

Regulation Outlook



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

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

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Executive Summary

In the second quarter of 2024, the IASB published IFRS 18 and 19. In Europe, EIOPA launched a stress test for insurers and the Banking Package (CRR III / CRD VI), the CSDDD and a legislative package on AML and CFT were approved. There were also relevant regulatory developments in the UK and US, including progress on AI regulation.

Global

- **IFRS 18. Presentation and Disclosure in Financial Statements.** The new standard will provide investors with more transparent and comparable information about the financial performance of companies, helping them to make better investment decisions. This standard will affect all companies using IFRS. IFRS 18 introduces three sets of new requirements to improve how companies report their financial performance and provide investors with a better basis for analyzing and comparing companies. (IASB, April 2024).
- **IFRS 19. Subsidiaries without Public Accountability: Disclosures.** The IASB issued IFRS 19 on Disclosures by Subsidiaries without Public Accountability. This new Standard aims to simplify and reduce the cost of financial reporting by subsidiaries while maintaining the usefulness of their financial statements. (IASB, May 2024).
- **[EU] Voluntary testing exercise for the next phase of DORA implementation.** The European Supervisory Authorities (ESAs) announced that in May 2024 they would launch a voluntary dry run exercise ahead of the next phase of DORA implementation, with the aim of helping financial institutions to fine-tune their data register on their contractual arrangements with third party ICT providers. (ESAs, April 2024).
- **[EU] Final version of Guide on effective risk data aggregation and risk reporting.** The guide outlines the requirements for effective risk data aggregation and risk reporting (RDARR) to help banks strengthen their capabilities, building on existing practices and addressing key shortcomings identified in the industry. (ECB, May 2024).
- **[EU] Final Publication of the Banking Package (CRR III and CRD VI).** These amendments introduced the final Basel III reforms in Europe, as well as new requirements linked to ESG risk exposures, crypto-assets and shadow banking. (OJEU, June 2024).

Europe Region

- **[EU] Corporate Sustainability Due Diligence Directive¹.** In addition to establishing a global framework for large companies to respect human rights and environmental standards throughout their operations and value chain, the CSDDD requires the adoption of a climate transition plan aligned with the Paris Agreement. (Council, May 2024).
- **[EU] Insurance Stress Test 2024.** EIOPA launched its 2024 stress test for insurers, focusing on the economic consequences of a re-intensification or prolongation of geopolitical tensions. This test assesses the impact of such a scenario on the capital and liquidity position of European insurance companies. (EIOPA, April 2024).
- **[EU] New EU AML/CFT rules adopted.** The aim of this legislative package is to improve the detection of suspicious transactions and activities and to close loopholes that allow the laundering of illicit proceeds or the financing of terrorist activities through the financial system. (Council, June 2024).
- **[EU] Guide on outsourcing cloud services to cloud service providers.** The ECB launched a public consultation on its new Guide on outsourcing cloud services to CSPs. The Guide aims to clarify both the ECB's understanding of related legal requirements and its expectations for the banks it supervises. The supervisory expectations set out in the Guide are addressed to institutions that are supervised directly by ECB Banking Supervision. (ECB, June 2024).

(1) Published in the DOUE in July 2024

Executive Summary

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- **[UK] Finalised non-handbook guidance on the Anti-Greenwashing Rule.** The FCA published its finalized non-handbook guidance on the Anti-Greenwashing Rule to help firms understand and implement the Anti-Greenwashing Rule, following feedback from some respondents to the Consultation Paper (CP) on SDRs and investment labels. The rule applies to firms when they communicate with cl in the UK in relation to a product or service, or when they communicate a financial promotion or approve a financial promotion for communication to a person in the UK. (FCA, April 2024).
- **[UK] Code of Practice for AI Cybersecurity and Software Vendors.** The UK Government has opened a call for views about the Code of Practice on AI Cyber Security, setting out specific interventions to help secure AI, so that its benefits can be realized, and a call for views on the Code of Practice for Software Vendors, which aims to strengthen the foundations of the many kinds of digital technologies that all sectors of the UK economy rely on. (Government of UK , May 2024).
- **[US] Updated guidelines for protecting sensitive data.** The NISTs has finalized its updated guidelines for protecting sensitive data handled by contractors and other organizations that do business with the federal government, requiring organizations to safeguard Controlled Unclassified Information (CUI) such as intellectual property and employee health information. Systems that process, store and transmit CUI often support government programs involving critical assets, such as weapons systems and communications systems, which are potential targets for adversaries. (NIST, May 2024).

American Region

- **Actions to Implement President Biden's Executive Order on AI.** The National Institute of Standards and Technology (NIST), under the Department of Commerce, has issued four drafts of varying nature that elaborate on the Executive Order to improve the safety, security and trustworthiness of AI systems. The target audiences of the drafts are AI model developers, AI system developers and AI system acquirers. (US Department of Commerce , May 2024).

Regulatory outlook

In the third quarter of 2024, the ECB is expected to publish its draft new guidelines on governance and risk culture, the EBA will publish its guidelines on liquidity stress testing under MiCAR. In the UK, a consultation on introducing requirements for the largest companies to disclose their net zero emissions transition plan is expected to be published.

Featured regulatory projections

1. Next quarter

- **(Europe) Q3 2024:**
 - EBA: i) Draft methodology, templates and guidelines for the EU-wide stress test 2025¹; ii) Final Report on Guidelines on liquidity stress testing under MiCAR; iii) Final Report on the use of policy insurance as credit risk mitigation; iv) CP of ITS on joint decision process for internal models applications; v) Guidelines to specify proportionate diversification methods for retail definition; vi) Guidelines specifying the terms substantial cash deposits, appropriate amount of obligor-contributed equity and significant portion of total contracts; vii) RTS to specify the conditions for assessing the materiality of the use of an existing rating system for other additional exposures and changes to rating systems under the IRB approach.
 - ESMA: Publication of stress test exercise for central counterparties (CCPs) results.
 - ESAs: RTS/ITS specifying some aspects established in DORA²
 - ECB: Draft guide on governance and risk culture³; ii) SREP 2024 and publication of the results of the cyber resilience stress test.⁴
- **(UK) Q3 2024:**
 - UK.gov: Consultation on the introduction of requirements for the UK's largest companies to disclose their transition plan to net zero, if they have them.

2. Next year

- **(Global) Q4 2024:**
 - BCBS: i) Assess the materiality of gaps in the existing Basel framework; ii) final proposal for the document on disclosure of climate-related financial risks.
- **(Europe) 2024:**
 - EBA: i) Final version of the methodology, templates and guidelines for the EU-wide stress test 2025; ii) Third revision of the SREP guidelines; iii) CP on GL for climate stress testing; iv) ITS on ESG reporting; v) RTS on assessment of ESG risks; vi) RTS on ESG disclosures for STS securitization; vii) review of RTS on sustainability disclosures PAI indicators; viii) Final report on prudential treatment exposures.
 - EBA/ESMA: Report on minimum haircut floor.
 - ESMA: i) GL promoting supervisory convergence under SFDR, MiFID II, Taxonomy Regulation, CSRD, the Benchmarks Regulation; ii) RTS; ITS; and GL as required under MiCA; iii) revision of ITS on external credit assessment institution (ECAI) mapping for corporate ratings under the Capital Requirements Regulation (CCR) and Solvency II; iv) Revision of RTS on securitisation disclosure requirement (CP).
 - ECB: i) Publication of supervisory expectations and sharing of best practices on digital transformation strategies; ii) Final guidance on Governance and Risk Culture.
- **(Europe) Q4 2024:**
 - EBA: i) ITS on mapping Business Indicator components (BIC) to FINREP; ii) RTS establishing a risk taxonomy of OpRisk loss events; iii) Pillar 1 follow-up report (pending CRR III mandate and deadline)..
 - ESMA: Final report under MiCA.
- **(Europe) December 2024:**
 - EBA: Final guidelines for ESG risk management.
 - EIOPA: Insurance stress test results for 2024.
- **(Europe) 1Q 2025:**
 - EBA: Climate Risk Scenario Results Fit-for-55.
 - European Council: Application of DORA Act.

1. Published on 5 July 2024. The EBA expects to publish the final methodology by end-2024, start the exercise in January 2025 and publish the results by end-July 2025.

2. Published on July 17, 2024.

3. Published on July 24, 2024

4. Published on July 26, 2024

- **(UK) 2024:**
 - UK.Gov: Consultation on UK Green Taxonomy..
 - **(UK) December 2024:**
 - BoE: Report with the final results of the Exploratory Scenario Exercise (SWES).
 - **(Chile) Q4 2024:**
 - i) Regulation on minimum payment on credit cards; ii) Standard for the identification of impaired and renegotiated credits; iii) Amendment of RAN 1-13 incorporating as a matter of review the management of recovery plans; iv) Standard on outsourcing and contingency plans in insurance companies; v) Standard on information on insurance other than annuities; vi) Accreditation of requirements for registration in the Register of Stockbrokers and Securities Agents; vii) Accreditation of requirements for registration in the Register of Product Brokers; viii) Rule that establishes the conditions for the provision of services to other institutions or third parties by Support Companies; ix) Statistics for the control and study of means of payment; x) Suitability and technical capacity of the Financial Intermediary and/or Fintec Custodian; xi) Suitability and technical capacity of the Financial Intermediary and Product Brokers' controller; xii) Rule of requirements for the Financial Intermediary and Product Brokers' controller. xii) Standard of requirements for the recognition of foreign Central Counterparties. xiii) Change of rules for the operation of Central Counterparties due to the Financial Resilience Law.
 - **(Colombia) Q3 2024:**
 - URF: i) Decree on SAS as issuer of securities; ii) Decree on the investment regime of the insurance system.
 - **(Colombia) Q4 2024:**
 - URF: i) Decree on the supervision of information operators; ii) Decree on the architecture of the trust business; iii) Decree on the regulatory update of the solidarity sector.
- 3. More than a year**
- **(Europe) 2025:**
 - EIOPA: i) Implementation of a cyber incident reporting system - Centralised data centre.
 - ESAs: Establishment of the EU-wide Oversight Framework of critical ICT third-party service providers.
 - EBA: i) Publication of the first results of the exercise using the final templates for the collection of EBA climate-related data; ii) Adequacy of PD/LGD input floors of credit risk; iii) RTS on Equity positions (TB-BB Boundary); iv) GL CVA risk for supervisors and RTS; v) Publication of EU wide stress test results.
 - **(Europe) 2026:**
 - EBA: Report to EC on revised Operational Risk
 - **(Chile) Q2 2025**
 - CMF: i) Rules on the computation of risk-weighted assets in savings and credit cooperatives supervised by the Commission. ii) Rules regulating the sale and transfer of ownership of insurance companies. iii) Exceptions or less burdensome forms of compliance with the requirements of Law 18.876 (DCV). iv) Rules on Statistical Information and Control of Securities Entities (Stock Exchanges and Infrastructures).

Dates of entry into force¹

1. Next quarter

- **(Europe) Q3 2024:**
 - EP/Council: AI Act²
 - EBA: First reference date for the implementation of the EBA Draft ITS amending Commission Implementing Regulation (EU) 2021/451 as regards reporting on IRRBB.

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

(2) It enters into force on 1 August 2024.

2. Next year

- **(Europe) December 2024:**
 - ECB: Be fully in line with all supervisory expectations, including a robust integration of C&E risks in the institutions' stress testing framework and in the ICAAP.
 - EP/Council: i) European Green Bond Regulation; ii) Regulation concerning transfers of funds to trace transfers of crypto-assets.
 - EBA: Risk Based anti-money laundering and countering the financing of terrorism (AML/CFT) Supervision Guidelines extended to crypto-asset service providers (CASPs)
- **(Europe) January 2025:**
 - EP/Council: i) General application of the provisions amending the CRR (CRR III) which introduce revisions to the Basel III framework in Europe (Basel IV); ii) DORA application; iii) New EU Taxonomy disclosures: Publication by non-financial undertakings of their KPIs.
 - ESAs: RTS document on the ICT risk management framework.
 - CSRD: Application extended to large companies not currently subject to the NFRD.
 - BCBS: Implementation of the requirements on the Disclosure of Cryptoasset Exposures.
- **(Europe) March 2025:**
 - EBA: Amendments to the reporting requirements on market risk and the information to be reported on own funds requirements under the alternative approaches.
- **(UK) July 2024:**
 - FCA: Rules and guidance introduced by the Consumer Duty in relation for closed products or services
- **(US) January 2025:**
 - SEC: Final Rule of the Enhancement and Standardization of Climate-Related Disclosures for Investors
- **(BR) January 2025:**
 - BCB: Standard Instruction on accounting items in the Assets Held for Sale group of the List of Accounts of the Accounting Standard for Institutions Regulated by the BCB.
- **(CH) January 2025:**
 - CMF: Regulations establishing the standardised methodology for the computation of consumer placements.

3. More than a year

- **(Global) 2026:**
 - BCBS: Implementation of FRTB.
- **(Global) January 2026:**
 - IASB: IFRS 18 for annual accounting periods beginning on or after this date.
- **(Europe) 2025:**
 - EBA: ITS modifying Pillar 3 and RTS information on BI components and settings and ITS on the allocation of BI components.
- **(Europe) January 2025:**
 - EP/Council: New EU Taxonomy disclosures: Financial undertakings shall disclose KPIs of alignment, mainly GAR (Full GAR)
 - EBA: ITS Pillar 3 disclosure framework.
- **(Europe) July 2025:**
 - EP/Council: Regulation establishing a new EU AML and CFT Authority.
- **(Europe) September 2025:**
 - Council: Regulation on harmonised rules for fair Access and use of data.
- **(Europe) January 2026:**
 - EP/Council: Member States shall adopt and publish the regulations and administrative provisions necessary to comply with CRD VI amendments.
 - CSRD: Implementation for listed SMEs, as well as for small and non-complex credit institutions and captive insurance companies.
- **(Europe) June 2026:**
 - CSRD: Application for certain sectors and for certain third country companies to prepare for sectoral European Sustainability Reporting Standards (ESRS) and for specific standards for large non-EU companies.
- **(Europe) July 2027:**
 - EP/Council: i) Start of the gradual application of Corporate Sustainability Due Diligence (CSDDD); ii) Regulation on the prevention of the use of the financial system for the purposes of money laundering of AML and CFT.
- **(Spain) Q3 2026:**
 - End of the application of Royal Decree 817/2023 on the controlled environment for Artificial Intelligence testing.

Relevant publications

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

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

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

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

Index of this quarter's most important publications

Scope	Regulator	Theme	Title	Date	Page
Global	BCBS	CL	Consultation document on the guidelines for counterparty credit risk management	30/04/2024	11
Global	IFRS	D	International Financial Reporting Standards (IFRS) 18: Presentation and Disclosure in Financial Statements	09/04/2024	13
Global	IFRS	D	IFRS 19 on Disclosures by Subsidiaries without Public Accountability	03/05/2024	14
EU	Council	T	New framework for a European digital identity (eID)	26/03/2024	15
EU	Council	T	Aprobación del AI Act	14/05/2024	16
EU	Council	S	Corporate Sustainability Due Diligence Directive ¹	24/05/2024	17
EU	EBA	CL	CP on Draft Guidelines on ADC exposures to residential property under CRR	17/05/2024	19
EU	EBA	T	Final draft package of technical standards and guidelines under MiCAR	13/06/2024	20
EU	EBA	D	Final report on draft Pillar 3 ITS on amendments due to the banking package	21/06/2024	21

(1) Published in the DOUE in July 2024

Relevant publications

Scope	Regulator	Theme	Title	Date	Page
EU	ECB	E D	Final version of Guide on effective risk data aggregation and risk reporting	03/05/2024	22
EU	ECB	T	Guide on outsourcing cloud services to cloud service providers	03/06/2024	23
EU	EIOPA	E	Insurance Stress Test 2024	02/04/2024	24
EU	EIOPA	E CL	Report on the implementation of IFRS 17 in the insurance industry, highlighting the synergies and differences with Solvency II	15/04/2024	25
EU	EIOPA	CL	Results of Market and Credit Risk Comparative Study in internal models	12/04/2024	26
EU	ESAs	E T	Voluntary dry run exercise to prepare for DORA implementation	11/04/2024	27
EU	ESMA	T	Third consultation under Cryptoassets Regulation (MiCA)	25/03/2024	28
EU	EP	Rn S	Amendment to Solvency II and Proposal for an insurance recovery and resolution directive	23/04/2024	30
EU	EP/Council	CL	Final Publication of the Banking Package (CRR III and CRD VI).	19/06/2024	31
EU	EP/Council	C	New EU rules to combat money-laundering	19/06/2024	33
UK	FCA	C S	Finalised non handbook guidance on the Anti Greenwashing Rule	23/04/2024	34
UK	Government of UK	T	Cyber Security of AI and Code of Practice for Software Vendors	16/05/2024	35
US	Commerce Department	T	Actions to Implement President Biden's Executive Order on AI	29/04/2024	36
US	NIST	T	Updated guidelines for protecting their sensitive data	21/05/2024	37

Relevant Publications

Global



30/04/2024

CL BCBS - Guidelines for counterparty credit risk management

1. Context

In 1999, the BCBS published the Sound practices for banks' interactions with highly leveraged institutions. This report was principally motivated by the collapse of the hedge fund Long-Term Capital Management and associated risk management failures. In recent years there have been additional cases of significant mismanagement of counterparty credit risk (CCR), including events linked to the failure of Archegos Capital Management in March 2021 which caused over \$10 billion in losses across numerous financial institutions.

In response to recent CCR management failings, the BCBS has issued a consultation on **guidelines for counterparty credit risk management**. The proposed guidelines include key practices critical to resolving long-standing industry weaknesses in counterparty credit risk management, including the need to: i) conduct comprehensive due diligence at both initial onboarding, as well as on an ongoing basis; ii) develop a comprehensive credit risk mitigation strategy to effectively manage counterparty exposures; iii) measure, control and limit CCR using a wide variety of complementary metrics; and iv) build a strong CCR governance framework.

2. Main points

Due diligence and monitoring sound practices

- The credit approval process should begin with **comprehensive collection and review of financial and non-financial information**, providing a clear picture of a counterparty's risk profile and risk management standards. Additionally, banks should understand the rationale and economics of underlying exposures, and of the key drivers of the counterparties' performance and growth. Banks should be particularly wary of any mechanisms for conducting due diligence and managing material counterparties purely on a portfolio basis without due consideration of the individual counterparties and the risks they pose to the bank. Ongoing monitoring of counterparties requires updated information about material developments such as changes in trading activities and leverage taken, profit and loss developments, as well as significant changes to how the counterparty measures and manages their risks.
- **Credit standards** should clearly dictate initial and ongoing due diligence expectations for different types of counterparties and conform to the bank's stated risk appetite. Standards should be appropriately informative, having regard to the product and industry, and be commensurate with the bank's risk profile and business model in this context. Due diligence standards should discuss the frequency and intensity of credit reviews and be updated as business strategy changes. In some cases, rating scorecards may, with appropriate guidance, serve as a means of stratifying due diligence expectations by counterparty risk.

Margining and risk mitigation of CCR exposure

- Banks with sound practices develop and implement a transparent and robust **margin framework** that is consistent across all trading products and onboarding platforms. This margin framework should adequately capture market and liquidity risks associated with the portfolio, the quality of collateral received, as well as the credit risk associated with the counterparties. Margin levels should account for the market risk of the portfolio and be sensitive to changes to the counterparty risk profile and underlying risks. The margining framework should be informed and reflective of the overall risk profile of the counterparty and not merely based on the narrow risk profile of the bank's trading relationship with the counterparty.
- Bank policies and procedures should determine the range of allowable **credit risk mitigants**. These policies should ensure that the usage of mitigants is controlled and monitored appropriately across the bank's portfolio. Furthermore, they should closely relate the allowable mitigants to the credit worthiness of the counterparty and the riskiness of the underlying exposures. Banks should assess the legal enforceability of all credit risk mitigants and incorporate potential delays in accessing collateral when measuring exposure and margin. This review should consider not just differences in relevant jurisdictions, but also differences across products and collateral types.

Exposure measurement

- Banks should compute CCR **exposure metrics** for a given counterparty, considering the level of aggregation embedded in the calculation. These metrics should be produced frequently and include all trades giving rise to CCR, across product types, business lines and legal entities. In addition, the CCR risk monitoring process should be fully informed of any additional credit exposure with the counterparty, such as loans outstanding or unused credit commitments.
- Banks should quantify CCR exposure daily, using **potential future exposure (PFE)** as a measure. For risk monitoring purposes, when calibrating PFE, banks must take due account of the model specifications.
- Banks should have clear, documented governance of their CCR **stress testing framework** to ensure the appropriate identification of relevant scenarios, their design and revision when necessary. The framework should include a robust number of scenarios, exhaustive of the multi-dimensional nature of the risks to which the bank's portfolio is exposed. In addition, institutions should have the capability to perform in a reasonably short time ad hoc stress tests, reverse stress testing and scenarios analysis.
- A bank's **limit structure** should cover a range of both BAU-based exposure metrics and stress-based exposure metrics. Risk limits should be granular enough to monitor key risks in the underlying exposure to a counterparty at the material risk factor level. Risk limits should also capture all the credit exposures to the counterparty across all products and financial relationships within the banking organisation. Banks should ensure that risk aggregation practices, for the purpose of limit setting, are accurate and reliable.

Governance

- Banks should foster a **culture** that ensures understanding of all risks with accountability for taking risk management actions when necessary, and that values the important role played by data and models in managing CCR. This culture should encourage an appropriate degree of confidence in data and models underlying CCR management, balanced by an appropriate level of challenge and an awareness of limitations.
- Banks should establish a clear CCR **strategy** and an effective CCR **management process**. The CCR strategy should define the bank's risk appetite, its desired risk-return trade-off and mix of products and markets. Such a strategy should be supplemented by clear, robust and actionable policies and procedures that establish effective monitoring and control of CCR relationships. These policies and procedures should drive the credit-setting process and govern banks' relationships with counterparties and should not be overridden by competitive pressures.
- Management should be directly accountable for implementing a detailed CCR **reporting framework**, which allows them to easily understand the CCR taken by the bank and to act based on the reported risks. Furthermore, management reporting should empower managers to aggregate the data at an adequate level across key risk dimensions and over time periods. It should also enable managers to easily analyse data and conduct drilldowns on a timely basis.
- Banks should implement a transparent and actionable **limit governance framework** with clear and proper oversight and review. The limit framework should include a remediation process for limit breach with distinct and accurate oversight, review and challenge stages commensurate with the severity and materiality of limit breaches. Limits should be set and verified independently from the business function.

Infrastructure, data and risk systems

- Banks should ensure that **risk systems and data management** capabilities underpinning CCR management are commensurate with the size and complexity of counterparty exposures. Systems, models and data management capabilities should be sound and sufficiently sophisticated to support CCR measurement under BAU and stress conditions, and they should be enhanced as the bank's risk profile evolves and newer sound practices are established.

Closeout practices

- Banks **closing out counterparties** should know that the potential costs of such actions can be high. Banks should ensure that seasoned professionals familiar with legal processes for carrying out a declaration of counterparty default are able to initiate closeouts as needed. Involvement from the legal department is critical to carrying out all aspects of a counterparty closeout. The process should have input from credit risk and risk management more broadly.

3. Next steps

- The consultation runs until **28 August 2024**.



09/04/2024

D

IRFS -New IFRS Accounting Standard

1. Context

This new standard completes the IASB's project to revise primary financial statements to improve the usefulness of the information presented and disclosed in financial statements. IFRS 18 replaces IAS 1 Presentation of Financial Statements, although it retains many requirements of International Accounting Standards (IAS) 1 unchanged.

The new standard will provide investors with more transparent and comparable information about the financial performance of companies, which will help to make better investment decisions. This Standard will affect all companies using IFRS standards. IFRS 18 introduces three sets of new requirements to improve companies' reporting of their financial performance and provide investors with a better basis for analysing and comparing companies.

2. Main points

- **Improved comparability in the statement of profit or loss (income statement).** Currently there is no specified structure for the income statement. Companies choose their own subtotals to include. Often companies report an operating profit, but the way operating profit is calculated varies from company to company, reducing comparability. IFRS 18 introduces three defined categories for income and expenses (operating, investing and financing) to improve the structure of this statement, and requires all companies to provide new defined subtotals, including operating profit. The improved structure and new subtotals will give investors a consistent starting point for analysing companies' performance and make it easier to compare companies.
- **Enhanced transparency of management-defined performance measures.** Many companies provide company-specific measures, often referred to as alternative performance measures. Investors find this information useful. However, most companies don't currently provide enough information to enable investors to understand how these measures are calculated and how they relate to the required measures in the income statement. IFRS 18 therefore requires companies to disclose explanations of those company-specific measures that are related to the income statement, referred to as management-defined performance measures. The new requirements will improve the discipline and transparency of management-defined performance measures and make them subject to audit.
- **Greater granularity.** Investor analysis of companies' performance is hampered if the information provided by companies is too summarised or too detailed. IFRS 18 sets out enhanced guidance on how to organise information and whether to provide it in the primary financial statements² or in the notes. The changes are expected to provide more detailed and useful information. IFRS 18 also requires companies to provide more transparency about operating expenses, helping investors to find and understand the information they need.

3. Next steps

- IFRS 18 is effective for annual reporting periods beginning on or after **1 January 2027**, but companies can apply it earlier. Companies' implementation costs and reporting changes resulting from IFRS18 will depend on their current reporting practices and IT systems.



03/05/2024

D IFRS - New IFRS 19 Accounting Standard

1. Context

In July 2021, the IASB published the Disclosures of the Exposure Draft Subsidiaries without Public Accountability, which proposed the development of a new IFRS Accounting Standard that would permit eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements.

In this context, the IASB has published the **IFRS 19 on Disclosures by Subsidiaries without Public Accountability**. This new Standard aims to simplify and reduce the cost of financial reporting by subsidiaries while maintaining the usefulness of their financial statements.

2. Main points

- **Scope of application:** An eligible subsidiary is permitted to apply IFRS 19 in its consolidated, separate or individual financial statements. A subsidiary is eligible if: i) it does not have public accountability; and; ii) its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. In addition, a subsidiary has public accountability if: i) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market; or ii) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.
- **Application of the Standard.** A subsidiary shall apply IFRS 19 in respect of the disclosure requirements and other IFRS Accounting Standards in complying with the other requirements. IFRS 19 does not include: i) recognition, measurement and presentation requirements; and ii) guidance on the application of the disclosure requirements.
- **Simplified disclosure requirements.** IFRS 19 requires eligible subsidiaries that provide financing to customers as their principal activity to disclose part of the credit risk information required by IFRS 7: Financial Instruments: Disclosures. It also requires eligible subsidiaries that reconcile changes in liabilities arising from financing activities, to simplify disclosures under the requirements of International Accounting Standard (IAS) 7.
- **Principles for reducing disclosure requirements.** The IASB applied the same principles to reduce the disclosure requirements of the IFRS Accounting Standard for small and medium enterprises (SMEs). These principles are: i) liquidity and solvency; ii) short-term cash flows, obligations, commitments and contingencies; iii) measurement uncertainty; iv) disclosure of amounts; and v) accounting policy choices.

Relevant publications

European Region



26/03/2024

T Council- New framework for a European digital identity (eID)

1. Context

In June 2021, the Commission proposed a framework for a European digital identity that would be available to all EU citizens, residents, and businesses, via a European digital identity wallet. This framework amends the 2014 regulation on electronic identification and trust services for electronic transactions in the internal market (eIDAS regulation), which laid the foundations for safely accessing public services and carrying out transactions online and across borders in the EU. The regulation requires member states to issue a digital wallet under a notified eID scheme, built on common technical standards, following compulsory certification.

In this context, the Council has adopted a **new framework for an eID**. The revised regulation aims to ensure that people and businesses across Europe have universal access to secure and trustworthy electronic identification and authentication. Under the new law, member states will offer citizens and businesses, digital wallets that will be able to link their national digital identities with proof of other personal attributes. The new European digital identity wallets (EDIWs) will enable all citizens to access online services with their national digital identification, which will be recognised throughout the EU, without having to use private identification methods or unnecessarily share personal data.

2. Main points

- The wallet will contain a **dashboard of all transactions accessible** to its holder both online and offline, offer the possibility to report possible violations of data protection, and allow interaction between wallets. Moreover, citizens will be able to onboard the wallet with existing national eID schemes and benefit from free e-signatures for non-professional use.
- Sufficient **safeguards** have been included to avoid discrimination against anyone choosing not to use the wallet, which will always remain **voluntary**.
- For the **validation** of electronic attestation of attributes, member states are required to provide free-of-charge validation mechanisms only to verify the authenticity and validity of the wallet and of the relying parties' identity.
- In relation with the **code** for the wallets, the application software components will be open source, but member states are granted leeway so that, for justified reasons, specific components other than those installed on user devices need not be disclosed.
- In order to ensure the **consistency** of certification practices across the Union, the Commission should issue guidelines on the certification and recertification of qualified electronic signature creation devices and of qualified electronic seal creation devices, including their validity and limitations in time.
- For **website authentication certificates**, this Regulation lays down a trust framework including minimal security and liability obligations for the providers of qualified certificates for website authentication and requirements for the issuance of those certificates.

3. Next steps

- The revised regulation will be published in the Official Journal of the EU in the coming weeks. It will enter into force **20 days** after its publication.
- The Commission shall establish no later than **6 months or 12 months** (depending on the provisions) after the entry into force of this amending Regulation, by means of implementing acts, a list of reference standards, specifications and procedures.
- The regulation will be fully implemented by **2026**.



14/05/2024

T

Council - AI Act Approval

1. Context

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

In this context, the European Council gave its **approval to the EU AI Act**, following the earlier adoption of the Act by the European Parliament (EP) in March. The adoption of the Act by the European Council clears the path for the formal signing of the legislation, after its subsequent publication in the Official Journal of the European Union (OJEU). The main objective of the AI Act is to improve the functioning of the internal market by establishing a uniform legal framework for the development, marketing, use and servicing of AI systems in the EU.

2. Main points

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

3. Next Steps

- **Publication in the OJEU**, entering into force **20 days** after publication.
- The Regulation will be fully applicable **24 months after entry into force**, except bans on prohibited practises, which will apply **6 months after the entry into force**; codes of practise (nine months after entry into force), general-purpose AI rules including governance (12 months after entry into force), and obligations for high-risk systems (36 months).



S

24/05/2024 Council - Corporate Sustainability Due Diligence¹

1. Context

In February 2022, the European Commission (EC) made public its CSDDD proposal introducing mandatory due diligence obligations for certain large and medium-sized companies in the EU and third countries and setting out the basis for these companies to incur liability for failing to comply with these obligations. In March 2023, the Member States approved this CSDDD proposal. In April 2024, the CSDDD proposal was adopted by the European Parliament (EP) in first reading. On 24 May, the EU Council approved the CSDDD proposal unchanged from the Parliament's version.

Finally, **on 5 July, the final version was published in the Official Journal of the European Union (OJEU)**. CSDDD in addition to establishing a global framework for companies to respect human rights and environmental standards throughout their operations and value chains, the CSDDD requires companies to adopt and implement a climate transition plan that is in line with the Paris Agreement.

2. Main points

- **Scope of application.** Companies established in the EU and outside the EU, or parent companies with more than 1,000 employees and a turnover exceeding EUR 450 million, as well as franchises with a turnover exceeding EUR 80 million if at least EUR 22.5 million were generated by royalties. Where the ultimate parent company has as its principal activity the holding of interests in operating subsidiaries and is not involved in management, operational or financial decisions affecting the group or one or more of its subsidiaries, it may be exempted from the obligations set out in the Directive.
- **Support for due diligence at group level.** Parent companies subject to the CSDDD may comply with the obligations set out in this Directive on behalf of their subsidiaries falling within the scope of application, provided that effective compliance is ensured.
- **Prioritisation of identified actual and potential adverse impacts.** Where it is not feasible to prevent, mitigate, terminate or minimise all identified adverse impacts at the same time and to the full extent, companies may establish priorities for addressing them based on the severity and likelihood of the identified adverse impacts in order to meet the obligations set out.
- **Remediation of actual adverse impacts.** Where a company has caused an actual adverse impact, it should remedy it. Where the actual adverse impact was caused solely by a business partner, the company may take voluntary remedial action. The company can also use its ability to influence the business partner that is causing the adverse impact to remedy the situation.
- **Meaningful engagement with stakeholders.** Companies should take appropriate steps to engage effectively with stakeholders. When consulting interested parties, companies shall provide them, as appropriate, with relevant and complete information, in order to conduct effective and transparent consultations. Consulted interested parties may submit a reasoned request for additional relevant information, which the company shall provide within a reasonable time and in an appropriate and comprehensible format. If the company refuses a request for additional information, the consulted interested parties shall be entitled to a written justification for such refusal.
- **Single helpdesk.** The Commission will set up a single helpdesk through which companies can request information, guidance and support in relation to compliance with their obligations. The competent national authorities in each Member State will work with the single helpdesk to assist in adapting information and guidance to national contexts and in disseminating such information and guidance.
- **Climate change transition plan.** Companies shall adopt and put into effect a transition plan for climate change mitigation which aims to ensure, through best efforts, that the business model and strategy of the company are compatible with the transition to a sustainable economy. The plan should address, where relevant, the exposure of the company to coal-, oil- and gas-related activities
- **Liability of undertakings and right to full compensation.** An undertaking shall be held liable for damage caused to a natural or legal person where a) it has intentionally or negligently failed to comply with its obligations, where the right, prohibition or obligation is intended to protect the natural or legal person; and b) as a result of the failure referred to in point a), the legal interests of the natural or legal person protected by national law are prejudiced.
- **Review and reporting.** The Commission shall submit a report to the EP and the Council on the need for additional sustainability due diligence requirements tailored to regulated financial institutions with regard to the provision of financial services and investment activities, and the options for such due diligence requirements, as well as their impact, in line with the objectives of this Directive. The report shall be submitted as soon as possible after the entry into force of this Directive, but no later than two years after that date.

(1) Published in the DOUE in July 2024

3. Next steps

- The Directive will enter into force on 25 July 2024.
- Member States shall adopt and publish, at the latest **two years** after the entry into force of this Directive, the laws, regulations and administrative provisions necessary to comply with this Directive.
- This legislation will apply gradually: i) in **2027**, to EU companies with 5000 employees and a worldwide net turnover of more than €1.5 billion and companies outside the EU that meet the European market turnover threshold; ii) in **2028**, to EU companies with more than 3000 employees and a worldwide net turnover of more than €900 million, and companies outside the EU with the same European market turnover threshold; and iii) in **2029**, to all other companies subject to the Directive.



17/05/2024

CL EBA - CP on Draft Guidelines on ADC exposures to residential property under CRR
1. Context

In the framework of the alignment with the final Basel III reforms in the European Union (EU), a new treatment has been introduced in the Capital Requirements Regulation (CRR) for a subset of exposures covering exposures related to Acquisition, Development, and Construction (ADC). These ADC exposures are considered to be associated with heightened risk and consequently a specific risk weight of 150% is set out in Article 126a of the CRR. Notwithstanding institutions may apply a risk weight of 100% to ADC exposures to residential property provided that certain risk-mitigating conditions are met. CRR includes a mandate to the EBA for specifying the terms identifying the credit risk-mitigating conditions related to the following elements: a) substantial cash deposits; b) financing ensured in an equivalent manner; c) appropriate amount of obligor-contributed equity; d) significant portion of total contracts.

In this context, the EBA has published a **consultation paper on Draft Guidelines on ADC exposures to residential property under CRR**. These Guidelines specify the credit risk-mitigating conditions that allow institutions to assign a risk weight of 100% instead of 150% for ADC exposures to residential property, and also address the specificities of institutions' lending for public housing or not-for profit entities.

2. Main points

- **Substantial cash deposit.** The first element of the identification of credit risk mitigation conditions, the cash deposit, is defined as substantial when it is equal to or higher than 10% of the sale price for pre-sale contracts, or 300% of the monthly rent for pre-lease contracts. The cash deposit should serve as an incentive for the buyer or tenant to convert the contract, or as a compensation for the market price deterioration in case of termination.
- **Financing ensured in an equivalent manner.** Equivalent to the cash deposit are instalments paid or cash held in a segregated account, both subject to forfeiture if the contract is terminated. Other forms of financing are not considered equivalent from a risk perspective.
- **Appropriate amount of obligor-contributed equity.** The amount of obligor-contributed equity is appropriate when it is equal to or higher than 35% of the residential property's value upon completion. The equity should be invested into the specific ADC project and convey a residual claim on the property.
- **Significant portion of total contracts.** For the portion of total contracts to be considered significant, it must represent at least 50% of the credit line for pre-sale and sale contracts, or at least 50% of the total number of units. This refers both in terms of credit and in terms of the number of potential contracts. In the case of mixed-use projects, both ratios must be met.
- **Consideration of the specificities of lending to public housing or not-for-profit entities.** The guidelines allow for a lower cash deposit requirement (100% of the monthly rent) and a broader interpretation of financing in an equivalent manner (including penalty clauses) for ADC exposures to public housing or not-for-profit entities that are regulated by law and serve social purposes. However, the portion of total contracts should be higher (75%) for these entities.

3. Next steps

- The consultation runs until 19 August 2024.
- At the same time the EBA is planning to carry out a Quantitative Impact Study (QIS) in order to assess the impact of the proposed requirements both in quantitative and qualitative manner.



13/06/2024

T EBA - Package of technical standards and guidelines under MiCAR

1. Context

The Markets in Cryptoassets Regulation (MiCAR) was published on 9 June 2023. EBA is mandated to develop technical standards and guidelines specifying certain provisions. In this context, the EBA has published the **package of technical standards and guidelines under MiCAR** on prudential matters, namely own funds, liquidity requirements, and recovery plans. These products are part of the EBA's efforts to foster a well-regulated market for asset-referenced tokens (ART) and e-money tokens (EMT) in the European Union (EU).

2. Main points

Final report on draft Regulatory Technical Standards (RTS) on additional own funds requirements and stress testing

- These standards specify: i) the **criteria** for the assessment of higher degree of risk; ii) the **procedure** for competent authorities to determine the period of time considered appropriate for issuers to increase the own funds amount to the higher own funds requirements and the measures to be taken to ensure the timely compliance thereof; and iii) a **minimum set of requirements** to issuers for the design and implementation of their stress-testing programmes.

Final report on draft RTS on the procedure and timeframe to adjust own funds

- This final draft RTS specifies the procedure and timeframe for an issuer to **adjust the amount of its own funds** to 3% of the average amount of the reserve of assets when the relevant issuer is issuing an ARTs or EMTs classified as 'significant'.
- Considering the feedback received on RTSs following the consultation period, the timeframe for the issuer to **provide an implementation plan** to increase the own funds requirements has been changed to 25 working days.
- The **maximum amount of time** that the competent authority may grant to the issuer to comply with the plan has been adjusted upwards to 6 months maximum.

Final report on draft RTS further specifying the liquidity requirements

- The draft RTS set specific **minimum percentages of the reserve of assets** according to daily and weekly maturities.
- They also establish the **minimum amount of deposits** in each official currency referenced.
- They envisage overall **techniques of liquidity management** to seek minimum creditworthiness, liquidity soundness and minimum diversification of bank deposits counterparties in the reserve of assets as well as to ensure minimum overcollateralisation to seek correlation between the reserve of assets and the assets referenced.

Final report on draft RTS to specify the highly liquid financial instruments in the reserve of assets

- The draft RTS set the **highest quality liquid assets in the liquidity coverage ratio** (LCR) as eligible highly liquid financial instruments.
- At the same time, and in order to seek for correlation between the highly liquid financial instruments and the assets referenced, in the case of ARTs referencing assets other than official currencies, financial instruments tracking the value of the assets referenced by the token or derivatives relating to them, are deemed **eligible as highly liquid financial instruments**.
- Furthermore, the draft RTS set **concentration limits** of highly liquid financial instruments by issuer.

Final report on draft RTS to specify the minimum content of liquidity management policy

- This draft RTS envisage **procedures** for identifying, measuring and managing liquidity risk, a **contingency policy** and **mitigation tools** as well as minimum aspects of liquidity stress testing.

Final report on Guidelines on recovery plans under MiCAR

- Guidelines on recovery plans specify the **format and the content of the recovery plan** that issuers need to develop and maintain. In addition, the Guidelines further specify the content of the communication and disclosure plan considering the feedback received during the consultation period.
- A number of targeted **amendments** were also made **to streamline the wording and provide further clarity**, inter alia by adding new definitions and by introducing a new paragraph to clarify that any provision regarding certain requirements applicable to the reserve of assets does not apply to issuers of EMTs that are not subject to hold a reserve of assets in accordance with MiCAR.

3. Next steps

These draft RTS will be submitted to the European Commission (EC) for endorsement following which they will be subject to scrutiny by the European Parliament (EP) and the Council before being published in the Official Journal of the European Union (OJEU).



21/06/2024

D EBA - Final report on draft Pillar 3 ITS on amendments due to the banking package

1. Context

With the application date of the Capital Requirements Regulation latest amendment (CRR3) set to 1 January 2025, the EBA published the EBA Roadmap on Strengthening the Prudential Framework on 14 December 2023. This roadmap outlines the timeline for implementing EBA mandates and finalizing key components before the application date. The EBA will use a two-step process for developing reporting and disclosure requirements, with the first step focusing on mandates necessary to implement and monitor Basel III requirements in the EU. The second step involves implementing other reporting and disclosure requirements not directly linked to Basel III.

Following this approach, the EBA has released a final report on Implementing Technical Standards (ITS) on public disclosures by institutions, which includes changes to the Pillar 3 disclosure framework due to Basel III reforms in CRR3. These changes cover new and revised disclosure requirements for output floor, crypto assets, credit value adjustments (CVA risk), credit risk, market risk, and operational risk, as well as minor changes to the leverage ratio.

2. Key aspects

- **Output floor.** New templates have been introduced to disclose the impact of the output floor on total risk exposure amounts (TREA) and risk-weighted exposure amounts (RWEA), enhancing transparency.
- **Credit risk.** Adjustments to templates for better alignment with Basel standards and CRR3 requirements, focusing on credit risk exposure and risk mitigation.
- **Market risk.** Updates to templates to reflect changes in market risk frameworks, ensuring accurate disclosure of market risk exposures and capital requirements.
- **Credit Valuation Adjustment (CVA) risk.** New templates for CVA risk disclosure, aligning with the latest regulatory standards.
- **Operational risk.** Changes to templates to include new operational risk frameworks and better reflect institutions' operational risk profiles.
- **Crypto assets.** Introduction of new templates to address the unique risks and exposures associated with crypto assets, ensuring comprehensive disclosure.
- **Other changes.** CRR3 brings a series of minor updates and clarifications to leverage ratio. In order to reflect these changes and ensure the mapping with the corresponding reporting templates, the disclosure template EU LR 2 is amended to consider the exclusions from total exposure measure of the following exposures.

3. Next steps

- These ITS shall apply from **1 January 2025**.
- The remaining impacts of CRR3 on disclosure requirements that are not necessary for Basel III implementation will be implemented in a second



E 03/05/2024
D ECB - Final version of Guide on effective risk data aggregation and risk reporting

1. Context

In 2016, the ECB launched a thematic review on effective risk data aggregation and risk reporting, which revealed serious weaknesses within the sample of 25 significant institutions and found that many of their practices were unsatisfactory. Overall, the results of the thematic review and the findings from on-site inspections demonstrated that the implementation of the Basel Committee on Banking Supervision's Principles for effective risk data aggregation and risk reporting (BCBS 239) was unsatisfactory and a source of concern. In 2019, the ECB issued a letter to all significant institutions under its direct supervision, urging them to make substantial and timely improvements to their risk data aggregation capabilities and risk reporting practices and to implement integrated reporting solutions. In July 2023, the consultation paper on the Guidance on Effective Risk Data Aggregation and Risk Reporting (RDARR) was published.

In this context, the ECB has published **the final version of the Guide RDARR**. The Guide outlines prerequisites for effective risk data aggregation and risk reporting (RDARR) to assist banks in strengthening their capabilities, building on practices and in main deficiencies observed in the industry. The Guide intends to specify and reinforce supervisory expectations in this field, in conjunction with the BCBS 239 principles. It complements and does not replace the guidance already provided since 2016 in public communications and in institution-specific supervisory activities. The final version does not include major changes to the consultation document.

2. Main points

The ECB recommends that significant institutions make substantial progress in improving their data aggregation capabilities and internal risk reporting practices and has identified seven key areas of concern:

- **Responsibilities of the management body.** The management body's responsibilities, role and the institution's risk culture are paramount in ensuring effective processes are in place for identifying, managing, monitoring and reporting risks, as well as adequate internal control mechanisms. Insufficient knowledge, training and experience in RDARR topics and Information Technology (IT) or insufficient awareness of the underlying risks means that improvements may be only partially or ineffectively implemented. To ensure appropriate risk data aggregation capabilities and internal risk reporting practices.
- **Sufficient scope of application.** Institutions should establish a data governance framework that allows to identify, manage, monitor and report risks. To ensure the completeness of processes and controls, the framework should be applicable to all material legal entities, risk categories, business lines and financial and supervisory reporting processes, and cover the entire lifecycle of the data, i.e., all processes from data origination, capture and aggregation to reporting.
- **Effective data governance framework.** A clear allocation of roles and responsibilities in the area of data quality, as well as ownership of data quality for business, internal control and IT functions, is required to establish and maintain effective governance processes and control mechanisms within the overall internal control framework. To ensure the effectiveness of a group-wide data governance framework, significant institutions should set out clear requirements for data quality within the scope of application. The frameworks should be formalised in internal policies covering the underlying processes, including the roles and responsibilities of the different functions involved as well as any related decision-making process, and subject to approval at an appropriate level and regular review.
- **Integrated data architecture.** To ensure the quality of the data used for risk, supervisory and financial reporting, an integrated data architecture should be implemented and documented at the group level. This should include data taxonomies, specifically a dictionary of the main business concepts and a metadata repository, that cover material legal entities, business lines, material risks and related risk indicators, reports, and models that are within the scope of application. There could be specific data taxonomies per risk types or legal entities, as long as they are consistent and cover the scope of application.
- **Group-wide data quality management and standards.** Group-wide policies and procedures should be established within the overall risk management framework or the data governance framework to ensure that data quality controls are effective and complete, material data quality issues are remediated and to make any limitations transparent and to account for data quality risks within the scope of application.
- **Timeliness of internal risk reporting.** Accurate, complete and timely data are fundamental to effective risk management and identification. To manage risks effectively, the right information needs to be presented to the right people at the right time. There are two factors that determine the timeliness of risk reporting: the frequency of risk reporting and the time needed to produce the reports.
- **Effective implementation programs.** Institutions that do not yet follow the best practices that are described in the BCBS 239 principles should put implementation measures in place accordingly. An implementation programme should cover any gaps and address any weaknesses identified through internal or external reviews, including OSIs and off-site reviews by ECB Banking Supervision. On the other hand, the programmes should be supported by adequate project management governance, and adequate material, financial and human resources. Finally, these should clearly define remedial actions, targets, milestones, roles, responsibilities and, if applicable, intermediate actions to mitigate weaknesses that require longer implementation time to be fully addressed.



03/06/2024

T ECB- Guide on outsourcing cloud services to cloud service providers

1. Context

In 2023 Supervisory Review and Evaluation Process, the ECB identified various vulnerabilities in banks' information technology (IT) outsourcing arrangements. As a result, third-party risk management, including cloud outsourcing, remains high on the list of the ECB's Supervisory priorities for 2024-2026. In addition, new legal acts as the Digital Operational Resilience Act (DORA) and the Capital Requirements Directive (CRD) has been driven by the need to establish effective governance of outsourcing risk as well as information and communication technology (ICT) security and cyber resilience frameworks, in order to proactively tackle any unmitigated risks which could lead to material disruption of critical functions or services. In addition, the cloud services market is highly concentrated, with many cloud service providers (CSPs) relying on proprietary technologies, and those technologies must be understood, assessed and monitored by the institutions in question.

In this context, the ECB has launched a **public consultation on its new Guide on outsourcing cloud services to CSPs**. The Guide aims to clarify both the ECB's understanding of related legal requirements and its expectations for the banks it supervises. The supervisory expectations set out in Guide are addressed to institutions that are supervised directly by ECB Banking Supervision.

2. Main points

The ECB has identified five key areas of interest:

- **Governance of cloud services.** Institutions should ensure that they establish an appropriate governance framework for the outsourcing of cloud services, including definitions of the roles and responsibilities of the relevant functions and bodies. Moreover, institutions are required to conduct risk analysis that covers certain specified elements prior to entering into a new cloud outsourcing arrangement with a CSP. Finally, they must have in place a strategy that covers ICT third-party risk including the risk of outsourcing to CSPs.
- **Availability and resilience of cloud services.** An institution must have contingency and business continuity plans that ensure it is able to continue operating and limit losses in the event of severe disruption to its business. In addition, the institution should assess the resilience requirements for the cloud outsourcing services provided and the data managed and, following a risk-based approach, decide on the appropriate cloud resilience measures. Financial entities' testing plans must include, among others, scenarios involving cyber-attacks and switches between the primary ICT infrastructure and the redundant capacity. Institutions are required by DORA to perform a risk analysis covering certain specified elements before entering into a contractual arrangement with a CSP.
- **ICT security, data confidentiality and integrity.** Appropriate and proportionate technical, operational and organisational measures are to be taken by essential and important entities to manage risks posed to the security of network and information systems which those entities use for their operations or for the provision of their services, and to prevent or minimise the impact that incidents have on recipients of their services and on other services.
- **Exit strategy and termination rights.** Financial entities are required to put in place exit strategies for ICT services that support critical or important functions. Significant risks and challenges can arise if an institution decides to terminate a contractual agreement with a CSP without having previously established a comprehensive exit plan on the basis of a principle-based exit strategy.
- **Oversight, monitoring and internal audits.** The internal audit functions of the institutions should regularly review the risks stemming from the use of a CSP's cloud services. That review should cover, among other things, adequacy of the application of internal guidelines, the appropriateness of the risk assessment conducted and the quality of the provider's management. The outsourcing contract should clearly specify that the institution, its internal audit function, and the competent authorities and resolution authorities have the right to inspect and audit the CSP.

3. Next steps

The public consultation on the Guide started on **3 June 2024**, and ends on **14 July 2024**. The ECB will subsequently publish the comments received, together with a feedback statement and the final Guide



02/04/2024

E Eiopa - Insurance Stress Test 2024

1. Context

Eiopa carries out regular insurance stress tests to assess how well the European insurance industry is able to cope with severe but plausible adverse developments of financial and economic conditions. Stress test results help supervisors identify the vulnerabilities of the insurance industry and find ways to improve its resilience.

In this context, Eiopa has launched its **2024 stress test for insurers**, focusing on the economic consequences of a re-intensification or prolongation of geopolitical tensions. This test assesses the impact of such a scenario on the capital and liquidity position of European insurance companies.

2. Main points

- **Scope.** The scenario envisions a resurgence of geopolitical tensions leading to widespread supply-chain disruptions, sluggish growth, and inflationary pressures, affecting various asset classes and financing conditions.
 - Eiopa's stress test adopts a comprehensive approach, encompassing both market-wide and insurance-specific shocks, with a focus on assessing resilience from capital and liquidity perspectives.
 - The sample selected for this stress test includes 48 undertakings from 20 member states, representing over 75% of the European Economic Area (EEA) insurance market.
- **Objective.** The stress test serves a primary goal of microprudential assessment, focusing on individual insurers' resilience in the face of severe adverse scenarios, particularly escalating geopolitical tensions. Secondary objectives include the identification of sector-wide vulnerabilities within the European insurance industry. Through this assessment, Eiopa aims to provide recommendations to enhance the overall resilience of the insurance sector, both at the European and national levels.
- **Scenario.** The hypothetical scenario crafted by Eiopa for the 2024 stress test envisages a scenario of intensified geopolitical tensions, leading to widespread supply-chain disruptions and subsequent economic repercussions. The scenario paints a picture of sluggish economic growth coupled with inflationary pressures, emanating from the geopolitical tensions and their cascading effects on global markets. Moreover, this scenario also predicts ripple effects such as shifts in interest rate expectations and alterations in financing conditions, which further contribute to the complexity of the adverse economic landscape.
- In relation to the **methodological approach**, the stress test exercise assesses the resilience of the European insurance industry from two perspectives: i) a capital assessment, which relies on the Solvency II framework; and ii) a liquidity assessment, based on estimations regarding the sustainability of undertakings' liquidity positions. In addition, insurance undertakings participating in the stress test are requested to estimate their position under two assumptions: i) fixed balance sheet, where only embedded management actions are allowed; and ii) constrained balance sheet, incorporating Management Actions, where a set of identified reactive management actions are allowed.

3. Next steps

- The Q&A process starts on **8 April 2024** and aims to ensure a clear and shared understanding of the implementation of the shocks and reporting requirements. Participating entities may submit questions on the process until 28 April 2024.
- The deadline for submission of results to national competent authorities is **early August**.
- From **mid-August until the end of October 2024**, the validation and quality assurance phase will take place, which may involve additional clarifications and resubmissions from participants.
- From **October to mid-December**, the analysis of the results and the drafting of the report will take place.
- In **December 2024**, a report will be published with aggregated results and, subject to consent, individual indicators for each entity.



15/04/2024

E EIOPA- Report on the implementation of IFRS 17 in the insurance industry, highlighting the synergies and differences in Solvency II

CL

1. Context

In January 2023, the new International Financial Reporting Standards (IFRS) 17 came into force. It aims to increase transparency and reduce differences in accounting for insurance contracts. IFRS 17 and Solvency II are two major standard-setting projects and share most of their core elements, and are therefore expected to provide synergies and allow some of the Solvency II processes to be reused for the purposes of IFRS 17, limiting the administrative burden for companies and facilitating the reconciliation of the two frameworks by analysts and financial market participants. In 2018, EIOPA published an analysis of IFRS 17 on insurance contracts, which included a comparison of the IFRS 17 and Solvency II frameworks in order to identify commonalities, differences and potential synergies. However, subsequent amendments and exemptions have altered the picture.

In this context, EIOPA has published a **report on the implementation of IFRS 17 in the insurance sector, highlighting synergies and differences with Solvency II**. This report aims to provide insight into the challenges and impacts of IFRS 17 adoption for insurers and the implications for users of financial statements.

2. Main points

- **Purpose and principles.** Solvency II is designed to ensure policyholder protection and financial stability in the insurance industry, while IFRS 17 aims to improve transparency and comparability in financial reporting for insurers. In addition, both frameworks are based on similar principles, such as the use of realistic or market-based valuation methods, a general approach based on estimates of probabilistic future cash flows, the discounting of future cash flows to reflect the time value of money and the incorporation of risk adjustments to account for uncertainties.
- **The implementation of IFRS 17 presented significant challenges** for the insurance industry, requiring substantial effort to adapt processes and systems to comply with the new accounting standard. Respondents noted differences in compliance cash flows compared to Solvency II technical provisions, with adjustments made through the contractual service margin (CSM) to align values.
- There are some **differences between both regulations**:
 - IFRS 17 requires using different valuation methods depending on the product characteristics, including the Variable Fee Approach (VFA) and the Premium Allocation Approach (PAA), which may differ from the approaches required by Solvency II.
 - A notable difference lies in the treatment of future profits, where IFRS 17 considers them as part of insurance liabilities whereas Solvency II classifies them as Own Funds, which affects the financial position of insurers in each framework.
 - IFRS 17 introduces the concept of CSM, which is absent in Solvency II. This margin affects the allocation of benefits during the coverage period and reflects the different objectives of the frameworks with respect to financial reporting and solvency assessment.
- Despite the differences, **synergies between IFRS 17 and Solvency II** were identified in areas such as the identification of contract limits, cash flow projection methodologies, risk adjustment calculations and the determination of discount rates. In addition, the presence of the illiquidity premium in IFRS 17 has often led to significant variations in discount rates compared to Solvency II, which affected the measurement of insurance liabilities and financial reporting results.
- The report underscores the importance of conducting a thorough **impact assessment** to evaluate the implications of the differences between IFRS 17 and Solvency II on insurers, regulators and other stakeholders. This assessment is crucial for informed decision-making and effective risk management in the insurance sector.



CL 12/04/2024
EIOPA- Results of Market and Credit Risk Comparative Study in internal models

1. Context

EIOPA annually carries out a Market and Credit Risk Comparative Study (MCRCS). The purpose is to compare risk charges for different asset portfolios used in the supervisory review of internal models. Additionally, the study aims to identify differences among internal models by analyzing risk charges for individual asset classes, such as fixed income or equities.

In this context, EIOPA has published the **results of the MCRCS conducted in 2023, using data from the end of 2022**. This report provides a summary of the main findings of the study and offers insight into the supervisory initiatives being implemented as a result of these findings.

2. Main points

- **Scope and objectives.** The study aims to compare modeling approaches and results from 20 internal model companies for market and credit risks, fostering convergence in supervision and best practices. It focuses on instruments denominated in euros but also encompasses some instruments in British pounds sterling and US dollars. The study does not cover the overall Solvency Capital Requirement (SCR) or other balance sheet aspects.
- **Methodology:** The MCRCS study focuses on modeling market and credit risk using integrated and modular approaches, emphasizing the combined market and credit risk charge with a confidence level of 99.5%. The study includes simplified asset and liability portfolios, qualitative information about models, and participant data. With a sample of 20 participants, not all benchmark assets are relevant to each, impacting the quality of results. Only two participants consider sustainability in their modeling.
- **Main conclusions.**
 - Sovereign bond credit spread shocks across different groups of modeling approaches show relatively low dispersion for bonds issued by Germany, the Netherlands, Austria, France, and Belgium, but higher dispersion for bonds issued by Ireland, Portugal, Spain, and Italy.
 - Credit spread shocks for corporate bonds tend to be higher for bonds with lower credit ratings, and dispersion increases substantially with worsening credit quality.
 - Corporate bonds denominated in US dollars and British pounds sterling show higher shocks compared to euro-denominated corporate bonds.
 - Corporates show lower dispersion in risk charges on major equity indices compared to risk charges applied to strategic equity holdings, but for asset classes such as real estate, model calibrations could place more emphasis on the risk profile of the actual investment portfolio of corporates and less on publicly available indices.

3. Next steps

The MCRCS will continue as a periodic study, focused on promoting the Supervisory Review Process (SRP). The study's results highlight the need for ongoing supervisory oversight, and EIOPA will continue monitoring follow-ups, incorporating lessons learned, and developing supervision tools and approaches.



11/04/2024

E ESAs- Voluntary dry run exercise to prepare industry for the next stage DORA implementation

T

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. In addition, DORA requires financial entities to have a register of information of all their contractual arrangements with ICT third-party providers from the date of implementation.

In this context, the ESAs have announced that in May 2024, they will launch a **voluntary dry run exercise for the next phase of DORA implementation**, with the aim of helping financial entities prepare for establishing their register of information of all their contractual arrangements with ICT third-party providers.

2. Main points

- The exercise is **voluntary** and **financial entities participating in the dry run will receive support from the ESAs** to: i) build their register of information in the format as close as possible to the steady-state reporting from 2025; ii) test the reporting process; iii) address data quality issues; and iv) improve internal processes and quality of their registers of information.
- The **registers will serve** for: i) financial entities to monitor their ICT third-party risk; ii) the European Union (EU) competent authorities to supervise ICT and third-party risk management at the financial entities and; iii) the ESAs to designate the critical ICT third-party service providers (CTPP) which will be subject to an EU-level oversight.
- Financial entities taking part in the exercise are sked to submit their **registers of information** to their competent authority in line with the ESAs Final Report on draft Implementing Technical Standards (ITS) on Registers of Information on a best-efforts basis.
- The **ESAs will provide participating financial entities** a draft data point model (DPM), instructions, Excel based template based on the draft DPM and a tool for the conversion of the Excel templates into Comma Separated Values (CSV) files.

3. Next Steps

- The exercise will be carried out in the **second half of 2024**, allowing the financial entities to prepare and identify issues before the first official submission in early 2025:
 - **30 April.** Introductory workshop.
 - **31 May.** Materials, specifications and tools available to participants.
 - **June - July.** ESAs workshops with participating financial institutions and competent authorities.
 - **1 July - 30 August.** Records of information collected from participating financial institutions compiled through their competent authorities.
 - **31 October.** Completion of data cleaning and quality checks.
 - **November.** Workshop on lessons learned by the ESAs on data quality, open to the whole sector.
 - **Early December.** Publication of aggregated information on data quality.



25/03/2024

T ESMA- Third consultation under MiCA and final report on the first package of draft technical standards of MiCA

1. Context

MiCA was published in the Official Journal on 9 June 2023 and entered into force on 29 June 2023 with the aim to protect investors, prevent the misuse of crypto-assets, preserve financial stability, provide regulatory clarity, and protect against market abuse and manipulation while continuing to support innovation in the crypto-asset industry. MiCA mandated ESMA to develop a series of Regulatory Technical Standards (RTS), Implementing Technical Standards (ITS), and Guidelines in collaboration with the European Banking Authority (EBA).

In this context, ESMA has published a **document in third consultation under MiCA**, following the publication of the first package for consultation in July 2023, and the second package in December 2023. In addition, ESMA has published the **final report on draft technical standards specifying certain requirements of the MiCA**, which aims to foster clarity and predictability, promote fair competition among cryptoasset service providers (CASPs) and create a safer environment for investors across the EU.

2. Main points

Third Consultation under MiCA

- **RTS on arrangements, systems and procedures for detecting and reporting suspected market abuse in crypto-assets.** These RTS specify the appropriate requirements for the persons professionally arranging or executing transactions in crypto-assets to prevent and detect market abuse, such as insider dealing, market manipulation or attempted market abuse. They also lay down the content, template and timing of the suspicious transaction and order reports (STORs) that should be submitted to the competent authorities, as well as the coordination procedures between the relevant competent authorities for the detection and sanctioning of cross-border market abuse situations.
- **Draft guidelines on certain aspects of the suitability requirements and format of the periodic statement for portfolio management activities under MiCA.** Provides suitability requirements under MiCA, such as the information to be collected from clients, the reliability and updating of client information, the arrangements necessary to understand crypto-assets and ensure their suitability, and the costs and benefits of switching investments. The paper also clarifies the application of the suitability assessment to different types of clients, such as legal entities, groups or represented persons, and to different types of services, such as robo-advice.
- **Draft guidelines on the procedures and policies, including the rights of clients, in the context of transfer services for crypto-assets.** Aims to establish consistent, efficient and effective supervisory practices within the European System of Financial Supervision (ESFS). In particular, they aim at providing more clarity on the requirements for crypto-asset service providers (CASPs) providing transfer services for crypto-assets on behalf of clients as regards procedures and policies, including the rights of clients, in the context of transfer services for crypto-assets. In this regard, ESMA anticipates a corresponding strengthening of investor protection.
- **Draft guidelines on the maintenance of systems and security access protocols in conformity with appropriate EU standards.** Outlines a set of requirements for crypto-asset service providers to maintain their information and communications technology (ICT) systems and security access protocols in accordance with the appropriate Union standards, such as the European Union Agency for Cybersecurity (ENISA) standards. The paper also defines the roles and responsibilities of the crypto-asset service providers and the competent authorities in ensuring the operational resilience of the crypto-asset market, and the reporting and notification obligations in case of ICT-related incidents.

Final report on the first package of draft technical standards of MiCA

- **RTS and ITS on the notification by certain financial entities to provide crypto-asset services.** These technical standards specify the requirements for the information to be included in the notification to provide crypto-asset services with a level of detail enabling the competent authority to then carry out a meaningful ongoing supervision. It will promote convergence and foster clarity and predictability for financial entities intending to provide crypto-asset services on the notification process. The harmonised notification requirements also promote fair competition between financial entities at the notification stage, no matter their home Member State. This also prevents creating, an uneven level-playing field between applicant CASPs and such financial entities.
- **RTS and ITS on the information to be included in the application for authorisation as a CASP.** Specify the requirements for the information to be included in the application for authorisation as a CASP with a level of detail enabling the competent authority to carry out a meaningful assessment. It will promote convergence and foster clarity and predictability for applicants on the authorisation process. The harmonised application requirements also promote fair competition between CASPs at the authorisation stage, no matter their home Member State.

- **RTS on the complaints-handling procedures of CASP.** Provide the list of information/topics that CASPs' procedures for handling complaints should contain. Provides for some minimum language requirements that CASPs have to comply with to ensure that clients are duly informed about the possibility and how to submit a complaint as well as the languages in which a complaint may be filed. In addition, it indicates how and where CASPs should publish the relevant information necessary to file a complaint. It requires that adequate resources be dedicated to the management of complaints and includes a specific deadline for CASPs to communicate their decision to the complainant after the receipt of the complaint, this brings more certainty and harmonisation.
- **RTS on the assessment of intended acquisition of a qualifying holding in a CASP.** These RTS define the information that natural or legal persons need to provide to the competent authority of the target entity when they intend to acquire or increase a qualifying holding in a CASP.

3. Next steps

- **Third consultation under MiCA.** Stakeholders can provide their feedback to the consultation by **25 June 2024**. ESMA will publish a final report based on the feedback received and will submit the draft technical standards to the European Commission (EC) for endorsement by **30 December 2024** at the latest.
- **Final report on the first package of draft technical standards of MiCA.** The draft technical standards are submitted to the EC for adoption. The EC shall decide whether to adopt the technical standards within **3 months**.



23/04/2024

Rn

EP- Amendment to Solvency II and Proposal for an insurance recovery and resolution directive

S

1. Context

Solvency II Directive established risk-based and harmonized prudential rules for the insurance and reinsurance sector, contributing significantly to the financial system's strength in the EU and enhancing resilience among insurance companies. However, it did not address all identified weaknesses in the sector. The COVID-19 pandemic and the conflict between Russia and Ukraine have exacerbated socio-economic challenges, underscoring the need for a sustainable recovery and alignment with the European Green Deal. The insurance sector, with its capacity to offer private financing and mitigate various risks, plays a crucial role in supporting EU priorities and fostering economic resilience.

In this context, the EP has approved an update of the Solvency II Directive. The main aim of the **review of the Solvency II** directive is to strengthen European insurers' contribution to the financing of the recovery, progressing on the Capital Markets Union and the channeling of funds towards the European Green Deal, ensuring that insurers and the relevant authorities in the EU are better prepared in cases of significant financial troubles. The EP has also approved a **Proposal for a Directive establishing a framework for the recovery and resolution of insurance and reinsurance undertakings**, which aims mainly at laying down a framework to provide authorities with a credible set of tools to intervene sufficiently early and quickly in insurance or reinsurance undertakings that are failing or likely to fail, creating a European harmonized recovery and resolution framework, similar to the one that already exists for banks, which ensures that these undertakings can be recovered or wound up without taxpayers footing the bill.

2. Main points

Amendments to Solvency II Directive

- **Proportionality.** The proposal aims to reduce the administrative burden on insurers, especially on small and non-complex companies, for example in the context of reporting requirements (e.g., simplified supervision and reduced reporting requirements).
- **More money into the real economy.** The changes to the [Solvency II rules](#) are expected to free up reserves that the sector will be able to channel into more productive investments (e.g. green infrastructure and digitalization). Currently, the cost-of-capital rate, which determines reserve levels, is assumed to be equal to 6%. With this revision, the cost of capital is expected to be reduced to 4.75%.
- **Better and more tailored supervision.** The update will also simplify supervision while on the other hand empowering supervisors on systemic risks. At the initiative of the Parliament, supervisors will also be required to better cooperate with each other where insurers operate in other Member States. These changes aim to ensure that the supervision of insurance companies is more proportionate and better tailored to the actual risks. Small insurance companies with a simple and safe business model will benefit from reduced administrative burdens.
- **Factoring in and communicating sustainability-related risks.** The update includes new provisions that will require insurance firms to better take into account sustainability-related risks and to report more about these risks so that policyholders can understand a firm's green credentials. In this regard, the European Insurance and Occupational Pensions Authority (EIOPA), has been mandated to produce a report on the assessment of risks related to biodiversity loss by insurers, along with natural catastrophes and climate-related risks. In order to ensure an appropriate assessment of the relevant evidence, EIOPA should monitor and report by 2024 on the evidence on the risk profile of environmentally or socially harmful investments.

Proposal for an Insurance Recovery and Resolution Directive (IRRD)

- **Pre-emptive recovery plans.** Supervisory authorities shall ensure that at least 60% of the Member State's life insurance and reinsurance market and at least 60 % of its non-life insurance and reinsurance market are subject to pre-emptive recovery planning requirements and 40% for resolution planning. The pre-emptive recovery and resolution plans should take into account the financial, technical and business structure of the group concerned and its degree of internal interconnectedness.
- **Insurance guarantee schemes.** The proposal lays the ground for the introduction of insurance guarantee schemes in all member states.
- **Proportionality.** The proposal is targeted at the riskiest sectors of the industry, and more focused on protecting policyholders. Small and non-complex undertakings should not be obliged to draw up separate pre-emptive recovery plans, nor should they be subject to resolution planning, except where such an undertaking represents a particular risk at national or regional level.

3. Next steps

The Council must approve the texts, after which the legislation will be published in the Official Journal of the EU and will enter into force on the twentieth day following publication. Once published, Member States shall adopt and publish, not later than 24 months after the date of entry into force of the Directives, the laws, regulations and administrative provisions necessary to comply with them.



19/06/2024

CL EP/Council - Final Publication of CRR III and CRD VI
1. Context

In October 2021, the European Commission (EC) published the first draft of the Banking Package 2021, a set of reforms to the prudential regulatory framework with the objective of strengthening banks' resilience to future economic shocks, as well as contributing to the recovery from the COVID-19 pandemic and the transition to climate neutrality. This package contains the proposed amendments to the Capital Requirements Regulation (CRR III) and the Capital Requirements Directive (CRD VI). In April and May 2024, the proposals were adopted by the European Parliament (EP) and the Council of the European Union (EU).

Finally, on 19 June, **the final versions of CRR III and CRD VI** were published in the OJEU. These amendments introduce the final Basel III reforms in Europe, as well as new requirements linked to ESG risk exposures, crypto-assets and shadow banking.

2. Main points
CRR III

- **Credit risk framework.** The standardised approach (SA-CR) has been revised to increase its risk sensitivity and granularity, especially for exposures to corporates, subordinated debt, equities, unrated corporates and specialised lending. The new text recalibrates some risk weights for revised categories (e.g. institutions, corporates), introduces some adjustments to the treatment of mortgages and includes changes to the treatment of risk classes that were not modified in the first version (e.g. exposures to regional governments and local authorities, covered bonds). It also restricts the use of the Internal Ratings Based (IRB) approach for certain low default portfolios and introduces floors to the parameters to limit variability and reduced own funds requirements arising from the use of internal models.
- **Market risk framework.** The boundary between the trading book and the non-trading book has been revised, as have the standardised and internal model approaches for market risk. The Regulation introduces specific adjustments including a simplified standardised approach for medium-sized firms in the trading book, a specific risk weight for carbon trading exposures under the EU Emissions Trading Scheme (ETS), as well as a temporary exemption for the residual risk charge under the alternative standardised approach.
- **Operational risk framework.** The existing methods for operational risk have been replaced by a single standardised method based on the business indicator. The business indicator is primarily based on the components of gross margin. New requirements linked to the loss database and on the operational risk management framework have also been introduced.
- **Output floor.** The capital floor, based on standardised methods, is to be applied across the board to all levels of consolidation, with the exception of measures taken by Member States. This floor will be 50% in 2025, and will gradually increase to its full application (72.5% in 2030).
- **ESG risks.** All institutions must disclose their exposure to ESG risks and activities that are subject to the impact of environmental or social factors.
- **Crypto-assets.** By 30 June 2025, the Commission should present a legislative proposal to introduce a specific prudential and reporting treatment for exposures to crypto-assets, taking into account international standards and Regulation (EU) 2023/1114 (MiCAR). The Regulation introduces specific capital requirements for this type of asset, which will have to be applied on a transitional basis until the new law enters into force.
- **Shadow banking.** Institutions must report their 10 largest shadow banking exposures to the competent authorities. They must also disclose these exposures on an aggregate basis.

CRD VI

- **ESG risks.** The sustainability dimension has been introduced into the prudential framework to ensure the identification, measurement, management and monitoring of ESG risks. In addition, ESG risks should be taken into account in the Supervisory Review and Evaluation Process (SREP) and specific stress testing methodologies for ESG risks should be developed.
- **Pillar 2 requirements (P2R).** Supervisors may decide, on a case-by-case basis, to impose higher CET 1 requirements as a result of the supervisory assessment.
- **Output floor (OF).** Safeguards have been introduced to avoid unwarranted increases in P2R and the systemic risk buffer requirement (SyRB). These cannot be used to cover risks that are already fully covered by the OF.
- **Fit-and-Proper Framework.** This framework sets out requirements to ensure that the fitness and propriety of Board members and key management personnel is effectively assessed.
- **Other.** Other aspects are updated, such as the framework governing third-country institutions operating in the EU, the centralized provision of information by the EBA on small and non-complex institutions, and the supervisory powers of the competent authorities.

3. Next steps

- CRR III will enter into force on **9 July 2024** and will apply from **1 January 2025**, except for certain articles which will apply from the entry into force of the regulation.
- Regarding CRD VI, Member States have 18 months to transpose the Directive into national law. Once this transposition is completed, CRD IV will enter into force the following day. Full implementation is expected from **11 January 2026**.



C 19/06/2024 EP/Council- New EU rules to combat money-laundering published

1. Context

The European Commission (EC) published in May 2020 an Action Plan for an EU policy on AML and CFT setting out the EC's commitments to strengthen EU rules in this area. To implement this Action Plan, in July 2021, the EC presented a package of legislative proposals to strengthen EU rules in this area and in November 2021, a proposal for a Single Access Point Directive. Between April and June, the package of proposals was approved by the European Parliament (EP) and the Council of the EU.

Finally, on 19 June, the **legislative package of measures against AML and CFT** has been finalised and published in the OJEU. The aim of this package is to improve the detection of suspicious transactions and activities and to close loopholes that allow the laundering of illicit proceeds or the financing of terrorist activities through the financial system.

2. Main points

The package consists of three Regulations and two Directives, the main aspects of which are summarized below.

Regulation establishing a new EU AML and CFT Authority

- This regulation establishes the AMLA. This is an integrated mechanism with national supervisors to ensure that obligated entities comply with obligations related to money laundering and terrorist financing **in the financial sector**.
- The **main changes** between the approved version and previous versions relate to the increased powers conferred on the AMLA, specifically in the supervisory and investigative powers. In addition, the Authority's ability to require financial supervisors to exercise their AML/CFT powers and to resolve disagreements between financial supervisors with binding effect is introduced.
- have a supporting role with respect to the **non-financial sector**, and will coordinate and support financial intelligence units (FIUs).
- In addition to supervisory and enforcement powers, in cases of serious, systematic or repeated non-compliance with directly applicable requirements, the Authority will impose **financial penalties** on selected obliged entities.

Regulation on the prevention of the use of the financial system for the purposes of money laundering of AML and CFT

- **Exhaustive harmonization of anti-money laundering rules** for the first time throughout the EU, closing legal loopholes for fraudsters. Anti-money laundering rules apply to new obliged entities, such as most of the crypto-sector, traders of luxury goods and football clubs and agents.
- The regulation sets **tighter due diligence requirements**, regulates beneficial ownership and sets a limit of € 10.000 to cash payments.

Regulation concerning transfers of funds to trace transfers of crypto-assets.

- It establishes rules on the **information to be included in transfers of money and cryptoassets** to prevent money laundering and terrorist financing. It is applicable when at least one of the service providers (of payments or cryptoassets) is located in the EU.
- It excludes certain services, transfers using cards or electronic payment devices, document conversion activities, and specific transfers such as cash withdrawals and payments to authorities. It also allows member states not to apply it to small domestic transfers for goods or services under certain conditions.

Directive on AML/CFT prevention mechanisms

- The directive will improve the **organization of national anti-money laundering systems** by establishing clear rules on how financial intelligence units (FIUs), the national bodies which collect information on suspicious or unusual financial activity in member states, and supervisors work together.

Directive on access by competent authorities to centralized bank account registers.

- EU Member States must make information from centralized bank account records available through a **single point of access**. Since the Money Laundering Prevention Directive will provide access to the single access point only to FIUs, **national enforcement authorities** will have access to these records through the single access point, ensuring harmonization of the format of bank statements. Such direct access and use of harmonized formats by banks is an important tool in the fight against criminal offenses and in efforts to trace and confiscate the proceeds of crime.

3. Next steps

- The **Regulation establishing the AMLA** enters into force seven days after its publication in the Official Journal of the European Union and will be applicable as of **July 1, 2025**.
- The **Regulation on AML/CFT prevention** enters into force 20 days after its publication in the OJEU and **will be applicable**, as a general rule, **36 months after its publication**.
- The **Regulation on fund transfers to trace transfers of cryptoassets** enters into force 20 days after its publication in the OJEU and will be applicable as of **December 30, 2024**.
- The **Directive on AML/CFT prevention mechanisms** enters into force 20 days after its publication in the OJEU and Member States will have to implement it within **three years** after its entry into force.
- The **Directive on access by competent authorities to centralized registers of bank accounts** enters into force 20 days after its publication in the OJEU and Member States will have to implement it within **three years** from the date of entry into force.

Relevant Publications

UK



23/04/2024

C FCA - Finalised non-handbook guidance on the Anti- Greenwashing Rule

S 1. Context

In November 2023 the FCA approved a package of measures through their Sustainability Disclosure Requirements (SDR) and investment labels regime being the anti-greenwashing rule one part of it. As firms increasingly make sustainability-related claims about their products and services, there are concerns that some of these may be exaggerated, misleading, and unsubstantiated. In order to protect consumers against greenwashing so they can make informed decisions that are aligned with their sustainability preferences, the FCA consulted on the anti- greenwashing rule which closed on January 2024.

In this context, the FCA has published **finalised non-handbook guidance on the Anti-Greenwashing Rule**, designed to help firms understand and implement the anti-greenwashing rule, following feedback from some respondents to the consultation paper (CP) on SDR and investment labels. This rule applies to firms when they communicate with clients in the UK in relation to a product or service, or when it communicates a financial promotion or approves a financial promotion for communication to a person in the UK.

2. Main points

Claims should be correct and capable of being substantiated

- The claims firms make should be **factually correct**. Firms should not state or imply features of a product or service that are not true. Nor should they overstate or exaggerate a product or service's sustainability or positive environmental and/or social impact.
- A firm's products or services should **do what they say they do**. Claims should be capable of being substantiated at the point in time at which they are made. Firms should think carefully about whether they have the appropriate evidence to support their claims.
- It is also important that firms **regularly review their claims and any evidence that supports them**, to ensure the evidence is still relevant for so long as those claims are being communicated. Firms should also ensure that their claims remain compliant with the anti-greenwashing rule on an ongoing basis.

Claims should be clear and presented in a way that can be understood

- The claims firms make should be **transparent and straightforward**, and firms should consider whether the meaning of all the terms would be understood by the intended audience. Firms should not use terms that may mislead about a product's sustainability characteristics as well as consider whether the usefulness of the information provided.
- Firms should consider how **images, logos and colors together may be perceived** by the audience when presented alongside other sustainability characteristics of a product or service.
- Firms subject to the Consumer Duty should **test their communications** where appropriate in order to check that communications are likely to be understood by customers and meet their information needs. This firms should also ensure they have the necessary information to understand and monitor customer outcomes.

Claims should be complete - they should not omit or hide important information

- Firms should **not omit or hide important information** that might influence decision-making. Where claims are only true if certain conditions apply, those should be clearly and prominently stated, as well as the limitations of any information, data or metrics used.
- Claims should **not highlight only positive sustainability impacts** where this disguises negative impacts. Firms should present claims in a balanced way.
- Similarly, firms should **consider the life cycle of a product** or service when making sustainability-related claims. Firms should base their claims on the full life cycle of the product or service.
- Firms should consider **what information is necessary to include** for the claim to give a representative picture of the product or service.

Comparisons should be fair and meaningful

- The claims firms make when comparing a product or service should be **fair and meaningful**, enabling the audience to make informed choices.
- Claims comparing the sustainability characteristics should **make clear what is being compared**, how it's being compared. Market-wide comparisons based only on a limited sample can mislead their audience.
- Claims about sustainability features of a product or service should be **cautious** when it may simply be meeting minimum legal standards. Such claims could be misleading.
- Where comparative claims are made, any **evidence to substantiate those should cover all products or services compared**.

3. Next steps

All authorised firms need to meet the anti-greenwashing rule by **31 May 2024**



16/05/2024

T Government of UK - Cyber Security of AI and Code of Practice for Software Vendors

1. Context

In December 2021, the government of UK published the National Cyber Strategy 2022, which sets out the government's approach to protecting and promoting the UK's interests in cyberspace. As part of this strategy, the government is working to improve cyber resilience across the UK economy. This includes improving the resilience and security of Software to strengthen digital supply chains.

In this context, the Government of the UK has opened a **call for views on the AI Cyber Security Code of Practice**, setting out specific interventions to help secure AI, so that its benefits can be realized, and a **call for views on the Code of Practice for Software Vendors**, which aims to strengthen the foundations of the many kinds of digital technologies that all sectors of the UK economy rely on.

2. Main points

[Call for views on the Code of Practice and a global standard on the Cyber Security of AI](#)

- **Objective.** Create a market ecosystem where AI supply chain stakeholders are looking to use security as a differentiator between their competitors.
- **Scope.** The Code of good practice and the proposed technical standard are voluntary and cover all AI technologies, including frontier AI.
- **Principles:** i) raise staff awareness of threats and risks; ii) design a system for security as well as functionality and performance; iii) model the threats to the system; iv) ensure decisions on user interactions are informed by AI-specific risks; v) identify, track and protect the assets; vi) secure the infrastructure; vii) secure the supply chain; viii) document the data, models and prompts; ix) conduct appropriate testing and evaluation; x) communication and processes associated with end-users; xi) maintain regular security updates for AI model and systems; and xii) monitor the system's behaviour.

[Call for views on the Code of Practice for Software Vendors](#)

- **Objective.** To improve the cyber resilience of the products and services of Software Vendors who commit to the Code of Practice. This is achieved by outlining the fundamental security and resilience measures that should reasonably be expected of all organisations that develop and/or sell Software to their customers. It also includes guidance on how Software should be developed, built, deployed and maintained, and how Vendors can communicate effectively with customers who procure their Software.
- **Scope.** The Code of Practice for Software Vendors will support any organisation developing and/or selling Software to be sold to businesses and other organisations. This includes organisations selling solely Software products or services, or organisations selling digital products or services that contain Software.
- **Principles:** i) secure design and development; ii) build environment security; iii) secure deployment and maintenance; and iv) communication with customers.

3. Main points

- This call for evidence closes on **10 July 2024**.

Relevant publications

American Region



29/04/2024

T US Department of Commerce - Actions to Implement President Biden's Executive Order on AI

1. Context

On October 30, 2023, the White House issued the Executive Order (EO) on the Safe and Reliable Development and Use of AI to guide the impact of AI across sectors and help agencies and consumers reap the benefits of AI while mitigating risks. It established a 180-day deadline for the Secretary of Commerce to propose the necessary regulations.

In this regard, the National Institute of Standards and Technology (NIST), under the Department of Commerce, has issued **four drafts of varying nature that elaborate on the EO to improve the safety, security and trustworthiness of the IA system**. The target audiences of the drafts are IA model developers, IA system developers and AI system acquirers.

2. Main points

- **AI Risk Management Framework: Generative AI Profile.** This NIST guidance enumerates a list of **risks associated** with the use of **Generative AI**. In addition to the identification and description, the document proposes a series of actions intended to help organizations effectively govern, map, measure and manage these risks.
- **Secure Software Development Practices for Generative AI and Dual-Use Foundation Models.** This document, complementary to the Secure Software Development Framework (SSDF), focuses on ensuring the **security of software lines of code** for the specific case of **Generative AI systems**.
- **Reducing Risks Posed by Synthetic Content.** This guide outlines methods for **detecting, authenticating and labeling synthetic content**, including digital watermarking and metadata recording, where information indicating the origin of a piece of content, such as an image or sound recording, is embedded in the content to help verify its **authenticity**. Each section of the report begins with an overview of an approach and outlines current methods for using it, concluding with areas where NIST experts recommend further research.
- **A Plan for Global Engagement on AI Standards.** The objective of the plan is to **foster global development and implementation of AI-related standards**, cooperation and coordination, and information exchange. The draft publication suggests a broader range of multidisciplinary stakeholders from many countries participate in the standards development process.

3. Next steps

- The consultation runs until **June 2, 2024**.

21/05/2024

T NIST- Updated guidelines for protecting sensitive data

1. Context

In May 2023, the NIST released draft versions of the guidelines for protecting sensitive information for public comment. The drafts included notable updates such as i) changes to reflect the state-of-practice cybersecurity controls; ii) revised criteria used by NIST to develop security requirements; iii) increased specificity and alignment of the security requirements to aid in implementation and assessment; and iv) additional resources to help implementers understand and analyze the proposed updates.

In this context, the NISTs has finalized its **updated guidelines for protecting the sensitive data** contractors and other organizations that do business with the federal government handle, which requires organizations to safeguard CUI such as intellectual property and employee health information. Systems that process, store and transmit CUI often support government programs involving critical assets, such as weapons systems and communications systems, which are potential targets for adversaries.

2. Main points

Protecting Controlled Unclassified Information in Nonfederal Systems and Organizations

- **Purpose.** This publication provides guidelines for federal agencies on recommended security requirements for protecting the confidentiality of CUI when such information is resident in nonfederal systems and organizations and where there are no specific safeguarding requirements prescribed by the authorizing law, regulation, or government-wide policy for the CUI category listed in the CUI registry.
- **Scope.** Components of nonfederal systems that process, store, or transmit CUI or that provide protection for such components. The requirements are intended for use by federal agencies in contractual vehicles or other agreements that are established between those agencies and nonfederal organizations. The requirements do not apply to nonfederal organizations that are collecting or maintaining information on behalf of a federal agency or using or operating a system on behalf of an agency.
- **Security Requirements.** The guideline describes 17 families of security requirements for protecting the the confidentiality of CUI in nonfederal systems and organizations. When used in the context of the requirements in this section, the term system is defined to be nonfederal systems or system components that process, store, or transmit CUI or that provide protection for such systems or components. Not all security requirements mention CUI explicitly. However, the requirements are included because they directly affect the protection of CUI during processing, while in storage, and when in transmission between different locations.

Assessing Security Requirements for Controlled Unclassified Information

- **Purpose.** This publication provides guidelines on procedures for assessing the security requirements in NIST Special Publication, Protecting CUI in Nonfederal Systems and Organizations. Organizations can use the assessment procedures to generate evidence that the security requirements have been satisfied.
- **Scope.** The security assessments conducted using the procedures described in this publication is guided and informed by the system security plans for systems that process, store, or transmit CUI. The assessment procedures offer the flexibility to customize assessments based on organizational policies and requirements, known threat and vulnerability information, system and platform dependencies, operational considerations, and tolerance for risk.
- **Procedures.** The guideline provides assessment procedures for the security requirements. Organizations that conduct security requirement assessments can develop their security assessment plans by using the information provided in the assessment procedures and selecting the specific assessment methods and objects that meet the organization's needs. Organizations also have flexibility in defining the level of rigor and detail associated with the assessment based on the assurance requirements of the organization.

Other publications of interest

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

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

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

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

Global

39

European region

42

American region

54

Other publications of interest

Global

NEW IFRS ACCOUNTING STANDARD D

(12/04/2024) IASB - [International Financial Reporting Standard \(IFRS\) 18: Presentation and Disclosures in Financial Statements](#)

The International Accounting Standards Board (IASB) has issued a new standard aimed at providing investors with clearer and more comparable information on companies' financial performance, aiding in better investment decision-making. This Standard will impact all companies using IFRS standards. IFRS 18 introduces three sets of new requirements to enhance companies' information on their financial performance and provide investors with a better basis for analyzing and comparing companies. The IFRS 18 becomes effective for annual accounting periods beginning on or after January 1, 2027, but companies may choose to apply it earlier.

IOSCO UPDATED WORKPLAN O

(12/04/2024) IOSCO - [Updated Workplan](#)

International Organization of Securities Commissions (IOSCO) has released an updated Workplan for 2024, aligning with its two-year Work Program introduced in 2023. The revised plan highlights new focus areas including Artificial Intelligence (AI), tokenization, and credit default swaps, alongside increased attention on transition plans and green finance. The Workplan outlines priorities across five themes: protecting investors, addressing sustainability and fintech risks, strengthening financial resilience, supporting market effectiveness, and promoting regulatory cooperation. Additionally, IOSCO plans to establish a new workstream on green finance and enhance its Capacity Building Program to respond to member needs in sustainable finance, fintech, regulatory roles, and market development.

MEASURES TO ENHANCE LIQUIDITY PREPAREDNESS CL

(17/04/2024) FSB - [FSB proposal to enhance the liquidity preparedness of non-bank market participants for margin and collateral calls during times of market-wide stress](#)

The Financial Stability Board (FSB) has released a consultation report proposing eight policy recommendations to enhance the liquidity preparedness of non-bank market participants for margin and collateral calls during times of market-wide stress. These recommendations focus on managing liquidity risk, improving stress testing and scenario design, and enhancing collateral management practices for entities such as insurance companies, pension funds, hedge funds, investment funds, and family offices. The report underscores the need for policy adjustments to address liquidity strains in the non-bank financial intermediation (NBFII) sector, particularly during periods of market turmoil. Stakeholders are invited to provide feedback on the consultation report by June 18, 2024.

NFGS TRANSITION PLANS CL S

(17/04/2024) NFGS - [Package of reports relating to Transition Plans](#)

The Network for Greening the Financial System (NGFS) has published a set of reports focusing on transition plans, which are pivotal in mobilizing capital and managing climate-related financial risks. These reports delve into various aspects, including tailoring transition plans for emerging market and developing economies (EMDEs), exploring the connections between transition plans of financial and non-financial firms, and assessing the credibility of financial institutions' transition plans from a micro-prudential perspective. The findings underscore the need for integrated international guidance, holistic transition plans and processes, and enabling conditions for the adoption of transition plans. The NGFS aims to facilitate the development and implementation of transition plans across sectors to accelerate the transition towards a net-zero future.

EFFECTIVE BANKING SUPERVISION E

(25/04/2024) BCBS - [Core principles for effective banking supervision](#)

The Basel Committee on Banking Supervision (BCBS) has published the revised Core Principles for effective banking supervision, following their endorsement at the 23rd International Conference of Banking Supervisors. The Core Principles are the minimum standards for the sound prudential regulation and supervision of banks and banking systems. They are universally applicable and accommodate a range of banking systems and a broad spectrum of banks. The Core Principles are used by supervisors to assess the effectiveness of their regulatory and supervisory frameworks. They are also used by the International Monetary Fund (IMF) and World Bank as part of the Financial Sector Assessment Program (FSAP) to evaluate the effectiveness of countries' banking supervisory systems and practices. The Core Principles cover 29 principles that are grouped into two categories: the powers, responsibilities and functions of supervisors (Principles 1 to 13); and the prudential regulations and requirements for banks (Principles 14 to 29). The revised Core Principles standard is effective immediately, and the revised text has been incorporated into the consolidated Basel Framework.

ORDERLY RESOLUTION OF CENTRAL COUNTERPARTIES R

(25/04/2024) FSB - [New global standard to support the orderly resolution of a central counterparty](#)

The Financial Stability Board (FSB) has introduced a new global standard to facilitate the orderly resolution of central counterparties (CCPs). Monitoring will be conducted for systemically important CCPs across jurisdictions, with findings published annually in the FSB's Resolution Report, reinforcing the FSB's commitment to global financial stability.

COUNTERPARTY CREDIT RISK MANAGEMENT CL

(30/04/2024) BCBS - [Consultation document on the guidelines for counterparty credit risk management](#).

The Basel Committee on Banking Supervision (BCBS), in response to instances of significant mismanagement of counterparty credit risk (CCR), has issued a consultation on guidelines for counterparty credit risk management. These guidelines propose key practices on due diligence and monitoring, including margining and risk mitigation of CCR exposures, exposure measurement techniques, as well as instructions aimed at ensuring proper data management and closeout practices. The consultation runs until 28 August 2024.

SUSTAINABILITY TAXONOMY S D

(30/04/2024) ISSB - [Digital sustainability taxonomy](#)

The International Sustainability Standards Board (ISSB) has published the International Financial Reporting Standards (IFRS) Sustainability Disclosure Taxonomy, fulfilling its promise to enable investors and other capital providers to analyse sustainability-related financial disclosures efficiently. This taxonomy, aligned with ISSB Standards, allows for efficient search, extraction, and comparison of such disclosures, aiding in establishing a global baseline for sustainability reporting. The taxonomy incorporates requirements from IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, without introducing new obligations or affecting compliance with existing standards. Moreover, efforts have been made to ensure interoperability with other taxonomies, enhancing accessibility and effectiveness for all stakeholders.

ISSB AND ESRS INTEROPERABILITY S D

(02/05/2024) IFRS - [IFRS Foundation and EFRAG publish interoperability guidance](#)

The International Financial Reporting Standard (IFRS) Foundation and the European Financial Reporting Advisory Group (EFRAG) have jointly published material guidance that illustrates the substantial alignment between the International Sustainability Standards Board (ISSB) Standards and European Sustainability Reporting Standards (ESRS), providing practical support to companies in applying both sets of standards. This guidance is intended to streamline compliance, minimize complexity and avoid duplication for companies applying both frameworks, thereby advancing transparency and comparability of sustainability reporting. The document emphasizes harmonization of general requirements and climate reporting, providing companies with ideas on how to effectively meet the standards of both frameworks. It highlights the importance of interoperability between reporting frameworks to ease the burden on EU companies and collaborative efforts to improve global convergence in sustainability reporting and support companies in their implementation challenges. This guidance marks an important milestone in progressing the quality and interoperability of sustainability-related data, laying the groundwork for further progress in digital interoperability and facilitating informed decision-making by investors globally

discussed in the TPRM Guidance. Although it is intended for community banks, other banks may benefit from it.

NEW IFRS ACCOUNTING STANDARD D

(03/05/2024) IASB - [New International Financial Reporting Standards \(IFRS\) 19: Subsidiaries without Public Accountability: Disclosures](#).

The international Accounting Standards Board (IASB) has published the new International Financial Reporting Standards (IFRS) 19 on disclosures by subsidiaries without public accountability. This new Standard aims to simplify and reduce the cost of financial reporting by subsidiaries while maintaining the usefulness of their financial statements.

ACCOUNTING TAXONOMY UPDATE FOR IFRS 18 **D**

(23/05/2024) IASB - [IFRS Accounting Taxonomy update for IFRS 18](#)

The International Accounting Standards Board (IASB) has published a proposal to amend the IFRS Accounting Taxonomy to reflect the new presentation and disclosure requirements introduced in IFRS 18 Presentation and Disclosure in Financial Statements. The proposed changes include: i) line-item modelling for conveying category information (such as, operating, investing, financing) for the statement of profit or loss; and ii) dimensional modelling for tagging disclosures on management-defined performance measures (MPMs) and specified expenses by nature, as these link to information in the statement of profit or loss. The deadline for submitting comments is 3 September 2024.

AMENDMENTS TO CLASSIFICATION AND MEASUREMENT REQUIREMENTS FOR FINANCIAL INSTRUMENTS **C**

(30/05/2024) IASB - [IASB issues narrow-scope amendments to classification and measurement requirements for financial instruments](#)

The International Accounting Standards Board (IASB) has announced amendments to IFRS 9 to clarify the classification and measurement of financial instruments. These amendments address the organization of financial assets with Environmental, Social and Governance (ESG) features and the settlement of liabilities through electronic payment systems. Additionally, new disclosure requirements have been added to enhance transparency regarding investments in equity instruments and those with contingent features. These amendments will come into effect on January 1, 2026.

PRACTICE STATEMENT 1 ON MANAGEMENT COMMENTARY **O** **D**

(19/06/2024) IASB - [Practice Statement 1 on management commentary](#)

The International Accounting Standards Board (IASB) has finalised the revision of International Financial Reporting Standard (IFRS) Statement of Practice 1 on Management Commentary. This decision responds to the demand for better information on the factors that influence a company's ability to create value and generate cash flows, including long-term prospects. It supports the integration of management commentary with financial statements and sustainability reporting, a key objective of the project. The IASB will collaborate with the International Sustainability Standards Board (ISSB) and consult with the Integrated Reporting and Connectivity Board. With the project at an advanced stage and broad support for the proposals, the IASB expects to publish the revised Practical Statement in the first half of 2025.

SECOND GUIDE ON CLIMATE-RELATED DISCLOSURE FOR CENTRAL BANKS **S**

(19/06/2024) NFGS - [Second guide on climate-related disclosure for central banks](#)

The Network of Greening for Financial System (NGFS) has released a second guide on climate disclosure standards, tailored specifically for central banks. Its purpose is to provide guidance to central banks on governance, strategy, risk management, and metrics, based on the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). The guide promotes climate information disclosure to enhance capital markets, identify opportunities, and catalyze climate financing. Additionally, it offers various approaches tailored to the needs and circumstances of each bank.

Other publications of interest

European Region

Europe

CREDIT RATING AGENCIES S

(02/04/2024) ESMA - [ESMA consults on possible amendments to the Credit Rating Agencies Regulatory Framework](#)

The European Securities and Markets Authority (ESMA) has launched a consultation on possible amendments to Commission Delegated Regulation supplementing Regulation (EC) No 1060/2009 of the European Parliament and of the Council on credit rating agencies by laying down regulatory technical standards for the assessment of compliance of credit rating methodologies and Annex I to the Regulation on Credit Rating Agencies (CRAR) with the aim of improving the integration of environmental, social and governance factors (ESG) in credit rating methodologies and their disclosure, as well as enhancing the transparency and credibility of the credit rating process. ESMA will consider the comments received in the consultation and submit its technical advice to the European Commission by December 2024.

FINANCIAL FLOWS TRACKING S

(04/04/2024) EC - [Platform on Sustainable Finance intermediate report on monitoring capital flows to sustainable investments](#)

The European Commission (EC) has entrusted the Sustainable Finance Platform, the task of developing a methodology to track financial flows to sustainable investments, presenting an interim report that proposes to measure the contribution of finance to the European Green Deal. This report is based on European Union (EU) regulatory data and market practices, detailing capital flows in the real economy and financial markets, with a focus on capital expenditures and flows to and from financial markets. In addition, it includes an analysis of the investment gap in the Green Deal and the final report, published at the end of the Platform's mandate, is expected to provide methodological improvements and proposals for continued follow-up.

REINSURANCE E

(04/04/2024) EIOPA - [Supervisory expectations on reinsurance through third-country reinsurers](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has issued a supervisory communication on reinsurance with third-country reinsurers, emphasising the need to assess the effectiveness of risk mitigation, especially when dealing with reinsurers subject to regulatory frameworks not equivalent to Solvency II standards. The communication advocates a risk-based approach, outlining expectations to assess the business context, encourage early dialogue between supervisors and stakeholders, and evaluate reinsurance arrangements and related risk management systems with third country reinsurers.

INSURANCE STRESS TEST 2024 O

(05/04/2024) EIOPA - [Insurance Stress Test 2024](#)

The European Insurance and Occupational Authority (EIOPA) has launched its 2024 stress test for insurers, focusing on the economic consequences of a re-intensification or prolongation of geopolitical tensions. This test assesses the impact of such a scenario on the capital and liquidity position of European insurance companies. The stress test serves a primary goal of microprudential assessment, focusing on individual insurers' resilience in the face of severe adverse scenarios, particularly escalating geopolitical tensions. Secondary objectives include the identification of sector-wide vulnerabilities within the European insurance industry. Through this assessment, EIOPA aims to provide recommendations to enhance the overall resilience of the insurance sector, both at the European and national levels.

GUIDELINES FOR INVESTMENT FIRM GROUPS CL

(11/04/2024) EBA - [Final Guidelines on the application of the group capital test for investment firm groups](#)

The European Banking Authority (EBA) has published final Guidelines on the group capital test for investment firm groups to standardize criteria across the European Union (EU), ensuring fairness. These Guidelines provide both quantitative and qualitative criteria, simplifying assessment for smaller and non-interconnected firms. The initiative aligns with the EBA's mandate to establish consistent supervisory practices within the European System of Financial Supervision (ESFS).

DORA IMPLEMENTATION **T** **D**

(11/04/2024) ESAS - [Voluntary dry run exercise to prepare industry for the next stage of DORA implementation](#)

The European Supervisory Authorities (ESAs) have announced that in May 2024, they will launch a voluntary dry run exercise for the next phase of Digital Operational Resilience Act (DORA) implementation, with the aim of helping financial entities prepare for establishing their register of information of all their contractual arrangements with Information Communication Technologies (ICT) third-party providers.

ANNUAL ASSESSMENT OF INTERNAL APPROACHES **CL**

(12/04/2024) EBA - [Annual assessment of banks' internal approaches for the calculation of capital requirements](#)

The European Banking Authority (EBA) has published reports on the 2023 Market Risk Benchmarking Exercise and the 2023 Credit Risk Benchmarking Exercise. The EBA's reports aim to assist competent authorities (NCAs) in assessing the quality of internal approaches. The reports analyze the consistency of Risk Weighted Assets (RWAs) across European Union (EU) institutions authorized to use internal approaches for capital requirement calculation. The Market Risk report highlights a reduction in dispersion in Initial Market Valuations (IMVs) and Value at Risk (VaR) submissions compared to previous exercises. The Credit Risk report examines changes in Exposure at Default (EAD), Probability of Default (PD), Default Rate (DR), portfolio composition, and representativeness. Notable findings include stability in PD for low default portfolios, despite expectations of increased default rates due to economic factors. The reports identify areas requiring follow-up actions by specific institutions, as indicated by CAs' assessments based on supervisory benchmarks.

MARKET AND CREDIT RISK COMPARATIVE STUDY **CL**

(12/04/2024) EIOPA - [Results of its Market and Credit Risk Comparative Study in internal models based on year-end 2022 data](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published the results of the Market and Credit Risk Comparative Study (MCRCS) conducted in 2023, using data from the end of 2022. This report provides a summary of the main findings of the study and offers insight into the supervisory initiatives being implemented as a result of these findings. The study aims to compare modeling approaches and results from 20 internal model companies for market and credit risks, fostering convergence in supervision and best practices.

IMPLEMENTATION OF IFRS 17 **D**

(22/04/2024) EIOPA - [Report on the implementation of IFRS 17 in the insurance industry, highlighting the synergies and differences with Solvency II](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published a report on the implementation of IFRS 17 in the insurance sector, highlighting synergies and differences with Solvency II. This report aims to provide insight into the challenges and impacts of IFRS 17 adoption for insurers and the implications for users of financial statements.

SOLVENCY II AND IRRD **CL** **S** **R**

(23/04/2024) EP - [Update of EU rules regulating the insurance sector](#)

The European Parliament (EP) has approved in first reading an update of European Union (EU) rules governing the insurance sector, including reforms to the Solvency II Directive and a proposal for an Insurance Recovery and Resolution Directive (IRRD). These reforms seek to strengthen the contribution of insurers to the financing of economic recovery, advance the Capital Markets Union and channel funds into the European Green Pact, while ensuring better preparedness to face significant financial problems. Highlights include proportionality in regulation to ease the administrative burden, the release of reserves for more productive investments, the consideration of sustainability-related risks, and the introduction of preventive recovery plans and insurance guarantee schemes. After approval by the Council, both texts will be published in the Official Journal of the EU (OJEU) and will enter into force 20 days after publication, after which date Member States will have up to 24 months to transpose them.

MARKET AND COUNTERPARTY RISKS**CL**

(24/04/2024) EBA - [Consult on draft RTS on the specification of long and short positions under the derogations for market and counterparty risks](#)

The European Banking Authority (EBA) has launched a public consultation on draft Regulatory Technical Standards (RTS) regarding the identification of main risk drivers and determination of long or short positions under exemptions for market and counterparty risks. The draft RTS provide methods for calculating capital requirements, considering absolute values of aggregated positions and their impact on market value movements, aiming to ensure consistent standards across the European Union (EU) banking sector, in line with Capital Requirements Regulation (CRR) mandates. This consultation will be open until 24 July 2024.

CRR III**CL**

(24/04/2024) EP - [Amending Regulation \(EU\) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor](#)

The European Parliament (EP) has adopted at first reading an amendment to the Regulation on prudential requirements for credit institutions and investment firms. This amendment, stemming from the 2021 Banking Package, aims to strengthen the resilience of institutions to economic shocks, contribute to the recovery of COVID-19 and facilitate the transition to climate neutrality. Key aspects include clarifying and harmonizing definitions, revising the credit risk framework to increase sensitivity and granularity, updating the market risk framework, replacing existing operational risk methods with a single standardized method, defining ESG factors and risks, and introducing specific requirements for cryptoassets and shadow banking. The text awaits approval by the Council, and will enter into force twenty days after its publication in the Official Journal of the European Union (OJEU), being applicable as of January 1, 2025.

CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE**S**

(24/04/2024) EP - [Proposal for a Corporate Sustainability Due Diligence Directive \(CSDDD\)](#).

The European Parliament (EP) adopted the Corporate Sustainability Due Diligence Directive proposal at first reading. In addition to establishing a global framework for companies to respect human rights and environmental standards throughout their operations and value chains, the CSDDD requires companies to adopt and implement a climate transition plan that is in line with the Paris Agreement. The Directive must be approved by the Council. Member States shall adopt and publish, at the latest two years after the entry into force of this Directive, the laws, regulations and administrative provisions necessary to comply with this Directive. Furthermore, the implementation of the regulation will be gradual.

EUROPEAN SUSTAINABILITY REPORTING STANDARDS**S****D**

(29/04/2024) COUNCIL - [Directive to delay reporting obligations for certain sectors and third country companies](#)

The Council of the European Union (EU) has approved a Directive to delay sustainability reporting obligations for certain sectors and third country companies. This measure gives companies more time to comply with European sustainability reporting standards (ESRS) by delaying the adoption of sector-specific standards until June 30, 2026. The aim is to allow companies to focus on the implementation of current ESRS and develop additional standards. As next steps, the Directive will be signed by Presidents of the European Parliament (EP) and the Council and subsequently published in the Official Journal of the European Union (OJEU). This measure is part of efforts to reduce the reporting burden for companies, especially small and medium-sized enterprises (SMEs), without compromising policy objectives related to sustainability.

DIGITALIZATION OF THE INSURANCE MARKET**T**

(30/04/2024) EIOPA - [EIOPA report takes the pulse of digitalisation in the European insurance market](#)

European Insurance and Occupational Pensions Authority (EIOPA) has published a report of the level of digitalization in the European insurance industry, which reveals a diverse range of digitization levels among insurers. While advances such as Artificial Intelligence (AI), blockchain and Internet of Things (IoT) present wide-ranging opportunities, they also pose challenges that require regulatory adaptation. The report highlights the shift towards digital channels in product design and distribution, although physical channels remain prevalent, especially in life insurance. In particular, the presence of chatbots and social media engagement is increasing, and insurers are increasingly partnering with BigTech companies to offer services such as cloud storage. AI adoption is expected to increase, primarily in non-life insurance, albeit with an emphasis on explainable algorithms. Despite the growth of cyber insurance, some challenges remain, such as talent acquisition and risk mitigation. Overall, EIOPA aims to leverage these insights to adapt regulation, foster supervisory convergence, and ensure a balanced approach to the benefits and risks of digitalization for both insurers and customers.

PRUDENT PERSON PRINCIPLE E

(02/05/2024) EIOPA - [Improvements in the supervision of the Prudent Person Principle following peer review](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has released the results of its review on the supervision of the prudent person principle (PPP) under Solvency II, focusing on non-traditional and complex assets. This review comes in the face of challenges in assessing compliance by insurers and has identified 15 areas for improvement, issuing 49 recommended actions to 22 national competent authorities (NCAs). Recommendations include the development of internal guidance for the supervision of risky investments, improvements in the supervision of derivatives and the establishment of risk indicators. EIOPA will monitor compliance with these actions and consider how to integrate the findings into its work on supervisory convergence.

RDARR GUIDE E D

(03/05/2024) ECB - [Guide on effective risk data aggregation and risk reporting](#)

The European Central Bank (ECB) has published the final version of the Guide on effective risk data aggregation and risk reporting (RDARR) as a response to the serious shortcomings found in the 2016 thematic review on the effectiveness of risk data aggregation and reporting at 25 significant entities. The Guidance sets out seven key areas for improvement, including management body accountability, sufficient scope of application, an effective data governance framework, an integrated data architecture, group-wide data quality management and standards, timeliness of internal risk reporting, and effective implementation programs. These aspects seek to strengthen entities' capabilities to manage and communicate risks more effectively, complementing Basel Committee on Banking Supervision (BCBS) 239 Principles.

FINAL DRAFTS OF RTS AND ITS UNDER THE MARKETS IN CRYPTO-ASSETS REGULATION T

(07/05/2024) EBA - [Final drafts of RTS and ITS under the Markets in Crypto-Assets Regulation](#)

The European Banking Authority (EBA) has published three sets of final draft regulatory technical standards (RTS) and one final draft implementing technical standards (ITS) under the Markets in Cryptoassets Regulation (MiCAR) for the regulation of asset-backed tokens (ARTs). These standards cover the authorization process for ART issuers, criteria for assessing acquisitions of qualifying holdings, and the procedure for approving white papers for ARTs issued by credit institutions. These technical standards are key to regulate access to the EU market by applicant issuers of ARTs and persons intending to exercise significant influence on these undertakings via the acquisition of qualifying holdings.

EQUIVALENT MECHANISM FOR UNFINISHED PROPERTY CL

(08/05/2024) EBA - [Consultation Paper Draft Regulatory Technical Standards on equivalent mechanism for unfinished property](#)

The European Banking Authority (EBA) has released the Consultation Paper on Equivalent Mechanism for Unfinished Property under Article 124(12) of Regulation 575/2013 (CRR), which presents draft regulatory technical standards (RTS) aimed at ensuring that properties under construction are completed within a reasonable time frame. The document outlines the background and rationale for these standards, provides an overview of the questions for consultation, and emphasizes the importance of stakeholder feedback in shaping the final regulations. Key considerations include the legal powers of government entities to ensure timely completion of construction projects and the implications for financial institutions if projects are not finished within the specified time frame. The comment period ends on 8 August 2024.

HARMONIZED CRITERIA FOR THE USE OF ESG AND SUSTAINABILITY TERMS IN FUND NAMES S

(14/05/2024) ESMA - [Guidelines establish harmonised criteria for use of ESG and sustainability terms in fund names \(europa.eu\)](#)

The European Securities and Markets Authority (ESMA) has released final guidelines on funds' names using ESG or sustainability-related terms. The aim is to protect investors from misleading claims and provide clear criteria for asset managers. The guidelines require a minimum of 80% of investments to meet ESG or sustainability objectives for these terms to be used. Exclusion criteria are outlined for different terms used in fund names. The guidelines will be translated into all European Union (EU) languages and applied three months after publication on ESMA's website. Competent authorities must notify ESMA of their compliance within two months. Existing funds have a six-month transitional period, while new funds must adhere to the guidelines immediately.

MIFIR REVIEW CONSULTATION PACKAGE C

(21/05/2024) ESMA - [MiFIR Review Consultation Package](#)

The European Securities and Markets Authority (ESMA) has launched a review of the RTS on transparency for bonds, structured finance products and emission allowances, the RTS on reasonable commercial basis and the RTS on provision of reference data. The document aims to seek the views of stakeholders in order to finalise these rules, ensuring that they are practical and effective in improving market transparency and data accessibility.

ASSESSMENT OF MACROPRUDENTIAL POLICIES FOR NON-BANK FINANCIAL INTERMEDIATION O

(22/05/2024) EC - [Targeted consultation on assessing the adequacy of macroprudential policies for non-bank financial intermediation \(NBFI\)](#)

The European Commission (EC) has launched a consultation assessing the adequacy of macroprudential policies for NBFIs, with the objective of seeking public authorities' and stakeholders' view on the adequacy of the macroprudential framework for NBFIs with the intent not to revisit recent legislative agreements. The consultation aims to identify the vulnerabilities and risks of NBFIs and map the existing macroprudential framework for NBFIs. It also seeks to gather feedback on the current challenges to macroprudential supervision and discuss areas for further improvement. The consultation runs until 22 November 2024.

STATEMENT ON FINANCIAL DATA ACCESS PACKAGE AND PAYMENTS T

(23/05/2024) EDPB - [Statement on the financial data access and payments package](#)

The European Data Protection Board (EDPB) has adopted a statement on the financial data access and payments package. The proposals aim to improve consumer protection and competition in electronic payments by empowering consumers to share their data. The EDPB welcomes the European Parliament's reports but notes that some recommendations have not been fully implemented. The statement emphasizes the need for additional safeguards in the legislation regarding data sharing for fraud prevention purposes, drawing on national data protection authorities' experience.

COMMODITY DERIVATIVES UNDER MiFID C

(23/05/2024) ESMA - [Consultation on commodity derivatives under MiFID review](#)

The European Securities and Markets Authority (ESMA) has launched a consultation on proposed changes to rules for position management controls and position reporting. The changes come in the context of the review of the Market in Financial Instruments Directive (MiFID II) and aim to minimise the burden on reporting entities. The consultation runs until 21 August. After reviewing the feedback, ESMA will publish a final report towards the end of 2024.

CONSULTATION ON CONSOLIDATED TAPE PROVIDERS AND THEIR SELECTION C D

(23/05/2024) ESMA - [Consultation on consolidated tape providers and their selection](#)

The European Securities and Markets Authority (ESMA) has launched a consultation on draft technical standards related to Consolidated Tape Providers (CTPs), other data reporting service providers (DRSPs) and the assessment criteria for the CTP selection procedure under the Markets in Financial Instruments Regulation (MiFIR). The proposed draft technical standards (TS) are developed in the context of the review of MiFIR and will contribute to enhancing market transparency and removing the obstacles that have prevented the emergence of consolidated tapes (CT) in the European Union (EU). The consultation runs until 28 August. ESMA will publish a feedback statement on the specifications of the assessment criteria for the CTP selection procedure by the end of 2024.

GUIDE TO THE USE OF AI IN INVESTMENT SERVICES T

(30/05/2024) ESMA - [Guidance to firms using artificial intelligence in investment services](#)

The European Securities and Markets Authority (ESMA) has issued initial guidance for firms using Artificial Intelligence (AI) in providing investment services to retail clients, emphasizing compliance with MiFID II requirements regarding organizational aspects, conduct of business, and acting in clients' best interests. While recognizing the potential benefits of AI, ESMA highlights risks such as algorithmic biases, opaque decision-making, overreliance on AI, and privacy concerns. AI applications in customer support, fraud detection, risk management, compliance, and investment advice must adhere to MiFID II. ESMA and National Competent Authorities will continue monitoring AI use and the regulatory framework to decide on any further actions.

DORA DRY RUN 2024 **T**

(31/05/2024) ESAs - [Answers to the frequently asked questions about the ESAs 2024 DORA Dry Run exercise](#)

The ESAs have released a document addressing frequently asked questions about the 2024 DORA Dry Run exercise on reporting of registers of information of contractual arrangements with ICT third-party providers. The ESAs will use the collected information to analyze data quality and provide feedback to financial entities, but it will not be used for the designation of critical ICT third-party service providers, which will occur in 2025 based on steady-state reporting. In addition, financial entities can participate in the dry run on a voluntary basis.

MICA RULES ON CONFLICT OF INTEREST OF CRYPTO ASSET PROVIDERS **T**

(31/05/2024) ESMA - [Final MiCA rules on conflict of interest of crypto assets providers published](#)

The European Securities and Markets Authority (ESMA) has published the Final Report on the rules on conflicts of interest for crypto-asset service providers (CASPs) under the Markets in Crypto Assets Regulation (MiCA). The report outlines draft Regulatory Technical Standards (RTS) that specify requirements for CASPs to identify, prevent, manage, and disclose conflicts of interest. The RTS aim to clarify elements related to vertical integration and align with EBA rules for asset-referenced tokens. The report has been sent to the European Commission for review.

FIRST THREE FINAL ESRS IMPLEMENTATION GUIDANCE DOCUMENTS **D**

(31/05/2024) EFRAG - [First three final ESRS Implementation Guidance documents](#)

The European Financial Reporting Advisory Group (EFRAG) has published its final version of the first three European Single Reporting System (ESRS) Implementation Guidance (IG) documents on materiality assessment, value chain, and ESRS Datapoints. These guides are intended to assist organizations in effectively applying the ESRS, ensuring a transparent and consistent approach to sustainability reporting across Europe. Key changes from the drafts include a new section on impact materiality for groups and subsidiaries, clarification of objective and supportable evidence, ESRS architecture for non-ESRS information, and the role of mitigation, remediation, and prevention actions.

PRUDENTIAL FRAMEWORK FOR INVESTMENT FIRMS **CL**

(03/06/2024) EBA,ESMA - [Discussion paper for comment on the review of the prudential framework for investment firms](#)

The European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) have published a discussion paper on potential revisions to the prudential framework for investment firms, seeking stakeholders' views until September 3, 2024, in response to the European Commission's (EC) request for advice following the introduction in 2019 of the Investment Firm Directive (IFD) and the Investment Firm Regulation (IFR). The paper covers a number of topics, including the adequacy of current prudential requirements, risks not addressed by the current framework, and the implications of the new European Union (EU) banking package. It also covers the extension of prudential consolidation to crowdfunding and cryptoasset service providers, the interaction of DFI and SRI with undertakings for collective investment in transferable securities (UCITS) management companies and alternative investment fund managers (AIFMs), and investment firm remuneration policies. An associated voluntary data collection exercise has been launched, and a public hearing is scheduled for June 20, 2024.

GOVERNANCE REGULATORY PRODUCTS UNDER THE MiCAR **G**

(03/06/2024) EBA - [Governance regulatory products under the Markets in Crypto-Assets Regulation](#)

The European Banking Authority (EBA) is shaping the regulatory framework for crypto assets by publishing three products under the Markets in Crypto-Assets Regulation (MiCAR), focusing on governance, conflicts of interest, and remuneration. These efforts aim to ensure a transparent, secure, and well-regulated crypto-assets market. The package includes guidelines on governance for issuers of asset-referenced tokens (ARTs), specifying responsibilities and risk management. Additionally, final draft Regulatory Technical Standards (RTS) detail governance arrangements for remuneration policies and conflicts of interest, requiring effective policies for managing conflicts. Developed with the European Securities and Markets Authority (ESMA) and the European Central Bank (ECB), these regulations ensure comprehensive oversight in the crypto-assets sector.

FINAL REPORTS ON GREENWASHING S

(04/06/2024) ESAS - [Final Reports on Greenwashing in the Financial Sector](#)

The European Supervision Authorities (ESAs) have published their Final Reports on Greenwashing in the Financial Sector. The objective is to provide an overview of the risk of greenwashing in the financial sector with a focus on changes over the past year. In addition, it provides recommendations for institutions, supervisors and policy makers. Among the final recommendations, national supervisors are urged to take four crucial steps to address this challenge: ensuring accuracy, substantiating claims, facilitating accessibility and keeping information up to date. Sustainability requirements should also be clarified in the current regulation and consumer protection should be strengthened. Finally, the reports highlight the obligation of financial market participants to provide transparent sustainability data.

IMPLEMENTATION OF THE DATA POINT MODEL 2.0 D

(06/06/2024) EBA - [Plan for the implementation of the data point model 2.0](#)

The European Banking Authority (EBA) has published its plan for implementing Data Point Model (DPM) 2.0 within its reporting release 4.0 framework, aiming for more integrated regulatory reporting. Scheduled for 2024, DPM 2.0 promises enhanced integration and granularity, with improved data definition versioning and relationships. A transitional period until December 2025 will ease the shift from DPM 1.0, supported by a sample database and technical documentation. The framework release 4.0 technical package will be out in December 2024, accompanied by a new semantic glossary, with XBRL's new taxonomy architecture 2.0 integrated. By December 2025, only xBRL-CSV format will be accepted, as the EBA continues providing technical packages to support amendments in subsequent releases.

OPERATIONAL RISK LOSS CL

(06/06/2024) EBA - [Consultation on the new framework for the operational risk loss as part of the implementation of the EU Banking Package](#)

The European Banking Authority (EBA) has launched a consultation on three sets of draft Regulatory Technical Standards (RTS) aimed at standardizing the collection and recording of operational risk losses. The consultation seeks to provide clarity on exemptions for calculating annual operational risk loss and adjustments to loss data following mergers or acquisitions. The draft RTS include a risk taxonomy for recording operational risk loss events, conditions for temporary waivers when calculating annual operational risk loss is unduly burdensome, and guidelines for adjusting loss data from merged or acquired entities. The consultation runs until 6 September 2024, with a public hearing webinar scheduled for 4 July 2024.

RETAIL INVESTMENT PACKAGE C

(12/06/2024) COUNCIL - [Retail investment package](#)

The Council has agreed on a retail investment package to strengthen European Union (EU) rules on retail investor protection, aiming to safeguard individual investments better, provide clearer product information, and enhance transparency. The package seeks to support investments in EU capital markets, particularly benefiting Small and Medium Enterprises (SMEs) by boosting consumer trust and encouraging private funding. Key changes include the removal of a proposed ban on inducements for execution-only sales, reinforcing safeguards against conflicts of interest, and introducing a 'Value for Money' concept to ensure investment products are justifiable and proportionate in costs and performance. This agreement allows the Council to begin negotiations with the European Parliament (EP) on the final legislation. The package will standardize transparency and information requirements across EU laws, adapt regulations to the digital environment, and ensure investment products deliver real value, thereby deepening the capital markets union.

LIST OF ITS VALIDATION RULES D

(13/06/2024) EBA - [List of validation rules](#)

The European Banking Authority (EBA) has published a revised list of validation standards in its Implementing Technical Standards (ITS) on supervisory reporting. This revision highlights standards that have been superseded as incorrect or due to technological problems. Competent authorities across the European Union are advised that data submitted under these ITS should not be validated against deactivated standards.

TARGETED CONSULTATION ON AI IN THE FINANCIAL SECTOR **T**

(18/06/2024) EC - [Targeted consultation on artificial intelligence in the financial sector](#)

The European Commission (EC) has initiated a targeted consultation on the use of Artificial Intelligence (AI) in the financial sector. This forum seeks to gather various opinions on the potential risks and challenges associated with AI, covering aspects such as data protection, security, and transparency. The objective is to inform the Commission's services about the specific application and impact of AI in this sector. Additionally, it seeks to engage stakeholders in developing a regulatory framework that ensures consumer protection while fostering innovation and development. The consultation will be open until September 13, 2024.

REGULATORY STANDARDS SPECIFYING IN WHICH CIRCUMSTANCES THE CONDITIONS FOR IDENTIFYING GROUPS CLIENTS **CL**

(18/06/2024) EC - [Regulatory technical standards specifying in which circumstances the conditions for identifying groups of connected clients are met](#)

The European Commission (EC) has adopted a Delegated Regulation supplementing Capital Requirements Regulation (CRR). This document establishes regulatory technical standards to identify groups of connected clients by specifying conditions under which control, and economic dependencies create a single risk. It details various scenarios, such as majority voting rights or dominant influence over management, where entities must be considered a single risk group. The regulation also includes provisions for exceptional cases where no single risk is identified despite existing connections, and it mandates institutions to provide evidence in such instances. This regulation aims to ensure a prudent approach to risk management and will enter into force on the twentieth day following its publication.

FINAL REPORT ON CRR **CL**

(20/06/2024) EBA - [Final report on the draft regulatory technical standards on the use of alternative internal models and changes to the subset of modellable risk factors in the Capital Requirements Regulation \(CRR\)](#)

The European Banking Authority (EBA) has published the final draft regulatory technical standards (RTS) for assessing the materiality of extensions and changes to the use of the alternative internal model approach (IMA) for market risk, as required by Regulation (EU) 2019/876 (CRR2), amending Regulation (EU) No 575/2013 (CRR). This regulation includes the Basel III package's Fundamental Review of the Trading Book (FRTB). Institutions can use the IMA for calculating own funds requirements (OFR) for market risk with competent authorities' (CAs) permission. Material changes, extensions, and changes to modellable risk factors (MRF) need CA approval, while non-material changes must be notified in advance. The new RTS, based on Article 325az(8)(a) of the CRR, differentiates between material and non-material changes and uses qualitative and quantitative conditions to assess their impact. This publication completes the EBA's CRR2 Fundamental review of the trading book (FRTB) roadmap, and the draft RTS will now be submitted to the European Commission for endorsement, followed by scrutiny from the European Parliament and Council before being published in the Official Journal of the European Union (OJEU).

FINAL DRAFT AMENDING THE RTS ON THE STANDARDIZED APPROACH TO COUNTERPARTY CREDIT RISK **CL**

(24/06/2024) EBA - [Final draft amending the Regulatory Technical Standards \(RTS\) on the standardised approach to counterparty credit risk \(SA-CCR\)](#)

The European Banking Association (EBA) has published the final draft amending the RTS on the SA-CCR. These rules, finalised in December 2019 and published in March 2021 in the Official Journal of the European Union (OJEU), include methods for identifying risk factors in derivatives, calculating the supervisory delta for options in the interest rate risk category considering negative interest rates, and determining the direction of risk factor positions. The update harmonises with the provisions of the Capital Requirements Regulation (CRR III), incorporating formulas for calculating the supervisory delta in call and put options for interest rate or commodity risk categories, and the appropriate supervisory volatility. It highlights the shifting of the delta to maintain positive terms in negative interest rates, aligning with existing methodology. The draft RTS will be submitted to the European Commission (EC) for approval, followed by scrutiny by the European Parliament (EP) and the Council before publication in the OJEU.

GUIDELINES ON THE SUITABILITY OF MEMBERS OF THE MANAGEMENT BODY AND SHAREHOLDERS OF ENTITIES SUBJECT TO MiCAR

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(27/06/2024) EBA,ESMA - [EBA and ESMA publish guidelines on suitability of management body members and shareholders for entities under MiCAR](#)

The European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) have released joint guidelines regarding the suitability of management body members and shareholders for issuers of asset reference tokens (ARTs) and crypto-asset service providers (CASPs) under the Markets in Crypto-Assets Regulation (MiCAR). These guidelines are part of ongoing efforts to ensure a transparent, secure, and well-regulated crypto-assets market. The first set of guidelines establishes criteria for assessing the knowledge, skills, and integrity of management body members to promote robust governance and trust in the financial system. The second set focuses on evaluating the suitability of shareholders or members with qualifying holdings, providing a methodology for supervisory authorities to ensure sound management. These initiatives align with MiCAR, effective since 29 June 2023, with ART provisions applicable from 30 June 2024.

MODIFICATION OF THE DELINQUENCY AND FORECLOSURE GUIDELINES AS A RESULT OF CHANGES TO THE MORTGAGE LENDING DIRECTIVE

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(28/06/2024) EBA - [Modification of the arrears and foreclosure Guidelines following changes to the Mortgage Credit Directive \(MCD\)](#)

The European Banking Authority (EBA) has amended its Guidelines on arrears and foreclosure to align with recent changes in the Mortgage Credit Directive (MCD). This amendment follows the revision of Article 28(1) of the MCD and ensures that the EBA Guidelines do not repeat, amend, or contradict Level 1 legislation. Specifically, Guideline 4 on the 'resolution process' has been removed since its provisions are now incorporated into binding Union Law. The overall requirements in the MCD and the EBA Guidelines remain unchanged. These Guidelines, initially issued in 2015 and applicable since 2016, were revised following the introduction of the Credit Servicers Directive (CSD) in 2021, which affected Article 28(1) MCD. The updated Guidelines will come into effect two months after the publication of their translated versions.

Spain**ANNUAL SUPERVISION REPORT**

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(24/04/2024) CNMV - [The CNMV publishes the annual supervision report on non-financial information of issuing companies](#)

The National Securities Market Commission (CNMV) has released a report on the supervision of non-financial information of issuing companies, with recommendations to enhance the Non-Financial Information Statements (EINF). Areas of focus include breakdowns under Article 8 of the Taxonomy Regulation, disclosure of climate measures, and Scope 3 greenhouse gas emissions for the upcoming year. The importance of clear verification of information is also emphasized, with mentions of gender pay gap and issues concerning human rights, corruption, and bribery.

USE OF COOKIES GUIDE

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(14/05/2024) AEPD - [Guide on the use of Cookies and similar technologies](#)

The Spanish Data Protection Agency (AEPD) has published a guide on the use of Cookies and similar technologies, in collaboration with industry representatives. This guide defines the scope, terminology and obligations related to cookies, highlighting transparency and informed consent of users. It includes the need to provide clear information on the use and purpose of cookies, consent management, and specific considerations for minors. It describes the categories of cookies and their purposes, the legal requirements for data processing and user privacy, as well as the responsibilities of publishers, third-party cookie users, advertisers and other intermediaries. In addition, the consent must be updated every 24 months and be easily revocable by users.

DRAFT LAW AMENDING THE LAW ON CONSUMER CREDIT AND REAL ESTATE CREDIT AGREEMENTS **P** **C**

(27/05/2024) MINECO - [Draft Law on Credit Administrators and Credit Purchasers and amending the Law on Consumer Credit Contracts and the Law Regulating Real Estate Credit Contracts](#)

The Ministry of Economy, Commerce and Enterprise (Mineco) has published the preliminary draft of the Law on Credit Administrators and Credit Purchasers, which amends the Consumer Credit Contracts Law and the Real Estate Credit Contracts Law and aims to transpose the European Directive on the subject. This law strengthens the protection of financial consumers, especially those in a situation of economic vulnerability, by ensuring respect for their rights and offering them solutions to manage their debts. It promotes financial stability by allowing institutions to sell their credit portfolios to improve their solvency. It regulates the administration of doubtful loans, which requires authorization from the Bank of Spain (BdE), imposing consumer protection requirements. It also regulates the sale and purchase of these loans, ensuring transparency and borrower protection. In addition, it introduces obligations for lenders to have debt renegotiation policies before taking legal action.

IMPLEMENTATION OF THE ENTITIES' BEST EXECUTION OBLIGATIONS **C**

(06/06/2024) CNMV - [Application of the best execution obligations of entities in client transactions](#)

The National Securities Market Commission (CNMV) has supervised compliance with best execution obligations by entities that provide investment services in equity client transactions, in accordance with MiFID II regulations. Although overall compliance is adequate, several incidents were detected. Among the incidences detected, some entities do not perform or do not document cost comparisons between intermediaries and execution venues, do not adequately review the quality of execution, and in portfolio management, they do not perform specific best execution analyses. In addition, some entities do not conduct periodic reviews of their best execution policy. These deficiencies have been reported to the institutions for correction. The regulations require that institutions take sufficient measures to obtain the best possible result for their clients, periodically review their policies and justify the selection of intermediaries to ensure best execution of orders.

UK**SAFE AND TRUSTED AI USE** **T**

(02/04/2024) GOV.UK - [Collaboration on the safety of AI: UK-US memorandum of understanding](#)The UK and US governments have published a Memorandum of Understanding (MoU) detailing their collaboration to ensure the safe and trusted development and use of advanced Artificial Intelligence (AI). This agreement establishes a partnership between the two countries' AI Safety Institutes, established in November 2023, with the aim of developing joint work programmes, conducting shared model assessments, conducting joint testing exercises, collaborating on technical research on AI safety, facilitating socio-technical policy harmonisation, and working on international standards for AI safety testing and other standards applicable to the development, deployment and use of advanced AI models.

PROTECTIONS FOR BORROWERS **C** **CL**

(10/04/2024) FCA - [Strengthening protections for borrowers in financial difficulty: Consumer credit and mortgages](#)

The Financial Conduct Authority (FCA) has published Policy Statement 24/2, which introduces strengthened protections for borrowers in financial difficulty in the consumer credit and mortgages sectors. This document outlines specific proposals aimed at enhancing support for customers facing economic challenges, particularly addressing the impact of the pandemic on UK households' financial resilience. Additionally, the Cost Benefit Analysis Update in Annex 2 provides further insights into the regulatory considerations and impacts of the proposed measures on industry stakeholders and consumers.

PRUDENTIAL REGULATION AUTHORITY BUSINESS PLAN 2024/2025 **O**

(11/04/2024) PRA - [Prudential Regulation Authority Business Plan 2024/25](#)

The Prudential Regulation Authority (PRA) has released its business plan for the fiscal year 2024/25, outlining objectives aligned with its role in supervising and regulating financial institutions in the United Kingdom (UK). Key points include a phased publication of near-final Basel IV rules, resumption of stress testing exercises in 2025, implementation of a new risk management policy for banks, and a thematic review of credit risk management frameworks for smaller firms. Additionally, the PRA plans to consult on Pillar 2A methodologies for banks in 2025, finalize Solvency II matching adjustment reforms by June 2024, and complete the repeal and replacement of Solvency II and Value Regulation files. Policy statements on solvent exit planning for non-systemic banks and insurers are also in progress, with the latter expected in the second half of 2024.

SMART DATA ROADMAP

(18/04/2024) Gov. UK - [Smart Data Roadmap: Actions for 2024 to 2025](#)

The United Kingdom (UK) Department of Business and Trade has released a Smart Data Roadmap for 2024-2025, with the aim of empowering consumers and businesses through improved access to information and services, focusing on advancing Smart Data schemes across sectors like banking, finance, energy, telecommunications, transport, retail, and home buying. In this regard, UK plans to advance the Data Protection and Digital Information Bill (DPDI), promote use cases through the SmartData Challenge Award, and coordinate schemes through the Smart Data Council.

SDR REGIME TO PORTFOLIO MANAGEMENT

(23/04/2024) FCA - [Extending the SDR regime to Portfolio Management](#)

The Financial Conduct Authority (FCA) has published a Consultation Paper on Extending the Sustainability Disclosure Requirements (SDR) regime to Portfolio Management. This paper outlines proposed amendments to the FCA Handbook, focusing on sustainability labeling and disclosure of sustainability-related financial information for portfolio management. The objectives include enhancing market transparency, consumer protection, and addressing issues like greenwashing. The FCA emphasizes the importance of providing timely and accurate information to consumers, promoting effective competition, and ensuring that regulated financial services meet appropriate care standards. Stakeholders are encouraged to provide feedback on the proposed rules to advance the FCA's strategic objectives and operational goals in making markets function well and protecting consumers.

GUIDANCE ON THE ANTI-GREENWASHING RULE

(23/04/2024) FCA - [Finalised non-handbook guidance on the anti-greenwashing rule](#)

The Financial Conduct Authority (FCA) has published finalised non handbook guidance on the Anti Greenwashing Rule, designed to help firms understand and implement the anti greenwashing rule, following feedback from some respondents to the consultation paper (CP) on SDR and investment labels. This rule applies to firms when they communicate with clients in the UK in relation to a product or service, or when it communicates a financial promotion or approves a financial promotion for communication to a person in the UK. All authorised firms need to meet the anti-greenwashing rule by 31 May 2024

PRODUCT SALES DATA

(29/04/2024) FCA - [Policy Statement PS24/3 Consumer Credit - Product Sales Data Reporting](#)

The Financial Conduct Authority (FCA) has published Policy Statement PS24/3, detailing its final rules and guidance relating to the incorporation of three new Product Sales Data (PSDs) into Chapter 16 of its Supervisory manual (SUP 16). The guidance is intended for firms involved in the provision of consumer credit and those that provide advice or IT support for regulatory compliance. These additions stem from the FCA's objective, set out in the PSD Consultation Paper, to collect more comprehensive data on the consumer credit market, including details on initial sales and ongoing performance of agreements. By improving its data collection, the FCA aims to strengthen its supervision of firms and market monitoring to prevent significant damage to the consumer credit sector. The policy statement summarizes the comments received on the proposals, the FCA's response and the final rules for implementing the new PSD disclosures.

SECURISATIONS

(30/04/2024) PRA - [PS7/24 - Securitisation's General requirements](#)

The Prudential Regulation Authority (PRA) released Policy Statement 7/24 regarding Securitisation General Requirements, outlining final policies after reviewing responses to consultation paper CP15/23 and incorporating necessary adjustments. This statement replaces EU law requirements in the UK Securitisation Regulation under the PRA's jurisdiction, with changes addressing identified issues and aligning with feedback from stakeholders. Key adjustments include allowing a six-month transition period before implementing new rules, adding transitional provisions for pre-transfer securitisations, and clarifying various aspects such as due diligence requirements and risk retention. The PRA's final policy encompasses a new Securitisation Part of the PRA Rulebook and updated supervisory statements. The changes will come into force on November 1 2024, subject to the revocation of relevant legislation. Additionally, the PRA and Financial Conduct Authority (FCA) anticipate further consultations on securitisation rules in late 2024 or early 2025.

MONEY LAUNDERING 

(15/05/2024) Gov UK - [Money laundering, the confidentiality and sensitivity of suspicious activity reports \(SARs\) and the identity of those who make them](#)

The Home Office of the United Kingdom (UK) has released a Circular discussing the confidentiality and sensitivity of suspicious activity reports (SARs) related to money laundering. It emphasizes the importance of protecting the identity of reporters and managing risks associated with disclosing SAR material. The Circular also addresses the disclosure of SARs in legal proceedings, highlighting the need for careful consideration of public interest and potential impacts on fair trials. Additionally, it provides guidance on handling SARs in a manner that balances the requirements of law enforcement with individual rights and privacy concerns.

Other publications of interest

American region

NAIC 2022 PROFITABILITY REPORT



(03/04/2024) NAIC - [NAIC Releases 2022 Profitability Report](#)

The U.S. National Association of Insurance Commissioners (NAIC) has released the 2022 National and State Profitability Report, which estimates and allocates profitability in property and casualty insurance. The report is based on annual statements and provides estimates of earnings on earned premiums and return on equity by line of business and by state. Beginning in 2022, the report data is broken down by mutual and reciprocal insurers and by stock insurers. Highlights of the report include a 13th consecutive year of growth in total earned premiums, a decline in the nationwide direct return on equity for the total Property & Casualty market, and the significant contribution of Private Passenger Automobile (PPA) to the Property & Casualty market. The report includes several estimated profit components and provides long-term historical averages to account for fluctuations in calendar year financial results.

CLIMATE RESILIENCE STRATEGY FOR INSURANCE



(05/04/2024) NAIC - [NAIC Adopts First National Climate Resilience Strategy for Insurance to Close Coverage Gaps and Improve Recovery from Natural Disasters](#)

The National Association of Insurance Commissioners (NAIC) adopted the National Insurance Climate Resilience Strategy to protect the property insurance market. Coordinated by state regulators, the strategy focuses on reducing risk through homeowner reinforcement, data collection, public awareness and solvency tools. Initiatives such as the Property and Casualty Market Intelligence Data Call aim to improve community resilience. The strategy includes plans to collect data, create a flood insurance scheme, leverage in catastrophe modelling, develop new tools, advocate for mitigation funding and improve solvency analysis. Adopted in 2024, this strategy aims to strengthen the availability and reliability of insurance against climate risks.

THIRD-PARTY RISK MANAGEMENT



(03/05/2024) FDIC - [Guide to Assist Community Banks to Develop and Implement Third-Party Risk Management Practice](#)

The Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) have released a guide to support community banks in managing risks presented by third-party relationships. The guidance is intended to assist these banks in developing and implementing their third-party risk management practices and includes examples for each stage in the life cycle of the third-party relationship. It complements, but does not replace, the Interagency Guidance on Third-Party Relationships (TPRM Guidance) published in June 2023 by offering ideas for managing third-party relationships and illustrating the principles

CLIMATE SCENARIO ANALYSIS



(09/05/2024) FRB - [Summary of the exploratory pilot Climate Scenario Analysis](#)

The Federal Reserve Board (FRB) has published a summary of the exploratory pilot Climate Scenario Analysis (CSA) exercise conducted with six major United States (US) banks: Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley and Wells Fargo. This summary outlines how these banks utilized climate scenario analysis to assess the resilience of their business models against climate-related financial risks. The participating banks employed diverse approaches to evaluate the potential impacts of various physical and transition risk scenarios, revealing significant data gaps and modelling challenges inherent in estimating the financial repercussions of complex and uncertain risks over different time horizons. Notably, the exercise was conducted without imposing capital consequences, and was aimed at fostering dialogue and learning. Moving forward, the FRB intends to continue to work with these banks to enhance their capacity to measure and manage climate-related financial risks based on the insights gained from this pilot exercise.

CUSTOMER IDENTIFICATION PROGRAMS



(13/05/2024) SEC - [Customer Identification Program Requirements for Registered Investment Advisers and Exempt Reporting Advisers](#)

The Securities and Exchange Commission (SEC) and the United States (US) Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) have jointly proposed a new rule requiring Registered Investment Advisers (RIAs) and exempt reporting advisers (ERAs) to establish, document, and maintain written customer identification programs (CIPs). The aim is to strengthen anti-money laundering and countering the financing of terrorism (AML/CFT) efforts in the investment adviser sector. Under the proposed rule, RIAs and ERAs must implement procedures to identify and verify customer identities, making it harder for illicit actors to use false identities for money laundering, terrorism financing, or other illegal activities. This proposal complements a previous FinCEN proposal to designate RIAs and ERAs as financial institutions under the Bank Secrecy Act (BSA), subjecting them to AML/CFT program requirements. The proposal is available for public comment and will be published in the Federal Register, with a 60-day comment period.

RULE PUBLIC REGISTRY FOR NOMBANK FINANCIAL FIRMS O

(03/06/2024) CFPB - [New Rule Requires Public Registry for Nonbank Financial Firms](#)

The Consumer Financial Protection Bureau (CFPB) finalized a rule that requires nonbank financial companies to register information about their operations and any consumer protection violations with the bureau, which will maintain a public registry. These nonbanks must also file annual compliance reports. The rule addresses the lack of licensing or registration for many financial companies compared to banks and credit unions. The rule will be effective on September 14, with registration starting on October 16.

REQUEST FOR INFORMATION ON USERS, OPPORTUNITIES AND RISKS OF IA T

(06/06/2024) US Department of Treasury Releases - [Request for Information on Uses, Opportunities, and Risks of Artificial Intelligence in the Financial Services Sector](#)

The United States (US) Department of the Treasury has issued a request for information (RFI) regarding the uses, opportunities, and risks of artificial intelligence (AI) in the financial services sector. This initiative builds on the Treasury's previous work on cybersecurity and fraud and aligns with other federal agencies' efforts. The RFI aims to gather public input on AI applications in financial services, examining both the benefits and potential risks, including barriers to responsible AI use, and its impact on various stakeholders. Under Secretary for Domestic Finance emphasized the commitment to fostering innovation while safeguarding consumers and the financial system. The Treasury seeks recommendations to enhance legislative, regulatory, and supervisory frameworks and promote inclusive access to financial services. Public comments are invited within 60 days and will be publicly available on the Department of the Treasury's website.

SPECIAL PURPOSE ACQUISITION COMPANIES, SHELL COMPANIES AND PROJECTIONS C

(14/06/2024) SEC - [Special Purpose Acquisition Companies, Shell Companies, and Projections](#)

The Securities and Exchange Commission (SEC) is implementing rules to bolster investor protections in initial public offerings by special purpose acquisition companies (SPACs) and in their subsequent mergers with private companies (de-SPAC transactions). These rules mandate disclosures on sponsor compensation, conflicts of interest, dilution, and board assessments of de-SPAC transactions' advisability. Additionally, they establish a minimum period for shareholder communication material distribution, require re-determination of smaller reporting company status in de-SPACs, and clarify the safe harbor for forward-looking statements. The SEC also redefines business combinations involving reporting shell companies, including SPACs, as securities sales to shareholders, amending related financial statement requirements.

FINAL REVISED RULE TO STRENGTHEN RESOLUTION PLANNING FOR BIG BANKS R

(20/06/2024) FDIC - [Final Revised Rule to Strengthen Resolution Planning for Large Banks](#)

The Federal Deposit Insurance Corporation (FDIC) Board has approved a final rule to enhance resolution planning for insured depository institutions (IDIs) with at least \$50 billion in assets. This rule mandates that large banks with assets over \$100 billion submit comprehensive resolution plans to ensure efficient and effective resolution in case of failure. IDIs with assets between \$50 billion and \$100 billion will submit more limited informational filings. The rule requires full resolution submissions every three years, or every two years for IDIs affiliated with United States (US) global systemically important banks, with limited supplements in off years. It also enhances FDIC engagement with IDIs, periodic testing of resolution capabilities, and criteria for assessing the credibility of resolution plans, with the first submissions due next year. The rule will be effective from October 1, 2024.

FINAL RULE ON AUTOMATED VALUATION MODELS C

(20/06/2024) OCC - [Final Rule on Automated Valuation Models](#)

The Office of the Comptroller of the Currency (OCC), Treasury; Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); National Credit Union Administration (NCUA); Consumer Financial Protection Bureau (CFPB); and Federal Housing Finance Agency (FHFA) have issued a final rule to establish quality control standards for automated valuation models (AVMs) as required by the Dodd-Frank Act. This rule mandates that mortgage originators and secondary market issuers implement policies and procedures to ensure AVMs used in assessing the value of mortgage collateral meet standards for accuracy, data integrity, conflict of interest prevention, random testing, and nondiscrimination compliance. The rule is effective starting the first day of the calendar quarter following one year after its publication in the Federal Register

PRIVACY OF CONSUMER FINANCIAL INFORMATION P

(21/06/2024) SEC - [Final Rules Enhancements to Regulation S-P, on privacy of consumer financial information and safeguarding customer information](#)

Securities and Exchange Commission (SEC) has adopted final amendments to Regulation S-P to improve the rules governing financial institutions' treatment of consumers' personal information. The final rules require brokers, dealers, broker-dealers, investment companies, registered investment advisers and transfer agents to implement written policies and procedures for incident response programmes. These programmes must address unauthorised access to customer information and include timely notification to affected persons within 30 days, detailing the breach and how to respond. The amendments, which reflect the increased risks arising from the use of technology since 2000, also extend safeguards for customer records to transfer agents, expand the scope of protected information, require documentation of compliance, and align the annual delivery of privacy notices with amendments to the Gramm-Leach-Bliley Act (GLBA). The changes will take effect 60 days after publication, with larger entities having 18 months and smaller entities 24 months to comply.

Brazil**OPEN FINANCE CUSTOMER NORMATIVE INSTRUCTION** D

(10/04/2024) BCB [Normative Instruction Open Finance Customer Experience Manual](#)

The Central Bank of Brazil (BCB) disclosed, through Normative Instruction No. 463, of April 10, 2024, version 6.0 of the Customer Experience Manual in Open Finance, which must be complied with by participating institutions. The manual will be available on the Central Bank of Brazil's website and on the Open Finance Portal. This regulation revokes BCB Normative Instruction No. 409, of August 29, 2023, and enters into force on the date of its publication.

NORMATIVE INSTRUCTION ON ESTIMATION OF THE MEASUREMENT PARAMETERS OF THE ASSOCIATED EXPECTED D

(11/04/2024) BCB - [Normative Instruction on the estimation of measurement parameters of the associated expected loss](#)

The Central Bank of Brazil (BCB) has published a Normative Instruction which clarifies the criteria for estimating the parameters related to the expected loss with credit risk, provided for in CMN Resolutions No. 4,966/2021 and BCB No. 352/2023. Issued by the Head of the Department of Regulation of the Financial System (Denor), the instruction determines that financial institutions must individually calculate the probability of an asset being considered problematic in terms of credit recovery and the expectation of its recovery. The criteria include cash flow considerations, recovery costs, and effective interest rates. The rule, effective January 1, 2025, aims to ensure the stability and soundness of the financial system, dispensing with the need for a regulatory impact analysis (RIA) due to its importance for the integrity of the financial market.

RESOLUTION ON THE ORGANIZATION AND OPERATION OF SAVINGS AND CREDIT UNIONS O

(25/04/2024) BCB - [CMN Resolution on the Organization and Operation of Credit Unions](#)

The Central Bank of Brazil (BCB) has published a Resolution amending a Resolution on the organization and operation of credit cooperatives. The main changes include the definition of different types of credit unions, the specific activities of central credit unions and confederations, conditions for shared credit operations, governance requirements, policies for the renewal of boards of directors, hiring of independent directors, among other measures. These changes aim to strengthen the structure and governance of credit unions, effective July 1, 2024.

Eco LINE INVEST BRAZIL RESOLUTION

(25/04/2024) BCB - [CMN Resolution Eco Line Invest Brazil](#) S

The Central Bank of Brazil (BCB) has published a Resolution establishing guidelines for the financing of the Eco Invest Brasil Line, in the context of the National Fund on Climate Change (FNMC), aiming to promote investments in ecological transformation projects, attract foreign investments, enable operations in the capital market and support the development of the exchange rate protection market in Brazil. The financing will be granted in different sublines, with the objective of offering financial support to projects that meet the established criteria, through auctions conducted by the National Treasury Secretariat. The qualified financial institutions will be responsible for granting the financing, assuming the risks of the operations, and must comply with specific conditions established, including deadlines for external capital mobilization and accountability. The Central Bank of Brazil will be responsible for the supervision and supervision of the financial institutions involved, and may take the necessary measures to implement the Resolution, which enters into force on June 3, 2024.

ANALYTICAL BALANCE SHEET AND BALANCE SHEET OF ANALYTICAL ASSETS REGULATORY GUIDANCE D

(25/04/2024) BCB - [Normative Instruction Analytical Balance Sheet and Balance Sheet Analytical Assets](#)

The Central Bank of Brazil (BCB) has published a Normative Instruction which amends BCB Normative Instruction related to the procedures for sending the Analytical Balance Sheet and the Analytical Balance Sheet by financial institutions and others authorized by the Central Bank of Brazil. The changes include the updating of the versions of the filling instructions and the layout of the documents, with the modification of the accounting items in accordance with the Accounting Standard of Institutions Regulated by the Central Bank of Brazil (Cosif) and the change of the remittance format to XML. These measures aim to adapt to international standards and simplify accounting processes, without the need to carry out a regulatory impact analysis due to the nature of the changes and the objective of reducing costs.

TEMPORARY AND EXCEPTIONAL MEASURES APPLICABLE TO THE OPERATION OF THE CONSORTIUM GROUPS OF CONSORTIUM GROUPS S P

(15/05/2024) BCB - [Resolution on temporary and exceptional measures applicable to the operation of the consortium groups](#)

The Central Bank of Brazil (BCB) has issued Resolution No. 381, which establishes temporary and exceptional measures for the operation of consortium groups until December 31, 2024. These measures aim to assist consortium members economically affected by climatic events in the state of Rio Grande do Sul, in accordance with Legislative Decree No. 36, dated May 7, 2024 that recognize the occurrence of a state of public emergency in part of the national territory. The resolution allows consortium administrators to make credit payments in cash or through deposit accounts for members who have been awarded but have not yet used the credit, and it relaxes the deadlines for collection and execution of guarantees, provided certain criteria are met. Administrators must keep detailed documentation of these procedures available to the BCB for at least five years.

DEADLINES FOR SENDING ACCOUNTING DOCUMENTS S D

(15/05/2024) BCB - [Resolution on deadlines for sending accounting documents for institutions affected by the climatic events in the southern region of Brazil](#)

The Central Bank of Brazil (BCB) has published Resolution No. 380, dated May 15, 2024, which temporarily establishes deadlines for financial institutions and other entities authorized by the BCB, with headquarters or branches in municipalities affected by climatic events in the southern region of the country, to submit accounting documents. The deadlines vary according to the type of document and the reference date, ranging from the last business day of the following month to ninety days after the reference date. This measure specifically applies to accounting documents and reports from affected prudential conglomerates and cooperatives.

AMENDMENT ON THE RD PILOT PROJECT T

(22/05/2024) BCB - [Resolution that amends the Regulations of the Executive Steering Committee of the Real Digital Platform Pilot Project and the Regulations of the Real Digital Pilot Project](#)

The Central Bank of Brazil (BCB) has published a Resolution amending the Regulations of the Executive Management Committee (CEG) of the Real Digital Pilot Platform (RD Pilot) and the Regulations of the RD Pilot Project. The resolution, established by the BCB's Board of Directors, outlines changes to the regulations governing the RD Pilot Platform, focusing on several aspects, including departmental structure, inclusion of assets and procedures for the participation of regulatory bodies. The resolution also addresses the formation and tasks of the CEG, procedures for the inclusion of new assets in the RD Pilot and the prohibition of financial transfers between the BCB and participants in the implementation of the RD Pilot. The resolution repeals some provisions of the previous regulations and becomes effective upon publication.

CONSTITUTION OF A PROVISION FOR PROBABLE LOSSES IN CREDIT OPERATIONS**P**

(23/05/2024) BCB - [Resolution that sets criteria for the constitution of a provision for probable losses in credit operations carried out under federal programs intended to address the economic consequences arising from climatic events in the state of Rio Grande do Sul](#)

The Central Bank of Brazil (BCB) has published a Resolution that establishes the criteria for establishing a provision for probable losses in credit operations carried out under federal programs aimed at dealing with the economic consequences of climatic events in Rio Grande do Sul. This resolution applies to financial institutions authorized by the BCB, excluding other types of financial entities. The aforementioned institutions must constitute a sufficient provision to cover probable losses in these credit operations, following minimum levels of provisions according to the duration of the delay in payment. In addition, they must keep the documentation related to these operations available to the BCB for at least five years. The Resolution becomes effective on the date of its publication.

GUIDANCE ON THE CONSTITUTION OF A PROVISION IN THE IFCD**O**

(23/05/2024) CVM - [Guidance on the constitution of a provision in the IFCD considering the calamity situation in Rio Grande do Sul](#)

The Superintendencies of Securitization and Agribusiness (SSE) and of Accounting and Auditing Standards (SNC) have issued a document clarifying the interpretation of the Instruction of the Securities and Exchange Commission (CVM) in relation to the constitution of a provision on credit rights invested by the Credit Rights Investment Funds (FIDC) whose debtors were affected by the public calamity situation in the state of Rio Grande do Sul. It stresses the importance of adequately evaluating the model for calculating the provision in the catastrophe scenario and emphasizes that the constitution of the provision should not be postponed until default occurs, emphasizing the need to proactively analyze the economic situation of the debtors. It also clarifies that the Instruction does not require the creation of a provision only in the event of default or renegotiation, but in situations that indicate a change in the expected loss outlook for the asset, with the objective of providing useful and reliable information to the users of the financial statements.

NORMATIVE INSTRUCTION ON THE CALCULATION OF THE BUSINESS INDICATOR (BI)**CL**

(12/06/2024) BCB - [Normative instruction on the calculation of the business indicator \(BI\)](#)

The Central Bank of Brazil published BCB Normative Instruction 479, which details the calculation of the Business Indicator (BI), as provided for in BCB Resolution 356 of November 2023. This standard covers various components, including income and expenses related to interest, leasing, shareholdings, services and other financial operations of regulated institutions. The standard will come into force on 1 January 2025, revoking the previous rules mentioned in the eighth article of the instruction itself.

Mexico**REGULATORY IMPROVEMENT SYSTEM TO CREDIT INSTITUTIONS****P**

(10/04/2024) CONAMER - [Regulatory Improvement System to credit institutions](#)

The National Commission for Regulatory Improvement (CONAMER) has published a draft bill that modifies the general provisions applicable to credit institutions. The bill seeks to strengthen the internal control of financial institutions in the prevention, detection and rapid response to fraudulent conduct. These behaviors include identity fraud, theft of personal data, impersonation of the financial institution, misuse of privileged information by employees, compromise of electronic media to install malicious code and alteration of checks. These actions can be carried out by both internal and external persons to the financial institution. This resolution will become effective the day after its publication in the Official Gazette of the Federation (DOF) and credit institutions will have specific deadlines to comply with the obligations contained therein.

RESOLUTION THAT MODIFIES THE GENERAL PROVISIONS APPLICABLE TO DEPOSIT AND EXCHANGE HOUSES AND CREDIT INSTITUTIONS**D**

(16/04/2024) SEGOB - [Resolution that modifies the general provisions applicable to general deposit warehouses, exchange houses, credit unions and credit institutions](#)

The Central Bank of Brazil (BCB) has published a Resolution amending a Resolution on the organization and operation of credit cooperatives. The main changes include the definition of different types of credit unions, the specific activities of central credit unions and confederations, conditions for shared credit operations, governance requirements, policies for the renewal of boards of directors, hiring of independent directors, among other measures. These changes aim to strengthen the structure and governance of credit unions, effective July 1, 2024.

EXTENSION OF DEADLINES FOR WEATHER DAMAGE**O**

(30/04/2024) Banxico - [Extension of the term of the provisional measures issued to address the damages caused by Hurricane Otis](#)

Banco de Mexico (Banxico) has issued a communications extending the term of the provisional measures regarding minimum payment amounts applicable to credit, loans or revolving financing associated with credit cards, issued to address the damage caused by Hurricane Otis. To mitigate these effects and protect the interests of the public, Banco de México issued a Circular in November 2023, allowing financial institutions to suspend for six months the obligation to charge minimum credit card payments to users in the affected municipalities. This initial measure would end on April 30, 2024, but Banco de México has decided to extend the suspension for another six months, until October 31, 2024, allowing financial institutions to continue offering payment deferral programs.

Annex: glossary

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

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

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Main organisms being monitored

Global

FSB, BCBS, IASB, IOSCO, IAIS, IFRS

European region

Europe } EC, EP, Consejo, EBA, ESMA, EIOPA, ECB, SRB

UK } BoE, PRA, FCA

Spain } BdE, Gobierno, Cortes Generales, CNMV

American region ⁽¹⁾

US } Fed, SEC, OCC, FDIC

Mexico } CONAMER, DOF, SHCP, CNBV, CNSF

Brazil } BCB, Susep, CVM

Argentina } BCRA

Peru } SBS, Diario Oficial, SMV

Colombia } SFC, Banrep

Chile } CMF, Diario Oficial, BCC

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



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