILITY REQUIREMENTS

[\(05/06/2023\) CNMV - CNMV adopts ESMA guidelines on MiFID II suitability requirements](#)

The Comisión Nacional del Mercado de Valores (CNMV) has notified the European Securities and Markets Authority (ESMA) that it complies with the Guidelines on certain aspects of MiFID II suitability requirements. The CNMV will pay attention to their implementation, within the scope of its supervisory competences and, in particular, in the horizontal review on compliance with the sustainability preference rules foreseen in the 2023 business plan. The objective of these Guidelines is mainly to ensure a common, uniform and consistent implementation in relation to the new sustainability-related requirements introduced in April 2021.

Other publications of interest

Compliance

CONSUMER DUTY

[\(28/06/2023\) FCA - Consumer Duty firm survey – Spring 2023](#)

The Financial Conduct Authority (FCA) has published the results of the Consumer Duty firm survey which had the objective to help the FCA to understand how prepared were firms in meeting the implementation deadline of 31 July 2023, and how they could support firms to embed the Duty effectively. Overall the key findings are: i) there were very high levels of engagement and understanding of the Duty; ii) most firms believed they were on course to implement the Duty by the deadline; iii) retail finance providers and debt advice firms scored consistently lower than others on engagement, understanding, and implementation progress; and iv) firms had made use of the support provided by the FCA and found it helpful.

CAPITAL MARKETS

[\(29/06/2023\) Council of the EU - Capital markets union: Council and Parliament agree on proposal to strengthen market data transparency](#)

The European Council reached a provisional agreement with the European Parliament (EP) on amendments to European Union (EU) trading rules that will enhance the global competitiveness of EU capital markets and allow investors access to market data needed to invest more easily in financial instruments. The revision of the Markets in Financial Instruments Regulation (MiFIR) and the second Markets in Financial Instruments Directive (MiFID 2) aims to empower investors, in particular by facilitating the EU-wide availability of consolidated market data. Once the text of the provisional political agreement has been consolidated, it will need to be formally adopted by both the Council and the Parliament before it can be published in the EU's Official Journal and enter into force.

Other publications of interest

Government

MANAGEMENT ORGAN OF CREDIT SERVICERS

[\(19/04/2023\) EBA - EBA consults on guidance to assess knowledge and experience of the management or administrative organ of a credit servicer](#)

The European Bank Authority (EBA) has launched a public consultation on its draft Guidelines on the assessment of adequate knowledge and experience of the management or administrative organ of credit servicers, as a whole, under the Non-Performing Loans Directive. The Guidelines aim at ensuring that the organs are suitable to conduct the business of the credit servicer in a competent and responsible manner. The consultation runs until 19 July 2023.

COUNTERPARTY CREDIT RISK GOVERNANCE

[\(02/06/2023\) ECB - ECB consults on counterparty credit risk governance and management](#)

The European Central Bank (ECB) has launched a public consultation on its report on Sound practices in counterparty credit risk governance and management. The report summarises the results of the targeted review performed in the second half of 2022 on how banks govern and manage counterparty credit risk (CCR). It highlights the good practices observed in the market and points to areas where improvement is needed; i) customer due diligence; ii) the definition of risk appetite; iii) default management processes; and iv) stress testing frameworks.

Other publications of interest

Sustainability

CLIMATE-RELATED DISCLOSURES

[\(04/04/2023\) ISSB - ISSB decides to prioritise climate-related disclosures to support initial application](#)

The International Sustainability Standards Board (ISSB) has decided that it will complement its package of transitional reliefs to support companies applying the ISSB's first two Standards: S1 (general requirements) and S2 (climate). The relief will enable companies to focus initial efforts on ensuring they meet investor information needs around climate change. It means companies can prioritise putting in place reporting practices and structures to provide high-quality, decision-useful information about climate-related risks and opportunities in the first year of reporting using the ISSB Standards.

SFDR AMENDMENTS

[\(13/04/2023\) EBA - ESAs propose amendments to extend and simplify sustainability disclosures](#)

The three European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) have published a Consultation Paper with amendments to the Delegated Regulation of the Sustainable Finance Disclosure Regulation (SFDR). The ESAs are proposing changes to the disclosure framework to address issues that have emerged since the introduction of SFDR. The authorities seek feedback on the amendments that envisage :i) extending the list of universal social indicators for the disclosure of the principal adverse impacts of investment decisions on the environment and society, such as earnings from non-cooperative tax jurisdictions or interference in the formation of trade unions; ii) refining the content of other indicators for adverse impacts and their respective definitions, applicable methodologies, formulae for calculation as well as the presentation of the share of information derived directly from investee companies, sovereigns, supranationals or real estate assets; and iii) adding product disclosures regarding decarbonisation targets, including intermediate targets, the level of ambition and how the target will be achieved. The ESAs welcome comments to the Consultation Paper until 4 July 2023.

ENVIRONMENTAL TAXONOMY OBJECTIVES

[\(13/04/2023\) EC - Draft Environmental Delegated Act and Draft amendments to the Taxonomy Climate and Disclosure Delegated Acts \(Document 1\) \(Document 2\)](#)

The European Commission (EC) has launched a consultation period on the Draft Environmental Delegated Act which contains a new set of technical screening criteria (TSC) for economic activities making a substantial contribution to one or more of the non-climate environmental objectives, namely: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems. The EC is also consulting on proposed amendments to the Taxonomy Climate Delegated Act, which sets out the TSC for the first two Taxonomy Regulation (TR) objectives for additional economic activities not yet included in that Delegated Act as well as limited amendments of a technical nature to some of the TSC for activities which were already included to improve the usability, coherence and implementation of that Delegated Act. Finally the EC has published proposed amendments to the Taxonomy Disclosures Delegated Act to ensure that the disclosure requirements laid down in it are consistent with the provisions of the Taxonomy Environmental Delegated Act. The criteria are informed to a very large extent by the recommendations of the Platform on Sustainable Finance (PSF).

RISKS ASSOCIATED WITH CLIMATE CHANGE

[\(21/04/2023\) MINECO - Proyecto de Real Decreto por el que se regula el contenido de los informes sobre la estimación del impacto financiero de los riesgos asociados al cambio climático](#)

The Ministry of Economic Affairs and Digital Transformation (MINECO) has published the Draft Royal Decree regulating the content of the reports on the estimation of the financial impact of the risks associated with climate change for financial institutions, listed companies and other large companies in order to establish the criteria for the preparation and publication of the financial risks reports. These institutions must publish the report on the estimation of the financial impact of the risks associated with the climate on an annual basis.

DIVERSITY PRACTICES

[\(24/04/2023\) EBA - EBA consults on guidance on benchmarking of diversity practices](#)

The European Banking Authority (EBA) has launched a consultation on Guidelines on the benchmarking of diversity practices including diversity policies and gender pay gap under the Capital Requirements Directive (CRD) and the Investment Firms Directive (IFD). The issuance of these Guidelines will lead to a higher level of transparency regarding the EBA's work on the topic of diversity and gender equality and will help improve the quality of the collected data as well as the awareness of all stakeholders on these topics. The consultation runs until 24 July 2023.

Other publications of interest

Sustainability

INSURANCE SECTOR AND NATURAL CATASTROPHE

[\(24/04/2023\) ECB/ EIOPA - ECB and EIOPA call for increased uptake of climate catastrophe insurance](#)

The European Central Bank (ECB) and the European Insurance and Occupational Pensions Authority (EIOPA) have published a joint discussion paper on how to better insure households and businesses in the European Union (EU) against climate-related natural catastrophes such as floods or wildfires. The policy options set out in the paper are aimed at boosting the uptake and efficiency of climate catastrophe insurance while creating incentives to adapt to and reduce climate risks.

INSURANCE SECTOR AND NATURAL CATASTROPHE

[\(28/04/2023\) IAIS - The role of insurance supervisors in addressing natural catastrophe protection gaps](#)

The International Association of Insurance Supervisors (IAIS) have published a statement about the role of insurance supervisors in addressing natural catastrophe protection gaps including concrete actions they can take such as: i) supporting availability of risk analytics and data to assess disaster risks and insurance protection gaps; ii) providing incentives or implementing regulation to encourage risk prevention measures and actions to improve financial literacy and risk awareness; and iii) contributing to the design and/or implementation of public-private initiatives aimed at addressing natural catastrophe insurance protection gaps.

RESPONSIBLE INNOVATION

[\(03/05/2023\) EEOC - Joint Statement on Enforcement Efforts Against Discrimination and Bias in Automated Systems](#)

The US Equal Employment Opportunity Commission (EEOC) has published a joint statement on enforcement efforts against discrimination and bias in automated systems. The statement reveals that America's commitment to the core principles of fairness, equality, and justice is deeply embedded in the federal laws that ITS agencies enforce to protect civil rights, fair competition, consumer protection, and equal opportunity. Responsible innovation is not incompatible with these laws. Indeed, innovation and adherence to the law can complement each other and bring tangible benefits to people in a fair and competitive manner, such as increased access to opportunities as well as better products and services at lower costs.

CORPORATE REPORTING FRAMEWORK ON ESG ISSUES

[\(04/05/2023\) MINECO - Consulta sobre el Anteproyecto de Ley por la que se regula el marco de información corporativa sobre cuestiones medioambientales, sociales y de gobernanza](#)

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has published for comments the Preliminary Draft Bill regulating the corporate reporting framework on environmental, social and governance issues, which introduces the Corporate Sustainability Reporting Directive (CSRD) novelties that had not been previously introduced in Law 11/2018.

ESG FOR STS SECURITIZATIONS

[\(25/05/2023\) ESAs - Final Report on draft Regulatory Technical Standards](#)

The European Banking Authority (EBA), European Securities and Markets Authority (ESMA), European Insurance and Occupational Pensions Authority (EIOPA), all together known as the European supervisory authorities (ESAs) have published the final document RTS on ESG disclosure for STS securitizations, which provides the content, methodologies, and presentation of information about the principal adverse impacts on sustainability factors of the assets financed by the underlying exposures of securitizations in order to help market participants make informed decisions about the sustainability impact of their investments.

TRANSITION PLANS

[\(31/05/2023\) NFGS - Stocktake on Financial Institutions' Transition Plans and their Relevance to Micro-prudential Authorities](#)

The Network for Greening the Financial System (NFGS) has published a report on Capturing risk differentials from climate-related risks, the NFGS sought to examine the relevance and extent to which financial institutions' transition plans: i) relate to micro-prudential authorities' roles and mandates; and ii) could be considered and used most effectively within their supervisory toolkit and in the overall prudential framework. The NFGS has identified six key findings as well as steps to advance the work on the relevance of transition plans and planning to micro-prudential authorities.

Other publications of interest

Sustainability

DUE DILIGENCE

[\(01/06/2023\) EP - MEPs push companies to mitigate their negative social and environmental impact](#)

The European Parliament (EP) has adopted its position for negotiations with member states on rules to integrate human rights and environmental impact into companies' governance. Companies will be required to identify, and where necessary prevent, end or mitigate the negative impact of their activities on human rights and the environment such as on child labour, slavery, labour exploitation, pollution, environmental degradation and biodiversity loss. They will also have to monitor and assess the impact of their value-chain partners including not only suppliers but also sale, distribution, transport, storage, waste-management and other areas.

SUSTAINABILITY

[\(16/06/2023\) ESMA - ESMA launches Call for Evidence on sustainability in suitability and product governance](#)

The European Securities and Markets Authority (ESMA) has launched a Call for Evidence (CfE) on integrating sustainability preferences into suitability assessment and product governance arrangements under the Markets in Financial Instruments Directive (MiFID) II. The objective of this CfE is to gather industry feedback that will help better understand the evolution of the market and provide answers as to how firms apply the new MiFID rules on sustainability. ESMA, together with the National Competent Authorities (NCAs), will assess the responses to this Call for evidence and continue monitoring the application by firms of the MiFID II requirements on suitability and product governance, including the related ESMA Guidelines. ESMA will consider comments received by 15 September 2023.

SUSTAINABILITY-LINKED LOAN

[\(29/06/2023\) FCA – FCA outlines concerns about sustainability-linked loans market](#)

The Financial Conduct Authority (FCA) has announced the publication of a letter to banks and companies, outlining a series of market integrity concerns related to the sustainability-linked loan (SLL) market that it said could hold back the development of a useful net zero transition financing tool and raise the risk of greenwashing. SLLs aim to support sustainable economic activity and growth, with interest rates linked to meeting certain agreed sustainability goals.

Other publications of interest

Technology and AI

CYBER INCIDENT REPORTING

[\(13/04/2023\) FSB - FSB sets out a comprehensive approach to achieve greater convergence in cyber incident reporting](#)

The Financial Stability Board (FSB) has published a report with recommendations to achieve greater convergence in cyber incident reporting. To meet this call, the FSB conducted work to promote greater convergence in cyber incident reporting in three ways: i) Setting out recommendations to address the issues identified as impediments to achieving greater harmonisation in cyber incident reporting. Financial authorities and institutions can choose to adopt these recommendations as appropriate and relevant, consistent with their legal and regulatory framework; ii) Enhancing the Cyber Lexicon to include additional terms related to cyber incident reporting, as a 'common language' is necessary for increased convergence and iii) Identifying common types of information that are submitted by financial institutions to authorities for cyber incident reporting purposes, which culminated in a concept for a common format for incident reporting exchange (FIRE) to collect incident information from financial institutions and use between themselves.

ALGORITHMIC TRANSPARENCY

[\(17/04/2023\) EC - DSA enforcement: Commission launches European Centre for Algorithmic Transparency](#)

The European Commission (EC) will inaugurate the European Center for Algorithmic Transparency (ECAT) in Seville on April 18. The inauguration will be marked by a launch event, which will bring together representatives from the European Union (EU) institutions, academia, civil society and industry to discuss the main challenges and the societal importance of monitoring how algorithmic systems are used. Following a video message from the Internal Market Commissioner, attendees will be immersed in ECAT's current and planned work, including a preview of its potential through live demonstrations.

CYBERSECURITY

[\(18/04/2023\) EC - Cyber: towards stronger EU capabilities for effective operational cooperation, solidarity and resilience](#)

THE EUROPEAN COMMISSION (EC) has adopted a proposal for the European Union (EU) Cyber Solidarity Act to strengthen cybersecurity capacities in the EU. It will support detection and awareness of cybersecurity threats and incidents, bolster preparedness of critical entities, as well as reinforce solidarity, concerted crisis management and response capabilities across Member States. Sectors affected include energy, banking, digital infrastructure, and financial market infrastructures.

ARTIFICIAL INTELLIGENCE

[\(19/04/2023\) CULLEN - How does the UK white paper on AI compare with the EU approach?](#)

The UK Department of Science, Innovation and Technology (DSIT) has published its white paper on artificial intelligence (AI), detailing the government's plans to implement an innovation-friendly approach to AI regulation. It is open for public consultation until June 21, 2023, along with the AI regulation impact assessment. Like the EU's draft Artificial Intelligence Act (AIA), the UK white paper notes that the planned regulatory measures would focus on the use of AI rather than the technology itself. However, instead of a horizontal legislative proposal underpinned by a risk-based approach, like the draft EU AIA, the white paper presents a non-legislative principles-based framework, underpinned by five cross-cutting principles (fairness, explainability, safety, governance and contestability), to be issued by the government on a non-regulatory basis

TRANSFERS OF CRYPTOASSETS

[\(20/04/2023\) European Parliament - Crypto-assets: green light to new rules for tracing transfers in the EU](#)

The European Parliament has approved the first European Union (EU) legislative text to track transfers of cryptoassets such as bitcoins and e-money tokens. The text aims to ensure that cryptocurrency transfers, as with any other financial transaction, can be tracked at all times and suspicious transactions blocked. The so-called "travel rule", already used in traditional finance, will in future cover transfers of cryptoassets. Information about the origin of the asset and its beneficiary will have to "travel" with the transaction and be stored on both sides of the transfer. The law will also cover transactions over €1,000 from so-called "self-hosted wallets" (a cryptoasset wallet address of a private user) when interacting with "hosted wallets" managed by cryptoasset service providers. The rules do not apply to person-to-person transfers made without a provider or between providers acting on their own behalf.

Other publications of interest

Technology and AI

CYBER RISKS IN THE INSURANCE SECTOR

[\(21/04/2023\) IAIS - IAIS GIMAR special topic edition provides assessment of cyber risks in the insurance sector and financial stability implications](#)

The International Association of Insurance Supervisors (IAIS) has published the 2023 special topic edition of its Global Insurance Market Report (GIMAR). Based on data collected through its 2022 Global Monitoring Exercise (GME), the report presents an analysis of risks and trends associated with cyber insurance coverage, cyber resilience in the insurance sector and the impact these risks may have on financial stability. According to the data, the cyber insurance market saw substantive changes in underwriting controls, including tighter terms and conditions, and stricter risk selection and underwriting standards in response to higher-than-expected ransomware losses in 2020. As a result, clients not reaching minimum hygiene standards found it harder to secure coverage.

DIGITAL EURO AND DIGITAL WALLETS

[\(24/04/2023\) ECB - ECB publishes progress report on digital euro and study on possible features of a digital wallet](#)

The European Central Bank (ECB) has published the third progress report on the digital euro, as well as the results of those commissioned by the ECB on citizens' views on the features of a possible digital wallet. The report presents a third set of design and distribution options, endorsed by the ECB Governing Council, that would contribute to the overall design of a digital euro. In its initial versions, the digital euro would be accessible to euro area residents, merchants and public administrations. Non-euro area residents could also have access, provided they have an account with a euro area payment service provider. In later versions, consumers in certain third countries could also have access, depending on the accessibility rules to be established in the legislative framework for a digital euro. The report also anticipates the possible provision of cross-currency functionalities with other digital currencies of non-euro area central banks.

USE OF ARTIFICIAL INTELLIGENCE

[\(03/05/2023\) European Parliament - Artificial intelligence: MEPs want the EU to be a global standard-setter](#)

The European Parliament (EP) has adopted the final recommendations of its Special Committee on Artificial Intelligence in the Digital Age (AIDA). The text states that the public debate on the use of artificial intelligence (AI) should focus on the enormous potential of the technology to complement human labor and notes that the European Union (EU) has fallen behind in the global race for technological leadership. There is a risk that standards will be developed elsewhere, often by undemocratic actors, while MEPs believe the EU should act as a global standard-setter on AI.

VOICE AUTHENTICATION SERVICES

[\(04/05/2023\) Senate Banking - Advances in AI Let Voice Clones Fool Banks' Voice Authentication Security Systems](#)

The Senate Banking, Housing, and Urban Affairs Committee has sent letters to six large banks that offer voice authentication services, outlining concerns that artificial intelligence (AI) generated voice clips can allow fraudulent actors to break into customers' accounts. Letters were sent to JP Morgan Chase, Bank of America, Wells Fargo, Morgan Stanley, Charles Schwab, and TD Bank. It is highlighted that financial institutions continue to market voice authentication as safe and reliable without identifying the risks customers should consider before opting into this service.

OFFLINE CBD USE

[\(11/05/2023\) BIS - BIS Innovation Hub publishes guide on offline CBDC use](#)

The Bank for International Settlements (BIS) Innovation Hub Nordic Centre has published a comprehensive handbook exploring key aspects of how central bank digital currencies (CBDCs) could work for offline payments. The ability to make payments offline means being able to use a CBDC without being connected to the internet, either temporarily or because of coverage limitations. Central banks considering the potential implementation of CBDCs with offline functionality must take into account a complex matrix of issues including security, privacy, likely risks, the types of solution, their maturity and applicability, and operational factors. The handbook addresses these issues as well as objectives for resilience, inclusion, cash resemblance, accessibility and other desired attributes

AI REGULATION

[\(23/05/2023\) MINECO - Consultation on the Royal Decree on the Sandbox for Artificial Intelligence](#)

The Government of Spain has published the consultation on the Royal Decree establishing a Sandbox for the testing of compliance with the proposed Artificial Intelligence (AI) Regulation. The purpose of this Sandbox will be to study the operability of the requirements set out in the proposed Regulation, as well as the self-assessment of compliance and the testing of monitoring systems of participants' high-risk AI systems during their operation.

Other publications of interest

Technology and AI

CRYPTO-ASSETS

[\(23/05/2023\) EP/Council - Regulation on markets in crypto-assets](#)

The European Parliament (EP) and Council have adopted the Regulation on markets in crypto-assets which for the first time, sets an European Union (EU) level legal framework for this sector. This Regulation lays down uniform requirements for the offer to the public and admission to trading on a trading platform of crypto-assets: i) other than asset-referenced tokens and e-money tokens; ii) of asset-referenced tokens; and iii) of e-money tokens.

GLOBAL CRYPTO REGULATION

[\(23/05/2023\) IOSCO - IOSCO Sets the Standard for Global Crypto Regulation](#)

The International Organization of Securities Commissions (IOSCO) has issued for consultation, detailed recommendations to jurisdictions across the globe as to how to regulate crypto-assets. In a major initiative designed to improve global standards of regulation of crypto-assets, IOSCO has set out how clients should be protected and how crypto trading should meet the standards that apply in public markets. Consultation closes on 31 July 2023.

MULTIMODAL DIGITAL MOBILITY SERVICES

[\(29/05/2023\) EC - EU-wide multimodal travel – new specifications for information services](#)

The European Commission (EC) has published an initiative which aims to improve multimodal digital mobility services, such as route-planners or ticket vendors, providing more data on all modes of transport. It implements action 36 of the European Union's (EU) mobility strategy, which includes extending geographical coverage, and helps to achieve seamless multimodal travel and the Green Deal. This draft act is open for feedback for 4 weeks, until 28 June 2023.

QUANTUM-SAFE FINANCIAL SYSTEM

[\(05/06/2023\) BIS - Project Leap proves the viability of a quantum-safe financial system](#)

The Eurosystem Centre of the Bank for International Settlements (BIS) Innovation Hub has launched the LEAP Project together with the Banque de France and the Deutsche Bundesbank, the project partners within the Eurosystem, to prepare central banks and the global financial system for a transition to quantum-resistant encryption. Quantum computers, once they reach sufficient size and power, will be able to easily break the cryptographic encryption schemes currently used to secure financial transactions and data. This is one of the most significant cybersecurity threats facing the financial system today, as it could expose all transactions and much of the stored financial data to attack.

ML/TF Risk

[\(07/06/2023\) EBA - CP amending GL on ML/TF risk factors extending the scope to crypto-asset service providers](#)

The European Banking Authority (EBA) has issued a consultation paper (CP) which amends Guidelines on money laundering or terrorist financing (ML/TF) risk factors to extend the scope of these Guidelines to crypto-asset service providers (CASPs). The amending guidelines highlight specific risk factors that reflect specific features of crypto assets and CASPs, and emphasise the need for secure remote onboarding tools to be put in place by credit and financial institutions.

THIRD-PARTY SERVICE PROVIDERS

[\(07/06/2023\) ESAs - Discussion Paper on criteria for critical ICT third-party service providers and oversight fees](#)

The European Banking Authority (EBA), European Securities and Markets Authority (ESMA), European Insurance and Occupational Pensions Authority (EIOPA), have published a discussion paper on the criteria for assessing the criticality of ICT third-party service providers (TPPs) and the applicable supervisory fees, in preparation for the issuance of their technical opinion. Comments to the discussion paper can be submitted by 23 June 2023.

DIGITAL TRAFFIC DATA

[\(08/06/2023\) EP - Deal on digital traffic data rules](#)

The European Parliament (EP) and the Council have agreed on a set of rules for Intelligent Transport Systems (ITS) that require more traffic data, such as speed limits, to be made digitally available. This agreement will help digitise the transport sector and ensure that data between mobility applications is shared more widely to make mobility safer, more efficient and more sustainable. During the negotiations, MEPs supported covering more services, such as multimodal information, booking and ticketing services, communication between cars and infrastructure and automated mobility.

Other publications of interest

Technology and AI

RULES FOR CRYPTOASSETS

(09/06/2023) FCA - [Financial promotion rules for cryptoassets / Cryptoasset financial promotions: Guidance for firms](#)

The Financial Conduct Authority (FCA) has published the summary of comments received to the CP22/2 Consultation on cryptoassets along with the final rules for the handbook. The final rules are largely in line with those proposed in CP22/2. The FCA classifies cryptoassets as Restricted Mass Market Investments (RMMI) in the market. This allows them to be mass marketed to consumers in the UK subject to certain restrictions, in addition to the general requirement that financial promotions must be fair, clear and not misleading. The restrictions include: i) clear risk warnings; ii) prohibition of investment incentives; iii) positive frictions; iv) customer categorisation requirements; and v) suitability assessments. The FCA has also published a guidance for consultation GC23/1 on the requirement that financial promotions of cryptoassets must be fair, clear and not misleading.

LABOUR RIGHTS AND AI

(12/06/2023) Council of the EU - [Consultation on the Royal Decree on the Sandbox for Artificial Intelligence](#)

The Council is going to start negotiations with the European Parliament (EP) on new rules that will help gig workers to gain access to employment rights. The proposal introduces two key improvements: it helps to determine the correct employment status of people working for digital platforms and it establishes the first European Union (EU) rules on the use of artificial intelligence (AI) in the workplace.

AI RULES

(15/06/2023) EP - [MEPs ready to negotiate first-ever rules for safe and transparent AI](#)

The European Parliament (EP) has adopted its negotiating position on the Artificial Intelligence (AI) Act. The rules would ensure that AI developed and used in Europe is fully in line with EU rights and values including human oversight, safety, privacy, transparency, non-discrimination and social and environmental wellbeing. In particular, the list of prohibited AI practices has been expanded, including bans on intrusive and discriminatory uses of AI.

NEW FINANCIAL INFRASTRUCTURE

(20/06/2023) BIS - [BIS builds out "game-changing" blueprint for the future monetary and financial system](#)

The Bank for International Settlements (BIS) has launched a report where it argues about a novel type of financial infrastructure that could enhance the global financial system. This infrastructure would combine tokenised money and assets on a programmable platform, expanding the universe of economic arrangements to enhance the capabilities of monetary and financial infrastructures.

THIRD-PARTY RISK MANAGEMENT

(22/06/2023) FSB - [FSB consults on toolkit for enhancing third-party risk management and oversight](#)

The Financial Stability Board (FSB) has published for public consultation a toolkit for financial authorities and financial institutions as well as service providers for their third-party risk management and oversight. The toolkit has been developed against a backdrop of digitalisation of the financial services sector and growing reliance of financial institutions on third-party service providers for a range of services, some of which support their critical operations. The toolkit aims to: i) reduce fragmentation in regulatory and supervisory approaches to financial institutions' third-party risk management across jurisdictions and different areas of the financial services sector; ii) strengthen financial institutions' ability to manage third-party risks and financial authorities' ability to monitor and strengthen the resilience of the financial system; and iii) facilitate coordination among relevant stakeholders. The FSB is inviting comments on this consultative document until 22 August 2023.

CYBERSECURITY SUPERVISION WORK PROGRAM

(26/06/2023) OCC - [Cybersecurity: Cybersecurity Supervision Work Program](#)

The Office of the Comptroller of the Currency (OCC) recently developed and distributed the Cybersecurity Supervision Work Program (CSW) for use by examiners. As cyberattacks evolve and as banks adopt various standardized tools and frameworks to assess cybersecurity preparedness, the OCC recognized the need to update its approach to cybersecurity assessment as part of the agency's bank supervision. The CSW provides high-level examination objectives and procedures that are aligned with existing supervisory guidance and the National Institute of Standards and Technology Cybersecurity Framework. The CSW does not establish new regulatory expectations, and banks are not required to use this work program to assess cybersecurity preparedness.

Other publications of interest

Others

DATA QUALITY

[\(19/04/2023\) ESMA - ESMA finds data quality significantly improves under new monitoring approach](#)

The European Securities and Markets Authority (ESMA) has published the third edition of its Data Quality Report under the European Markets Infrastructure Regulation (EMIR) and the Securitised Financing Transactions Regulation (SFTR) reporting regimes. The report highlights the increased use of transaction data by European Union (EU) financial regulatory authorities in their day-to-day supervision and identifies significant quality improvements following a new approach to data monitoring. In addition, it sets out how ESMA, together with the National Competent Authorities (NCAs), the European Central Bank (ECB) and the European Systemic Risk Board (ESRB), has incorporated key insights from its data monitoring in several internal workstreams.

STS CRITERIA

[\(21/04/2023\) EBA - EBA consults on the draft Guidelines on the STS criteria for on-balance-sheet securitisations](#)

The European Banking Authority (EBA) has launched a public consultation on its draft Guidelines on the criteria related to simplicity, standardisation and transparency and additional specific criteria for on-balance-sheet securitisations (so-called STS criteria). These Guidelines will ensure a harmonised interpretation of these STS criteria, in alignment with the EBA Guidelines for traditional securitisations. The consultation runs until 7 July 2023.

REVOLVING CREDIT TRANSPARENCY GUIDE

[\(25/04/2023\) BoS - Project of Revolving Credit Transparency Guide for institutions subject to BdE supervision for financial institutions](#)

In this draft guide, Bank of Spain (BoS) identifies best practices in the design, marketing and arrangement of revolving credit by credit institutions, financial credit institutions, electronic money institutions and payment institutions. This draft takes as a reference the related guidelines and opinions of the European Banking Authority (EBA), as well as the guidance to supervisors on the digitisation of short-term, high-cost consumer credit, published by the International Financial Consumer Protection Organisation (FinCoNet). Comments on this draft should be submitted before 31 May 2023.

SYNTHETIC SECURITISATIONS

[\(25/04/2023\) EBA - EBA publishes final draft technical standards on the determination of the exposure value of synthetic excess spread in synthetic securitisations](#)

The European Banking Authority (EBA) has published its final draft Regulatory Technical Standards (RTS) specifying the determination by originator institutions of the exposure value of synthetic excess spread (SES). These draft RTS specify the calculation of the components of the exposure value of this position which should include the SES designated for past and current periods that is still available to absorb losses and any SES contractually designated for future periods. Finally, in order to ensure a continuation of existing securitisation transactions, a grandfathering provision has been introduced for synthetic transactions featuring SES.

FINANCIAL RISKS

[\(25/04/2023\) ESAs - ESAs call for vigilance in the face of mounting financial risks](#)

The three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) have issued their Spring 2023 Joint Committee Report on risks and vulnerabilities in the EU financial system. While noting that EU financial markets remained broadly stable despite the challenging macro environment and recent market pressure in the banking sector, the three Authorities are calling on national supervisors, financial institutions and market participants to remain vigilant in the face of mounting risks.

LIBOR TRANSITION

[\(26/04/2023\) OCC - LIBOR Transition: Joint Statement on Completing the LIBOR Transition](#)

The Office of the Comptroller of the Currency (OCC) and other federal financial institution regulatory agencies (collectively, the agencies), in conjunction with the state bank and state credit union regulators, have issued a joint statement to remind banks that U.S. dollar (USD) LIBOR panels will end on June 30, 2023, and to emphasize that it is important that banks with USD LIBOR exposure complete their transition of remaining LIBOR contracts as soon as practicable.

Other publications of interest

Others

OVERDRAFT PROTECTION PROGRAMS

[\(26/04/2023\) OCC - OCC Issues Guidance on Overdraft Protection Programs](#)

The Office of the Comptroller of the Currency (OCC) has issued guidance to address the risks associated with bank overdraft protection programs. The guidance provides background information on overdraft protection programs and identifies certain practices that may result in heightened risk exposure. These practices include assessing overdraft fees on authorize positive, settle negative transactions and assessing a fee each time an item is presented for payment after it was returned for non-sufficient funds (representation fees).

DEPOSIT GUARANTEE SCHEMES

[\(28/04/2023\) EBA - EBA updates data on deposit guarantee schemes across the European Economic Area](#)

The European Banking Authority (EBA) has published end-2022 data on available financial means (AFM) and covered deposits, two key concepts and indicators in the Deposit Guarantee Schemes Directive (DGSD). The EBA publishes these data annually for each Member State's Deposit Guarantee Scheme (DGS) to enhance the transparency and public accountability of DGSs across the European Economic Area (EEA).

ANNUAL TRANSPARENCY CALCULATIONS

[\(28/04/2023\) ESMA - ESMA publishes the annual transparency calculations for non-equity instruments, bond liquidity data and quarterly SI calculations](#)

The European Securities and Markets Authority (ESMA) has started to publish the results of the annual transparency calculations for non-equity instruments, new quarterly liquidity assessment of bonds and the quarterly systematic internaliser calculations under MiFID II and MiFIR. The transparency requirements based on the results of the annual transparency calculations for non-equity instruments apply from 1 June 2023 until 31 May 2024. From 1 June 2024, the results of the next annual transparency calculations for non-equity instruments, to be published by 30 April 2024, will become applicable.

SECONDARY EQUITY MARKETS

[\(03/05/2023\) FCA - PS23/4: Improving equity secondary markets](#)

The UK Financial Conduct Authority (FCA) has published a regulatory policy statement on the Primary Markets Effectiveness Review. The final policy focuses on changes to technical standards and summarizes feedback on CP22/12. It sets out the direction of work to improve the resilience of UK trading venues to outages and retail order execution. It aims to improve execution quality for investors by reducing the cost of trading, reducing market impact, and ultimately increasing liquidity and improving post-trade transparency. It also modifies requirements that impose costs on firms but have not delivered benefits to end users.

AMENDMENT OF THE ESEF RTS

[\(10/05/2023\) ESMA - ESMA postpones to 2024 the annual IFRS amendment of the ESEF](#)

The European Securities and Markets Authority (ESMA) has decided to postpone to 2024 the amendment of the European Single Electronic Format (ESEF) Regulatory Technical Standard (RTS). This decision is in part due to the limited changes in the 2023 update to the International Financial Reporting Standards (IFRS) Taxonomy. Throughout 2023, ESMA will monitor the implementation of the ESEF requirements, assess how to improve digital reporting and develop the ESEF sustainability taxonomy and requirements.

SPAC REGULATION

[\(10/05/2023\) IOSCO - IOSCO publishes a report to help its members enhance SPAC regulations](#)

The Board of the International Organization of Securities Commissions (IOSCO) has published a final report on Special Purpose Acquisition Companies (SPACs), which aims to help IOSCO members review or improve their approach to these companies. The report takes a risk-based approach to the regulation of SPACs. While SPACs pose similar risks to investors as traditional Initial Public Offerings (IPOs), the complexity and uncertainty inherent in the SPAC structures raise a number of different risks. Therefore, while the rules that apply to SPACs may be similar to those for traditional IPOs, they differ in some critical ways. The report focuses on the differences and similarities between the regulation of SPACs and traditional IPOs with respect to disclosure obligations and gatekeeper functions, as well as it identifies the various means by which regulatory frameworks may address the risks related to retail participation in SPACs.

Other publications of interest

Others

ACCESSIBILITY IN THE USE ON PRODUCTS AND SERVICES

[\(15/05/2023\) BOE - Ley 11/2023, de 8 de mayo, de transposición de Directivas de la Unión Europea en materia de accesibilidad de determinados productos y servicios](#)

The Spanish Parliament has approved Law 11/2023 on the accessibility of certain products and services, which transposes the Directive (EU) 2019/882 of the European Parliament and of the Council of 17 April 2019 on accessibility requirements for products and services, whose deadline for transposition by the Member States was 28 June 2022. The aim of the Act is to establish universal accessibility requirements for certain products and services, falling within the scope of the Law, necessary to optimise their foreseeable use in an autonomous manner by all persons and, in particular, by persons with disabilities. These products and services mainly cover: i) consumer general-purpose computing equipment and operating systems for such computing equipment; ii) certain self-service terminals; iii) consumer terminal equipment with interactive computing capability; iv) electronic communications services; and v) services providing access to audiovisual communication services.

CLEARING AGENCIES

[\(18/05/2023\) SEC - Covered Clearing Agency Resilience and Recovery and Wind-Down Plans](#)

The Securities and Exchange Commission (SEC) has proposed to amend certain portions of the Covered Clearing Agency Standards to strengthen the existing rules regarding margin with respect to intraday margin and the use of substantive inputs to a covered clearing agency's risk-based margin system. The SEC has also proposed a new rule to establish requirements for the contents of a covered clearing agency's recovery and wind-down plan. Comments should be received until July 17, 2023.

SYSTEMATIC RISK DETERMINATION

[\(22/05/2023\) FDIC - Special Assessments Pursuant to Systemic Risk Determination](#)

The Federal Deposit Insurance Corporation (FDIC) is seeking comment on a proposed rule that would impose special assessments to recover the loss to the Deposit Insurance Fund (DIF) arising from the protection of uninsured depositors in connection with the systemic risk determination announced on March 12, 2023, following the closures of Silicon Valley Bank (SVB) and Signature Bank (SB) as required by the Federal Deposit Insurance Act (FDIA).

MRM PRINCIPLES FOR BANKS

[\(22/05/2023\) PRA - PS6/23 Model risk management principles for banks](#)

The Prudential Regulation Authority (PRA) has published the Policy Statement (PS) 6/23 providing responses to comments to Consultation Paper (CP) 6/22 on model risk management (MRM) principles for banks. Responses to the CP show a high level of support for the PRA proposals and recognise the need to manage the risks posed by models that have a material impact on business decisions.

LONG TERM INVESTMENT FUNDS

[\(23/05/2023\) ESMA - ESMA seeks input on rules for long term investment funds](#)

The European Securities and Markets Authority (ESMA) is consulting on draft regulatory technical standards (RTS) under the revised European long-term investment fund (ELTIF) Regulation. Interested stakeholders can provide input by 24 August 2023. The RTS will specify the way the new requirements of the revised ELTIF regulation, in particular on the redemption policy and matching mechanism, will apply.

ASSET VALUATION RULES

[\(24/05/2023\) ESMA - ESMA reports points out improvements needed in supervision of asset valuation](#)

The European Securities and Markets Authority (ESMA) has published its report on the Common Supervisory Action (CSA) with National Competent Authorities (NCAs) on the supervision of the asset valuation rules under the Undertakings for the Collective Investment of Transferable Securities (UCITS) and Alternative Investment Fund Managers (AIFM) Directives. In the final report ESMA has presented its analysis and conclusions from the 2022 CSA exercise, and has found room for improvement in the following areas: i) the appropriateness of valuation policies and procedures; ii) valuation under stressed market conditions; iii) independence of the valuation function and use of third-party valuers; and iv) early detection mechanisms for valuation errors and compensation to investors.

Other publications of interest

Others

CREDIT ASSESSMENT

[\(25/05/2023\) EBA - ESAs consult to amend technical standards on the mapping of ECAIs' credit assessments](#)

The Joint Committee of the three European Supervisory Authorities (ESAs), the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), 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 Implementing Regulation needs to be amended to reflect developments on credit rating scales and the allocation of Credit Quality Steps (CQS) for those ECAIs that have experienced changes in the quantitative or qualitative factors of their credit assessments. The consultation runs until 26 June 2023.

CONSUMER CREDIT AND MORTGAGES

[\(25/05/2023\) FCA - CP23/13: Strengthening protections for borrowers in financial difficulty: Consumer credit and mortgages](#)

The Financial Conduct Authority (FCA) has published a consultation paper (CP) that sets out how the FCA plans to incorporate aspects of the Tailored Support Guidance (TSG) into their Consumer Credit (CONC) and Mortgages and Home Finance: Conduct of Business (MCOB) sourcebooks and withdraw the TSG. This CP also propose targeted additional changes to support consumers in financial difficulty. The CP runs until 13 July 2023.

RETAIL INVESTMENT

[\(29/05/2023\) EC - Retail investment – new package of measures to increase consumer participation in capital markets](#)

The European Commission (EC) has published an initiative that will comprise measures to ensure the necessary level of confidence and trust for retail investors. It is designed to improve market outcomes and increase consumer participation in capital markets, in keeping with the objective of an economy that works for people. This initiative is open for feedback for a period of 8 weeks, until 26 July 2023.

HARMONISATION OF API PROTOCOLS

[\(30/05/2023\) BIS - Bank for International Settlements' Committee on Payments and Market Infrastructures invites market participants to join a panel of experts to promote the harmonisation of API protocols for use in cross-border payments](#)

The Bank for International Settlements' (BIS) Committee on Payments and Market Infrastructures (CPMI) has invited cross-border payment service providers, financial infrastructures, relevant industry associations and central banks to nominate Application Programming Interface (API) experts to join a newly established panel to work on the harmonisation of API protocols for cross-border payments. The panel will be geographically and sectorally diverse and consist of approximately 20 members. Private sector institutions following different business models, financial infrastructures (eg payment system operators), API standards associations and public sector authorities are invited to submit nominations. The panel will meet virtually and at least quarterly. It will be chaired by a senior CPMI representative.

DECISIONS ON US DOLLAR LIBOR

[\(31/05/2023\) FCA - FS23/2: Decisions on US dollar LIBOR – feedback to CP22/21](#)

The Financial Conduct Authority (FCA) has published a paper setting out the feedback received to a consultation paper launched in June 2022 as well as the next steps. The FCA confirms with this paper its approach to the use of its powers under the Benchmarks Regulation (BMR) in relation to US dollar LIBOR. On 1 July 2023 the FCA will publish formal legal notices which will complete the implementation of these decisions.

UK SHARE PRICE

[\(03/05/2023\) FCA - CP23/10: Primary Markets Effectiveness Review – Feedback to DP22/2 and proposed equity listing rule reforms](#)

The UK Financial Conduct Authority (FCA) has published a consultation seeking views on proposed rule changes to create a single listing category for shares in commercial companies and to summarise feedback to the May 2022 Discussion Paper on the UK listing regime. It is proposed to: i) replace current standard and premium listing share categories with a single listing category for commercial company issuers of equity shares; ii) retain sponsor regime, with modifications, to support companies primarily at the listing application stage, and for certain disclosure obligations thereafter; and iii) retain discrete listing categories for other types of instrument, including closed-ended investment funds and different types of non-equity instruments.

Other publications of interest

Others

REAL ESTATE VALUATIONS

[\(08/06/2023\) Fed - Agencies propose interagency guidance on reconsiderations of value for residential real estate valuations](#)

The Federal Reserve (Fed) Board has published for consultation proposed guidelines regarding reconsiderations of value (ROVs) for residential real estate transactions. The proposed guidelines advise on policies that financial institutions may apply to allow consumers to provide institutions with information that may not have been considered during an appraisal or where deficiencies have been identified in the original appraisal.

O-SIIs

[\(12/06/2023\) EBA - EBA updates list of other systemically important institutions](#)

The European Banking Authority (EBA) has updated the list of other systemically important institutions (O-SIIs) in the European Union (EU). This list is based on year-end 2022 data and includes the overall score calculated in accordance with the EBA Guidelines and the capital buffer rate that the relevant authorities have set for the identified O-SIIs. The new institutions added this year are: Crelan SA; PPF Financial Holdings a.s.; Morgan Stanley Europe Holding SE ; Citigroup Global Markets Europe AG; Revolut Bank UAB; Swedbank Baltics AS; Caixa Central - Caixa Central de Crédito Agrícola Mútuo, AS; Prima banka Slovensko, a.s. And the following have exited: Axa Bank Belgium; Landwirtschaftliche Rentenbank; NRW.Bank; J.P. Morgan Bank Luxembourg S.A.; Swedbank AS; SID.

IAIS STRATEGIC PLAN

[\(12/06/2023\) IAIS- IAIS seeks stakeholder input to its Strategic Plan 2025-2029](#)

The International Association of Insurance Supervisors (IAIS) has launched a process to develop its next Strategic Plan, which will guide its work over the five-year period from 2025 to 2029. It will replace the current Strategic Plan, which concludes at the end of 2024. The main topics proposed for the plan are: i) climate-related risks; ii) conduct and culture; iii) digital innovation; iv) diversity, equity and inclusion; iv) financial inclusion; v) operational resilience and cyber risk. Comments can be sent before 11 July 2023.

KEY RISKS FACING FEDERAL BANKING SYSTEM

[\(14/06/2023\) OCC - Acting Comptroller Issues Statement on Key Risks Facing Federal Banking System | OCC](#)

The Office of the Comptroller of the Currency (OCC) has published a Semiannual Risk Perspective Spring 2023 report, in which highlights key risks facing the federal banking system, including: i) liquidity risk; ii) credit risk; iii) operational risk; iv) compliance risk. Furthermore, the report recommends that banks take actions to preserve capital and maintain sound liquidity in line with their risk profile. It also recommends maintaining sound risk management in all risk areas. The main trends in these risks show the following: i) Liquidity levels have been strengthened in response to the failures of several banks and investment portfolio depreciation; ii) Credit risk remains moderate in aggregate, but signs of stress are increasing, e.g. in certain segments of commercial real estate; iii) Operational risk is elevated and cyber threats persist. The expansion of digitalization presents both opportunities and risks; iii) Compliance risk is elevated. Banks continue to operate in a dynamic environment in which compliance management systems are challenged to keep pace with changing products, services, and delivery channel offerings developed in response to customer needs and preferences.

RISK ASSESSMENT

[\(14/06/2023\) EBA - EBA updates list of risk indicators and analysis tools](#)

The European Banking Authority (EBA) has published an updated list of indicators for risk assessment and risk analysis tools, together with the accompanying methodological guide. Without adding any reporting burden neither on reporting institutions nor on competent authorities, this guidance describes how risk indicators are computed in EBA publications. In addition to promoting transparency, it will allow competent authorities and users of EBA data to interpret key bank figures in a consistent fashion when conducting their risk assessments and analyses.

Other publications of interest

Others

ML/TF

[\(16/06/2023\) EBA - EBA finds that money laundering and terrorist financing risks in payments institutions are not managed effectively](#)

The European Banking Authority (EBA) has published its Report on money laundering and terrorist financing (ML/TF) risks associated with European Union (EU) payment institutions. Its findings suggest that ML/TF risks in the sector may not be assessed and managed effectively by institutions and their supervisors. In 2022, the EBA assessed the scale and nature of ML/TF risk in the payment institutions sector. It considered how payment institutions identify and manage ML/TF risks and what supervisors do to mitigate those risks when considering an application for the authorisation of a payment institution and during the life of a payment institution. The EBA's findings suggest that generally institutions in the sector do not manage ML/TF risk adequately and considers it is important to address it in order to protecting the EU's market from financial crime.

GOODWILL

[\(22/06/2023\) IOSCO - IOSCO calls for inputs on Goodwill](#)

The Board of the International Organization of Securities Commissions (IOSCO) has published a consultation on goodwill, seeking inputs from market participants to identify good practices for addressing the risk of unrecognized impairment on accumulated goodwill balances and related disclosures arising from business combinations. The feedback received will be used to formulate a set of recommendations for regulators, auditors, issuers and those charged with governance (TCWG). They will also underpin IOSCO's engagement with standard setters, including the International Accounting Standards Board (IASB), on improvements to accounting, reporting and disclosure requirements related to goodwill. Responses to the consultation can be sent no later than 20 September of 2023.

MYSTERY SHOPPING EXERCISE

[\(28/06/2023\) EIOPA - EIOPA to undertake the first joint mystery shopping exercise across several EU Member States](#)

The Board of Supervisors of the European Insurance and Occupational Pensions Authority (EIOPA) has agreed that the Authority will coordinate the first joint mystery shopping exercise on sales of insurance. The exercise will be conducted in 8 Member States and will follow a common methodology and criteria developed by EIOPA. The results of the exercise will be available in the first half of 2024.

COMMERCIAL REAL ESTATE LOANS

[\(29/06/2023\) Fed - Agencies finalize policy statement on commercial real estate loan accommodations and workouts](#)

The Board of Governors of the Federal Reserve System together with other Federal financial institution regulatory agencies have jointly issued a final policy statement on commercial real estate loan accommodations and workouts. The updates reinforce and build on existing supervisory guidance calling for financial institutions to work prudently and constructively with creditworthy borrowers during times of financial stress. The statement is substantially similar to a proposal issued last year and includes minor changes in response to comments. The statement includes a section on short-term loan accommodations that was not included in the previous guidance. An accommodation includes an agreement to defer one or more payments, make a partial payment, or provide other assistance or relief to a borrower who is experiencing a financial challenge. Additionally, the statement addresses recent accounting changes for estimating loan losses and provides examples of how to classify and account for loans affected by workout activity.

DEPOSITOR PROTECTION

[\(30/06/2023\) PRA - PS7/23 – Depositor Protection](#)

The Prudential Regulation Authority (PRA) has published a policy statement (PS) which implements the final rules following a consultation paper issued in September 2022 which closed in December 2022. These changes are unconnected to the consideration of the issues identified from the failure of Silicon Valley Bank (SVB). Work is ongoing to consider whether further changes are needed to the depositor protection regime, including in light of lessons learned from SVB. This PS also provides the PRA's response to the Consultation Paper (CP) 9/22 – Depositor Protection. It also contains: i) the PRA's final rules concerning the relevant amendments to the Depositor Protection Part of the PRA Rulebook (DP); ii) the updated PRA supervisory statement (SS) 18/15 – Depositor and dormant account protection (SS18/15); iii) the updated PRA statement of policy (SoP) – Deposit Guarantee Scheme (SoP – DGS); and iv) the updated PRA SoP – Calculating risk-based levies for the Financial Services Compensation Scheme deposits class (SoP – RBL).

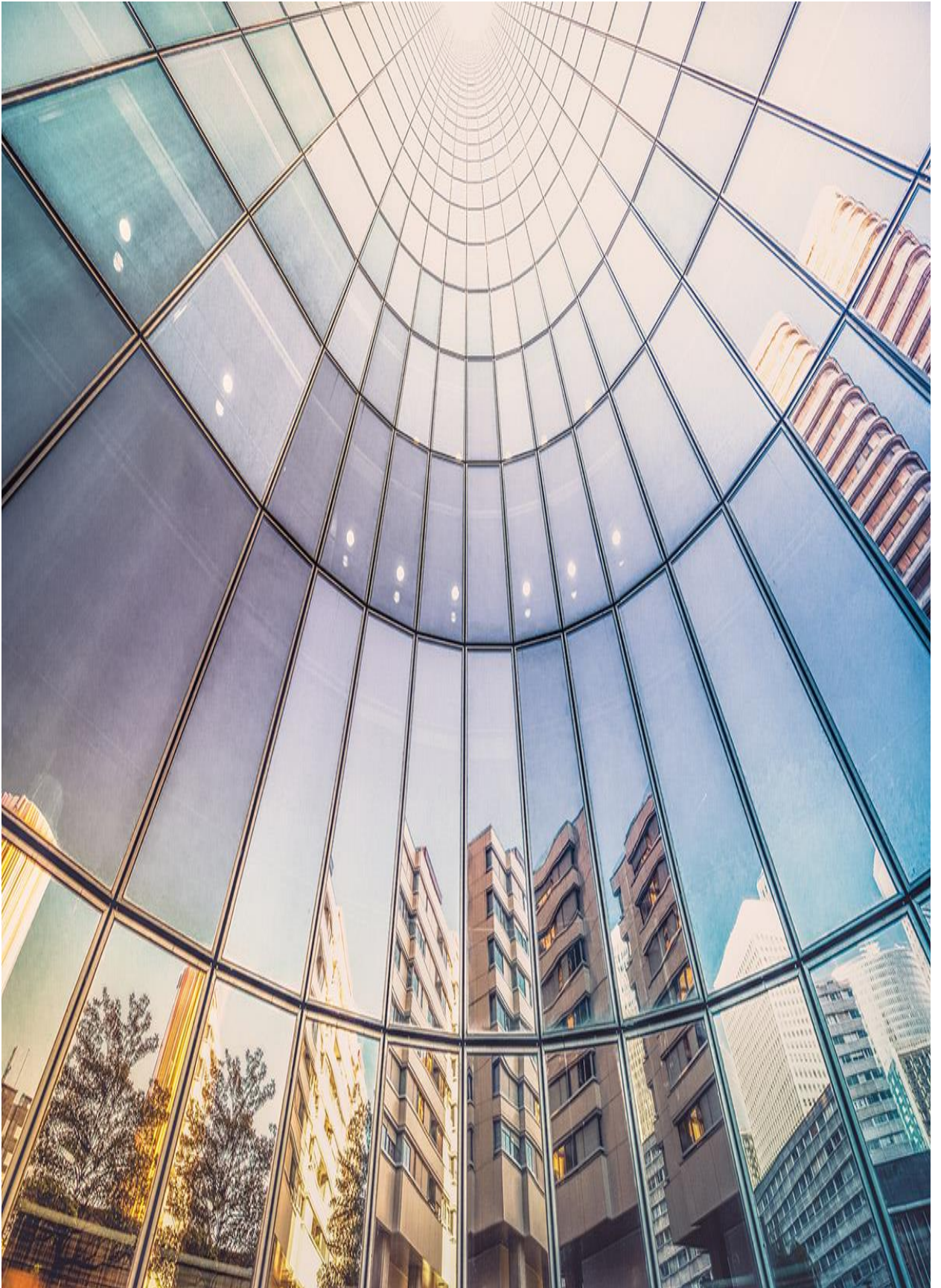
Other publications of interest

Others

MORTGAGE CHARTER

[\(30/06/2023\) FCA - PS23/8: Mortgage Charter: enabling provisions](#)

The Financial Conduct Authority (FCA) has published the Policy Statement (PS) 23/8 through which they are introducing changes to their Handbook to enable firms to allow mortgage borrowers to: i) reduce their capital repayments (including to zero, and paying interest only) for up to 6 months; and ii) fully or partly reverse a term extension within 6 months of extending the term. These changes aim to secure an appropriate degree of protection for consumers by enabling lenders to offer their customers swift, temporary reductions in payments and for customers to make an informed choice on their options.



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