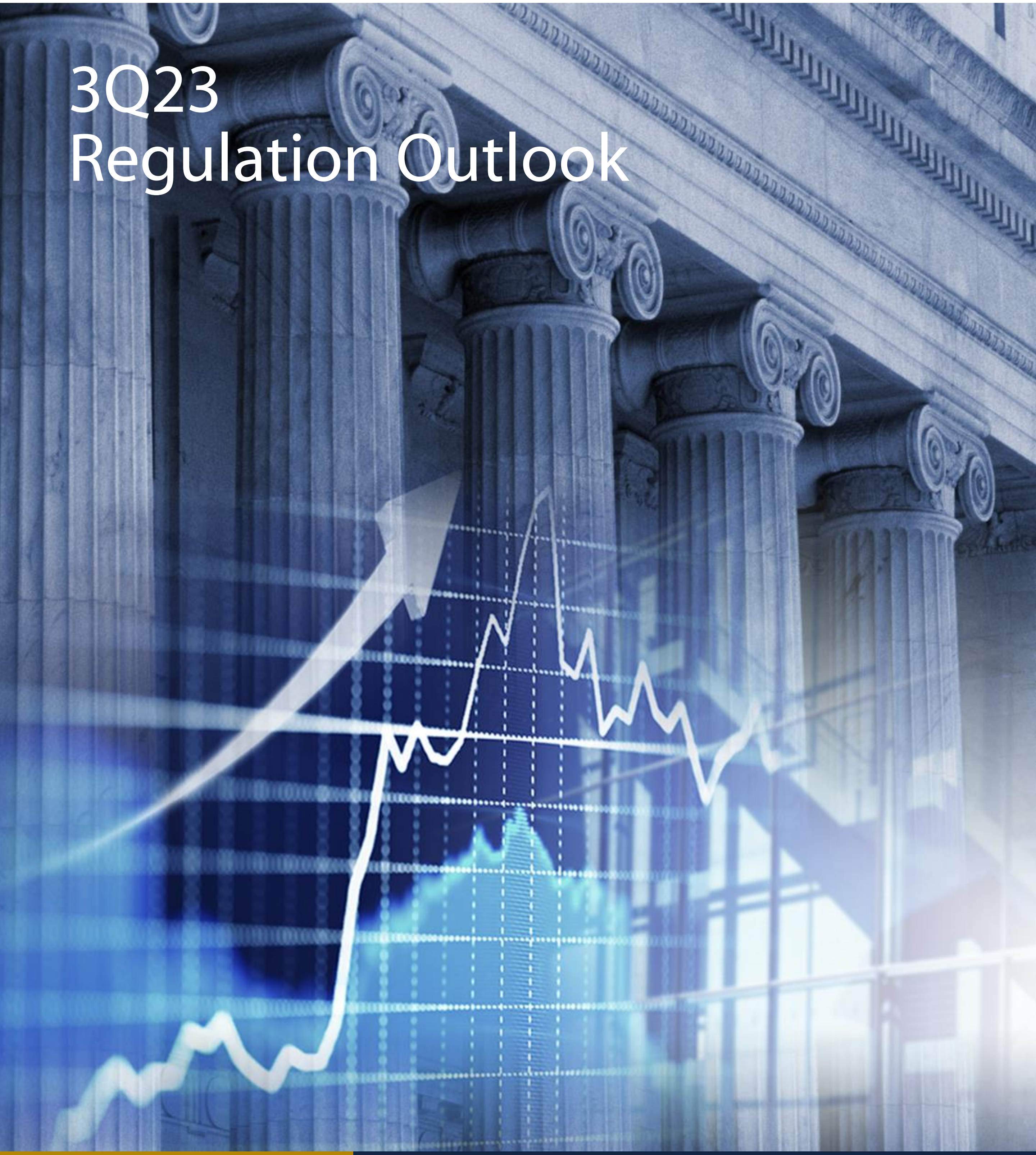
3Q23 Regulation Outlook



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Index

The purpose of this report is to compile the main financial sector publications issued during the reporting quarter by global, supranational and local standards providers, regulators and supervisors in the main geographies where Management Solutions operates.

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

Executive Summary

Highlights this quarter include several publications on sustainability, technology and capital-related issues, such as the ECB's RDARR Guidelines at European level, the FCA's new ESG code of conduct in the UK, the Basel III Endgame proposal in the US and the Law on Artificial Intelligence in Peru

Global publications

- The **final TNFD recommendations** have been published with slight modifications to the last draft in the chapters on governance and risk and impact management. These recommendations provide companies and financial institutions of all sizes with a risk management and disclosure framework to identify, assess, manage and disclose nature-related issues. The recommendations have been designed to be consistent with the language, structure and approach of both the Task Force on Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB).

European Region

- **Proposal for a Regulation on the establishment of the digital euro**. Establishes and regulates its essential aspects to ensure the use of the euro as a single currency across the euro-area. Additionally, the EC has published a second proposal for a regulation in order to lay down the specific obligations that payment services providers (PSPs) shall respect when distributing the digital euro. (EC, July 2023)

- **Public consultation on its Guide on effective risk data aggregation and risk reporting.** The Guide outlines prerequisites for effective risk data aggregation and risk reporting (RDARR) to assist banks in strengthening their capabilities, building on good practices observed in the industry. (ECB, July 2023)

- **Draft templates and template guidance to prepare the one-off Fit-for-55 climate risk scenario analysis**. Public consultation on draft templates for collecting climate related data from EU banks. This effort is part of the one-off Fit-for-55 climate risk scenario analysis, which the EBA will carry out together with the other ESAs and with the support of the ECB and the European Systemic Risk Board (ESRB). The draft templates are accompanied by a template guidance, which includes definitions and rules for compiling the templates. (EBA, July 2023)

European Region (cont.)

- **[UK] A consultation on a new code of conduct for ESG data and ratings providers**. This code of conduct aims to foster a trusted, efficient and transparent market, by introducing clear standards for ESG ratings and data products providers and clarifying how such providers can interact with wider market participants. By signing up to this voluntary code of conduct, providers agree to make available publicly, and to review at least annually a statement explaining their approach to the implementation of the CoC. (FCA, July 2023).

American Region

- **[US] Proposed rules to Strengthen Capital Requirements for Large Banks (Basel III Endgame).** The proposal builds on the initial set of reforms to respond to the 2007-09 financial crisis by introducing additional changes to further strengthen the banking system by applying a broader set of capital requirements to a larger number of large banks (total assets of $100 billion or more).(Fed, July 2023)

- **[BR] Resolution about the concepts and accounting criteria applicable to financial instruments.** The document amends CMN Resolution No. 4,966, of November 25, 2021, which provides for the concepts and accounting criteria applicable to financial instruments, as well as for the designation and recognition of protection relationships (hedge accounting) by financial institutions and other institutions authorized to operate by the Central Bank of Brazil. (BCB, September 2023)

- **[PE] Law that promotes the use of artificial intelligence (AI)** in the framework of the national process of digital transformation privileging the individual and respect for human rights in order to promote the economic and social development of the country, in a safe environment that guarantees its ethical, sustainable, transparent**,** replicable and responsible use.

Regulatory outlook

In Europe, regulatory developments with significant technology implications are expected, such as the final version of the AI Regulation, several final RTS/ITS for DORA and guidelines on MiCA. UK puts regulatory focus on sustainability (progress on taxonomy, disclosure)

Featured regulatory projections

1. Next quarter

- **(Global) Q4 2023:**
  - IAIS: i) Consultation on changes to certain ICP guidance with relation to climate risk, as well as supporting material; ii) final recommendations for the regulation of Decentralised Finance (DeFi).
  - BCBS: i) Consultation paper on a Pillar 3 framework for climate-related financial risks as a common disclosure baseline across internationally active banks
  - IOSCO: Consultation paper on voluntary carbon markets
- **(Europe) 2023**:
  - EBA: i) RTS on ESG disclosures for STS securitization; ii) review of RTS on sustainability disclosures PAI indicators; iii) CP on the Guidelines on ESG risks management; iv) Final report on prudential treatment exposures; v) CP on GL on institution´s stress testing.
  - EIOPA: i) GL promoting supervisory convergence under SFDR, MiFID II, Taxonomy Regulation, CSRD, the Bench marks Regulation; ii) Amending RTS on the PAI framework and certain product disclosures under SFDR; iii) RTS; ITS; and GL as required under MiCA; iv) RTS and ITS under DORA including as relates to ICT risk management and third party risk management under DORA[2]; v) RTS on the notifications for cross-border marketing and management of AIFs and UCITS; vi) revision of ITS on external credit assessment institution (ECAI) mapping for corporate ratings under the Capital Requirements Regulation (CCR) and Solvency II; viii) RTS on the minimum elements that should be included in a business reorganisation plan; ix) Revision of RTS on securitisation disclosure requirement (CP); x) Initiate one-off climate change stress test in cooperation with ESRB, ECB, EBA, ESMA[2].
- **(Europe) End of 2023:**
  - EP/Council: Regulation laying down the requirements for artificial intelligence (AI Act).
- **(Europe) December 2023**:
  - ECB: Manage C&E risks in an institution-wide approach, including business strategy, governance and risk appetite, as well as risk management, including credit, operational, market and liquidity risk management.
- **(UK) 2023:**
  - UK.Gov: Consult on the UK Green Taxonomy.
  - PRA: Consultation paper setting the proposals to introduce a new regulatory framework on Diversity, Equity, and Inclusion (DEI) in the financial sector.
- **(UK) Q4 2023:**
  - FCA: Policy Statement on sustainability disclosure requirements (SDR) and labelling of investments
- **(UK) Q4 2023:**
  - UK.gov: Consultation on the introduction of requirements for the UK's largest companies to disclose their transition plan if they have them.
- **(USA) End of 2023:**
  - Fed: Conclusions obtained from the Pilot Climate Scenario Analysis Exercise (CSA).

[1] Published on 05/07/2023
[2] Draft RTS published on 19/06/2023

2. Next year

- **(Global) Q4 2024:**
  - BCBS: i) Assess the materiality of gaps in the existing Basel framework.
- **(Europe) Q1 2024:**
  - EBA: i) 2023 benchmarking report on IRB models; ii) Monitoring report on capital treatment of STS synthetics; iii) Monitoring report on collateralisation practices; iv) 2023 benchmarking report on market risk models.
  - EIOPA: i) Review of the digital transformation strategy, integrating it with the data and IT strategy, the SupTech Strategy and partially also the cyber underwriting strategy.
- **(Europe) Q2 2024:**
  - EBA: RTS on extraordinary circumstances for being permitted to continue using the IMA.
- **(Europe) 2024**:
  - EBA: i) Final guidelines on ESG risk management; ii) Third revision of the SREP guidelines; iii) Final guidelines on stress testing of institutions; iii) Greenwashing report; iv) ITS on ESG reporting.

3. More than a year

- **(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).
- **(Europe) January 2024:**
  - EC: Sustainability Due Diligence Directive.
- **(Europe) 1Q 2025:**
  - EBA: results on Fit-for-55 climate risk scenario analysis.
- **(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.

Application dates

1. Next quarter

- **(Europe) October 2023**:
  - Final report on the overall recovery capacity in recovery planning.
- **(Europe) 2023**:
  - Implementation of the provisions amending the CRR III (EC proposal) concerning: i) certain provisions concerning own funds and eligible liabilities; ii) amendments on the prudential requirements of investment firms; ii) certain changes on definitions of entities to be included in the scope of prudential consolidation (e.g. definition of investment holding company); iii) treatment of defaulted exposures and iv) changes to the definitions of institutions to be included in the scope of prudexntial consolidation.
- **(Europe) December 2023**:
  - First date of reference for the disclosure of GAR.
  - ITS of the EIOPA on the amendments of supervisory reporting and disclosure requirements under Solvency II.
  - Implementation of the EBA technical package for phase 1 of version 3.3 of its reporting framework.

2. Next year

- **(Europe) January 2024**:
  - EBA Guidelines on resolvability.
  - EBA final guidelines on transferability.
  - CSRD: application for companies already subject to the NFRD.
  - MiCA Regulation of the EP/Council.
  - EC Delegated Act on Environmental Taxonomy.
  - EBA: Implementation of the EBA Guideline on ML/TF Risk Factors to include crypto-asset service providers (CASP).
  - Implementation of the EC Delegated Act adopting the first set of ESRS.
- **(Europe) February 2024:**
  - General application of the Digital Services Regulation (derogations applicable from November 2022).
- **(Europe) Q2 2024-T3 2024:**
  - Implementation of ESMA stress test exercise for central counterparties (CCPs).
- **(Europe) June 2024**:
  - First date of reference for disclosure of additional (vs GAR) BTAR information.
  - First reference date for the implementation of the EBA Draft ITS amending Commission Implementing Regulation (EU) 2021/451 as regards reporting on IRRBB.
- **(UK) January 2024**:
  - Entry into force of the PRA reporting requirement for firms subject to a minimum leverage ratio requirement (LREQ).
- **(UK) May 2024**:
  - Entry into force of the PRA Policy Statement (PS 6/23) providing responses to comments to CP6/22 on MRM principles for banks.
- **(UK) June 2024**:
  - Labelling, naming and marketing requirements and initial disclosure of PS on sustainability disclosure requirements (SDR) and investment labelling.
- **(UK) July 2024:**
  - Rules and guidance introduced by the Consumer Duty in relation for closed products or services.

3. More than a year

- **(Europe) December 2024:**
  - ECB: Be fully in line with all supervisory expectations, including a robust integration of C&E risks in the institutions' stress testing framework and in the ICAAP.
- **(Europe) 2025:**
  - General application of the provisions amending the CRR which introduce revisions to the Basel III framework in Europe (Basel IV).
  - Member States shall adopt and publish the regulations and administrative provisions necessary to comply with CRD IV amendments.
- **(Europe) January 2025**:
  - DORA application
  - CSRD: application for large companies not currently subject to the NFRD.
- **(Europe) January 2026:**
  - CSRD: implementation for listed SMEs, as well as for small and non-complex credit institutions and captive insurance companies.
- **(UK) June 2025**:
  - FCA: i) first disclosures related to sustainable performance; ii) entity-level disclosures in the sustainability report (large entities).
- **(UK) 3Q 2025:**
  - **PRA:** Implementation for the changes resulting from the CP on Solvent exit planning for non-systemic banks and building societies.

Relevant publications

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

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

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

- **CL** Capital, liquidity & leverage
- **P** Provisions & NPL
- **E** Supervisory Expectations
- **G** Governance
- **R** Recovery & resolution
- **D** Reporting & Disclosure
- **P** Compliance
- **S** Sustainability
- **T** Technology y AI
- **O** Others

Index of this quarter's most important publications

Relevant publications

Scope	Regulator	Theme	Title	Date	Page
EU	ECB	E	Guide on effective risk data aggregation and risk reporting	31/07/2023	19
UK	PRA	R	Solvent exit planning for non-systemic banks and building societies	06/07/2023	20
UK	BoE	CL	Stress testing the UK banking system	15/707/2023	21
UK	FCA	S	Consultation on a new code for Environmental, Social and Governance data and ratings providers	13/07/2023	22
UK	FCA	S	CP18/23: Diversity and inclusion in PRA-regulated firms	25/09/2023	23
US	Fed	D	2023 Stress Test Results	05/07/2023	24
US	Fed	CL	Proposed Rules to Strengthen Capital Requirements for Large Banks	12/09/2023	25
Brazil	BCB	P	CMN Resolution 5,100 on the accounting concepts and criteria applicable to financial instruments	13/09/2023	26
Peru	SBS	CL	Resolution approving the new liquidity risk management regulation	10/07/2023	27
Peru	Diario Oficial El Peruano	T	Law Nº 31814 that promotes the use of Artificial Intelligence in favour of the economic and social development of the country	17/07/2023	30
Colombia	SFC	O	Amendments to Annexes 9 and 12 of the Comprehensive Risk Management System (CRMS)	18/09/2023	31

Relevant publications
Global

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17/07/2023
UNEP FI - Common Framework of Sustainable Finance Taxonomies for Latin America and the Caribbean

UNEP FINANCE INITIATIVE

1. Context

Considering that financing flows to address climate change have been scarce in the Latin America and the Caribbean (LAC) region (6% of the global distribution) and that it has not been equitable in all countries, it is important to foster the creation of mechanisms that promote a reliable market that allows capital flows to move towards sustainable investments, increasing climate finance across the region. Taxonomies can help establish clear, science-based definitions and remove barriers for such capital flows.

In this context, the Working Group on Sustainable Finance Taxonomies has published a paper which presents a **Common Framework for Sustainable Finance Taxonomies for Latin America and the Caribbean countries**. This paper is intended to be a guidance document that can serve as a voluntary reference to orient different actors in the region (government and policy makers, development agencies or any other stakeholder) that are in the process of or intend to develop taxonomies in the region. The report implies that taxonomies must be based on similar guiding principles, have design elements such as objectives, classification systems for sectors and activities that are comparable and are similar in approaches and methodologies used for defining eligibility.

2. Main points

- **Guiding pirnciples**:
  - Seek interoperability with other taxonomies globally. While taxonomies must ensure contextualisation to consider national goals and commitments, it is also necessary to ensure that they are comparable and interoperable with other taxonomies.
  - Make material positive contribution to well-defined objectives and avoid damage. Taxonomies must have clear objectives and ambition and should lead to a material positive contribution of assets and activities to the chosen objectives while ensuring no harm to other objectives.
  - Provide clear definitions that are science-based for environment or evidence-based for other sustainability issues. One of the main objectives of taxonomies is to provide clear guidance to the market participants of both financial and non-financial sectors on defining green or environmentally sustainable investments and projects. Hence taxonomies must ensure clear, transparent, and robust definitions of sectors, activities and screening criteria which are science-based for green and evidence-based to meet sustainability objectives.
  - Allow for a credible transition of high emission sectors with a clearly defined final goal, regardless of the pathway. Sustainable Finance Taxonomies must serve as a tool for credible transitions, especially for activities related to heavy industries and hard-to-abate activities that have high emissions.
  - Be dynamic and subject to regular reviews. Taxonomies are dynamic documents and must be periodically revised to include more objectives, sectors, and activities due to changes in policies, technologies, and state of the transition and to revise the screening criteria for economic activities regularly to achieve the overall ambition.
  - Ensure good governance, transparency, and practical applicability. The process of development and implementation of taxonomies require adequate governance for its successful application to the market. To ensure that the taxonomy is indeed usable and serves its purpose of facilitating the transformation to sustainable economies, it must strike a reasonable balance between science-based ambition and actual usability in practice.
- **Objectives**:
  - Climate change mitigation. The objective of climate change mitigation focuses on the reduction of GHG emissions and help achieve decarbonisation of sectors across the economy. The main goal is to ensure the compliance with the Paris agreement goals of 1.5°C global warming limit by the end of century which requires reducing anthropogenic emissions by at least 45% compared to 2010 before 2030 and to reach zero net emissions by 2050.
  - Climate change adaptation. The objective of climate change adaptation refers to improving the adaptability and resilience of assets and activities across all sectors and helping the stakeholders address the current and expected adverse impacts of climate change.
  - Importance of inclusion of other environmental and social objectives. Although the scope of this report is focused on climate change objectives of adaptation and mitigation, other environmental and social objectives must be developed in the future considering their importance and impacts on the countries in LAC.

- **Sectors**:
  - Agriculture, livestock, hunting, forestry, and fishing. Includes the exploitation of vegetal and animal natural resources.
  - Construction. Includes general construction and specialised construction activities for buildings and civil engineering works.
  - Manufacturing, mining, and quarrying. Includes the physical or chemical transformation of materials, substances, or components into new products. Mining and quarrying include the extraction of minerals occurring naturally as solids (coal and ores), liquids (petroleum) or gases (natural gas).
  - Electricity, gas, and water supply. Includes the activity of providing electric power, natural gas, steam, hot water through a permanent infrastructure (network) of lines, mains, and pipes.
  - Waste sector includes activities related to the management (including collection, treatment, and disposal) of various forms of waste, such as solid or non-solid industrial or household waste, as well as contaminated sites, among others.
  - Transport, storage, and communications. Refers to the sub-activities of transportation and complementary and auxiliary activities and telecommunications and the provision of passenger or freight transport, whether scheduled or not, by rail, pipeline, road, water or air and associated activities such as terminal and parking facilities, cargo handling, storage, etc.
- **Activities**:
  - Substantial contribution. Economic activities that make a substantial contribution based on their own performance should be included as their inherent and substantial contribution to the climate change objectives help achieve the overall ambition of the taxonomy.
  - Enabling. Enabling activities are those economic activities that substantially contribute to other objectives through the provision of their products or services. These economic activities contribute substantially to one or more of the taxonomy’s objectives.
  - Transition. Transition activities are those for which there is no technologically and economically feasible low-carbon alternative shall qualify as contributing substantially to climate change mitigation where it supports the transition to a climate-neutral economy consistent with a pathway to limit the temperature increase to 1,5°C above preindustrial levels, including by phasing out greenhouse gas emissions, in particular emissions from solid fossil fuels.
  - Activities with minimum performance. These are the economic activities that do not make a substantial contribution to any one of the taxonomy objectives but neither do they cause negative damage to them. The activities can have a low contribution to the objectives of the taxonomy and cannot be labelled as green or sustainable but are essential to support the decarbonisation of the economy or are part of a decarbonised economy.
- **Screening criteria**. Screening criteria are the requirements for economic activities that are based on metrics and thresholds which help determine the alignment of an economic activity under the taxonomy. Metrics are the indicators under which a threshold can be established. The screening criteria provides a clear science-based quantitative guidance for determining the eligibility of economic activities and help meet the objectives and ambition of the taxonomy and thus helps avoid greenwashing.

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19/09/2023

TNFD - Recommendations of the Taskforce on Nature-related Financial Disclosures

1. Context

The Taskforce on Nature-related Financial Disclosures (TNFD) was established in 2021 in response to the growing need to factor nature into financial and business decisions. It is a global, market-led initiative with the mission to develop and deliver a risk management and disclosure framework for organisations to report and act on nature-related risks and opportunities.

In this context, after several beta versions, the **final TNFD recommendations** have been published with slight modifications to the last draft in the chapters on governance and risk and impact management. These recommendations provide companies and financial institutions (hereinafter referred to as the companies) of all sizes with a risk management and disclosure framework to identify, assess, manage and, where appropriate, disclose nature-related issues. The recommendations have been designed to be consistent with the language, structure and approach of both the Task Force on Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB)..

2. Main points

TNFD includes 14 recommended disclosures covering nature-related dependencies, impacts, risks and opportunities structured in four pillars:

- **Governance**. Companies should detail the board's oversight and management´s role in assessing and managing nature-related dependencies, impacts, risks and opportunities. In addition, new from the last draft, the development of organisation's human rights policies and engagement activities with respect to indigenous peoples, local communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.
- **Strategy**. Companies should detail the identification of dependencies, impacts, risks and opportunities related to nature in the short, medium and long term. In addition, they should describe the effect that the dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plan or analysis in place. Finally, they should disclose the resilience of the organisation's strategy to nature-related risks and opportunities and the locations of assets and/or activities in the organisation's direct operations.
- **Risk and impact management**. Companies should describe the processes they have in place to identify, assess and prioritise nature-related dependencies, impacts, risks and opportunities in their direct operations and in their upstream and downstream value chain. In addition, companies should describe the processes they have in place to managing these dependencies and how these processes integrate with and inform the organisation's overall risk management processes. As a novelty with the last draft, it is eliminated the companies description on how affected stakeholders are engaged by the organisation in its assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.
- **Metrics and targets**. Companies should disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with their strategy and risk management and process, as well as metrics for managing dependencies and impacts on nature. Finally, they should disclose the targets and goals used to manage them.
- **General requirements**. The general requirements apply to all four pillars of the recommended disclosures. They describe: i) application of materiality; ii) scope of disclosures; iii) the location of nature-related issues; iv) integration with other sustainability-related disclosures; v) the time horizons considered; vi) the engagement of indigenous peoples, local communities and affected stakeholders in the identification and assessment of the organisation's nature-related issues.

Relevant publications
European region

25/07/2023

R **EBA - Final report on the overall recovery capacity in recovery planning**

1. Context

Overall Recovery Capacity (ORC) is a key outcome of recovery planning providing an indication of the overall capability of the institution to restore its financial position following a significant deterioration of its financial situation. In order to ensure that ORC effectively fulfils its role as a summary of institutions' recoverability, it needs to be properly determined and consistently represented by institutions. In the absence of a specific framework and specific guidance on the relevant steps underlying the ORC determination, institutions have developed a wide range of different practices, being therefore necessary a harmonised approach to the determination and assessment of ORC.

In this context, the EBA has published now the final report on guidelines on ORC in recovery planning, submitted for consultation in December 2022. The objective of these guidelines is to set up a consistent framework for the determination of the ORC by institutions in their recovery plans and the respective assessment by competent authorities. The final document has not undergone significant changes compared to the consultation document.

2. Main points

- **Framework of ORC for institutions.**
  - ORC basic components. Institutions, for determining the ORC, should define:
    - **A list of credible and feasible recovery options**. Each one of them considered independently from the others and without any reference to the recovery plan's specific scenarios. From this list, institutions should select all the recovery options that could be used under each specific scenario showing their scenario-specific recovery capacity.
    - **Range of scenarios of severe macroeconomic and financial stress**. Institutions should calculate their recovery capacity specific for the relevant scenarios envisaged in the recovery plan.
  - Calculating scenario-specific recovery capacity. Institutions should consider as starting point for the calculation of the scenario-specific recovery capacity the breach of any recovery plan indicator that, according to the recovery plan, would result in a decision by the institution to implement one or more recovery options.
  - Determining the ORC:
    - **Selection of recovery options**. To calculate the 'scenario-specific recovery capacity', institutions should select all the options that would be available and appropriate under that specific scenario.
    - **Adjustment of recovery options**: additional constraining factors. When selecting recovery options appropriate to a specific scenario, institutions should take into account the following additional constraining factors related to the simultaneous or sequential implementation of recovery options: i) mutual exclusivity; ii) interdependencies; iii) operational capability to implement a multitude of recovery options simultaneously; iv) increased reputational effects; v) consequences to their business model or profitability.
    - **Calculation of scenario-specific recovery capacity**. Institutions should employ a dynamic balance sheet approach.
    - **Determination of the ORC range**. Institutions should consider the highest and lowest scenario specific recovery capacity respectively in terms of capital and liquidity using the relevant scenarios for each of these dimensions.
- **Competent authorities' assessment of ORC**. Competent authorities should ensure, that, in determining their ORC, institutions comply with these guidelines.
  - To assess the scenario-specific recovery capacity provided by the institutions under each severe macroeconomic and financial stress, competent authorities should review the overall adequacy of the scenarios put forward by the institutions.
  - Competent authorities should ensure that the ORC is calculated by the institutions as the range between the lowest and the highest scenario-specific recovery capacity both in terms of capital and liquidity and should assess the ORC assigning the following levels: i) satisfactory; ii) adequate with potential room for improvement; and iii) weak.

3. Next steps

- The guidelines will apply from 3 months after the date of publication on the EBA's website of the guidelines in all EU official languages.

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25/07/2023

EBA - Draft templates and template guidance to prepare the one-off Fit-for-55 climate risk scenario analysis

1. Context

On 6 July 2021, the European Commission (EC) announced its Strategy for Financing the Transition to a Sustainable Economy. In this strategy, the EC laid out its plans for ensuring the resilience of the financial sector to climate risks and an orderly transition towards the European Union´s (EU) climate targets of reaching carbon neutrality by 2050 and reducing greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. As part of the Strategy, the EC announced future work for the EBA on climate stress testing including a one-off Fit-for-55 climate risk scenario analysis. On 8 March 2023, the EBA, the European Central Bank (ECB) and the other European Supervisory Authorities (ESAs) received a letter from the EC detailing the mandate of the one-off exercise, which aims to: i) assess the resilience of the financial sector in line with the Fit-for-55 package; and ii) gain insights into the capacity of the financial system to support the transition to a lower carbon economy even under conditions of stress.

In this context, the EBA a Public consultation **on draft templates for collecting climate related data from EU banks.** This effort is part of the one-off Fit-for-55 climate risk scenario analysis, which the EBA will carry out together with the other ESAs and with the support of the ECB and the European Systemic Risk Board (ESRB). The draft templates are accompanied by a template guidance, which includes definitions and rules for compiling the templates.

2. Main points

- **Objective**. The purpose of this document is to provide both the definitions and technical guidance to the participating banks for populating the set of templates for the One-off Fit-for-55 climate risk scenario analysis exercise. 70 banks will take part in this exercise In addition, Competent authorities might request other banks in their respective jurisdictions to participate.
- **Overview of the templates**
    - Credit Risk Top Counterparties. Individual counterparty data for the top 15 counterparties of the main climate-relevant sectors. Exposure to some large-selected companies are also requested.
    - Credit Risk Aggregated Data. Aggregated data for the five most important countries, in terms of exposure, and the main climate-relevant sectors. Cumulative data, aggregated at sectoral level, should also be reported for other EU and other non-EU countries.
    - Interest Income & Fee and Commission Income. Interest and Fees and Commission income figure for the five most important countries, in terms of income, and main climate-relevant sectors. Cumulative data, aggregated at sectoral level, should also be reported for other countries.
    - Market Risk Top Counterparties. Individual counterparty data for the top 15 counterparties of the main climate-relevant sectors aggregated by asset class (i.e., corporate bonds vs equity). Exposure to some large-selected companies are also requested.
    - Market Risk Aggregated Data. Aggregated data for the main climate-relevant sectors and asset class (i.e., corporate bonds vs equity).
    - Real EstateTransition Risk. RE exposures, potentially impacted by Transition risk, for the five most important countries, in terms of exposure, aggregated by asset class Residential Real Estate (RRE) vs Commercial Real Estate (CRE) and Energy Performance Certificate (EPC) label.
    - Real Estate Physical Risk. RE exposures, potentially impacted by Physical risk, for the five most important countries, in terms of exposure, aggregated by asset class (RRE) vs (CRE) and NUTS 3 code.

3. Next steps

- The consultation runs until **11 October 2023**.
- The EBA will launch a data collection at the end of November with the support of the Single Supervisory Mechanism (SSM) and other competent authorities.
- The one-off Fit-for-55 climate risk scenario analysis is expected to start by the end of 2023, with publication of results envisaged by Q1 2025.

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24/07/2023
EBA/ESMA - Regulation on Crypto-assets

1. Context

Regulation of the European Union (EU) 2023/1114 on Markets in Crypto-assets (MiCAR) establishes a regime for the regulation and supervision of crypto-asset issuance and crypto-asset service provision in the EU. It came into force on 29 June 2023, and the provisions relating to asset-referenced tokens (ARTs) and electronic money tokens (EMTs) will be applicable from 30 June 2024. Among the activities within the scope of MiCAR are the activities of offering to the public or seeking admission to trading of asset-referenced tokens (ARTs) and electronic money tokens (EMTs) and issuing such tokens. Supervision tasks are conferred on the EBA for ARTs and EMTs that are determined by the EBA to be significant, as well as a number of mandates to develop certain aspects contained in MiCAR.

In this context, the EBA has published **the Draft technical standards on EU market access of issuers of asset-referenced tokens under MiCAR,** the **Draft on technical standards on complaints handling procedures under MiCAR** and **the Statement on timely preparatory steps towards the application of MiCAR to asset-referenced and e-money tokens**. In addition to these documents, the ESMA has published its **Consultation Paper on the Technical Standards specifying certain requirements of MiCAR.**

2. Main points

<u>Draft technical standards on EU market access of issuers of asset-referenced tokens under MiCAR</u>

- **Regulatory Technical Standards (RTS) for authorization**. The draft RTS outlines the information required for authorization applications, including identification details, program of operations, internal governance arrangements, liquidity management, suitability of management body members, and repute of shareholders. Competent authorities may request additional clarifications or information as needed.
- **Implementing Technical Standards (ITS) for authorization**. This ITS complements the RTS on information for authorization by providing uniform procedures for application submission, including a standard submission letter and template. It clarifies the filing process but does not address the content of the information required, which is covered by the RTS on information for authorization.

<u>Draft technical standards on complaints handling procedures under MiCAR</u>

- This RTS specifies the **requirements, templates and procedures for handling complaints received from holders of ART and other interested parties**, including consumer associations that represent holders of ART, and procedures to facilitate the handling of complaints between holders of ART and third-party entities.

<u>Statement on timely preparatory steps towards the application of MiCAR to asset-referenced and e-money tokens</u>

- The statement includes **guiding principles that are intended to encourage preparatory steps for MiCAR** thereby reducing risks of potentially disruptive and sharp business model adjustments at a later stage.

<u>Consultation Paper on the Technical Standards specifying certain requirements of MiCAR</u>

- This consultation paper includes: **i) the provision of crypto-asset services** by certain financial entities; **ii) templates for the application for authorization, complaints-handling procedures** of crypto-asset service providers; **iii)complaints-handling procedures** of crypto-asset service providers; and **iv) identification, prevention, management and disclosure of conflicts of interest** by crypto-asset service providers.

3. Next steps

- The Draft technical standards on EU market access of issuers of asset-referenced tokens and the Draft technical standards on complaints will be submitted to the European Commission (EC) for endorsement following which they will be subject to scrutiny by the European Parliament and the Council before being published in the Official Journal of the European Union. In addition, it will be submitted to the EC for endorsement and publication in the Official Journal of the European Union.
- The Statement related to MiCAR states that the EBA will continue to maintain a regular dialogue with competent authorities on market developments and regulatory and supervisory issues, taking account of experience acquired with this statement, so as to foster supervisory convergence and contribute to a level playing field across the EU.
- The Consultation Paper on the Technical Standards of MiCAR will consider the feedback received to this consultation and the ESMA expect to publish a final report and submit the draft technical standards to the EC for endorsement by **30 June 2024** at the latest.

T

04/07/2023

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

EUROPEAN COMMISSION

1. Context

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

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

2. Main points

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

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

<u>Proposal for a Regulation on payment services in the internal market (PSR)</u>

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

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

<u>Proposal for a Regulation on a framework for financial data access</u>

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

3. Next steps

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

T

10/07/2023

EC – Single Currency Package: new proposals to support the use of cash and to propose a framework for a digital euro

EUROPEAN COMMISSION

1. Context

The EC has been working closely with the European Central Bank (ECB) over the past few years to jointly review at technical level a broad range of policy, legal and technical questions on the digital euro. Across the euro area and beyond, for more than two decades, people and businesses have been accustomed to paying with euro coins and banknotes. While the results of the surveys carried out by the EC show that 60% of the respondents to the survey would like to continue to have the option to use cash, an increasing number of people are choosing to pay digitally. This trend was accelerated by the COVID-19 pandemic.

In this context, the EC has put forward a **proposal for a Regulation on the establishment of the digital euro** which establishes and regulates its essential aspects to ensure the use of the euro as a single currency across the euro-area. Additionally, the EC has published a second **proposal for a regulation on the provision of digital euro services by payment services providers incorporated in Member States whose currency is not the euro** in order to lay down the specific obligations that payment services providers (PSPs) incorporated in these States shall respect when distributing the digital euro and the supervision and enforcement of those obligations. Both regulations share similar principles so have been analyzed jointly.

2. Main points

- **Establishment and issuance of the digital euro**. The proposal establishes that:
    - The ECB shall have the exclusive right to authorise the issue of the digital euro, and the ECB and the national central banks may issue the digital euro.
    - The provisions of European regulation on payment services in the internal markets, cross-border payments and on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, shall apply to digital euro payment transactions.
    - Member States should designate competent authorities to monitor and enforce the legal tender obligations under this Regulation.
- **Legal tender**. The proposal establishes that:
    - The digital euro is of mandatory acceptance by payees, unless any of the exceptions proposed applies (e.g. the right for a microenterprise not to accept the digital euro, unless it accepts comparable digital means of payment). Member States would be also able to introduce more exceptions.
    - The obligation to accept the digital euro fully respects the contractual freedom of parties, as a payee will furthermore not be required to accept digital euro payments if both the payee and the payer have expressly agreed on a different means of payment prior to the payment.
    - The digital euro shall be convertible with euro banknotes and coins at par. The proposal also gives the payer the right to choose to pay in digital euro or cash in those situations where mandatory acceptance of both applies.
- **Distribution**. The proposal establishes that:
    - All PSPs authorised in the EU may provide digital euro payment services, including additional digital euro payment services, in addition to basic digital euro payment services. PSPs do not need an additional authorisation from their competent authorities to provide digital euro payment services.
    - For the purpose of distributing the digital euro, PSPs would need to enter into a contractual relationship with digital euro users. A contractual relationship between digital euro users and the ECB is excluded.
    - Digital euro users may have one or several digital euro payment accounts, held at the same or at a different PSPs.
    - The provision of digital euro services by PSPs shall be limited to certain natural or legal persons (e.g. natural and legal persons residing or established in the Member States whose currency is the euro). The same applies to PSPs incorporated in Member States whose currency is not the euro.
- **Use**. It is proposed that the ECB should develop instruments to limit the use of the digital euro as a store of value, including holding limits. The proposal also defines a set of criteria that the parameters and use of the instruments developed by the ECB should meet with the view of safeguarding financial stability (e.g. these instruments should not prevent accepting and initiating a digital euro payment transaction).
- **Essential technical features**. It is proposed that the digital euro should be designed in a way that facilitates its use by the general public, including financially excluded persons or persons at risk of financial inclusion, persons with disabilities, functional limitations or limited digital skills, and older persons.

3. Next steps

- The Consultation on these documents is opened until **29 August 2023**.
- This Regulations should enter into force on the twentieth day following that of its publication in the Official Journal of the European Union. Once these Regulations are agreed by the European Parliament and the Council, the ECB will decide when and for which amount the digital euro should be issued.

E

31/07/2023

ECB - 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 this context, the ECB has launched a **Public consultation on its Guide on effective risk data aggregation and risk reporting**. The Guide outlines prerequisites for effective risk data aggregation and risk reporting (RDARR) to assist banks in strengthening their capabilities, building on good practices observed in the industry. The Guide intends to specify and reinforce supervisory expectations in this field, taking into account the BCBS 239. It complements and does not replace the guidance already provided since 2016 in public communications and in institution-specific supervisory activities.

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 responsibility, role and risk culture are all paramount in ensuring effective processes to identify, manage, monitor and report 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**. Clear roles and responsibilities in the area of data quality, as well as ownership of data quality for business, control and IT functions, are required to establish and maintain effective processes and controls. To ensure the effectiveness of group-wide data governance frameworks, significant institutions should set out clear requirements for data quality within the scope of application.
- **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 on-site inspections by ECB Banking Supervision. On the other hand, the programmes should be supported by adequate project management governance, and adequate financial and human resources. Finally, these should clearly define targets, milestones, roles, responsibilities and, if applicable, intermediate measures to mitigate weaknesses that require longer implementation time to be fully addressed.

3. Next steps

- The consultation period ends on **06 October 2023.**
- As part of the public consultation process, the ECB will organise a stakeholder meeting during the consultation period, bringing together relevant experts at supervised institutions and other interested parties.

R

06/07/2023

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

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

1. Context

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

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

2. Main points

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

3. Next steps

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

19/07/2023

CL

BoE - Stress testing the UK banking system

1. Context

Following the COVID-19 outbreak, the BoE cancelled the 2020 concurrent stress test and instead undertook desktop analysis of the resilience of the UK banking sector to the unfolding stress. In 2015 the stress-testing framework was developed further, and in 2016 the Bank implemented its first annual cyclical scenario (ACS). Having conducted this stress test in 2021, the BoE is reverting to the ACS stress-testing framework and published in 2022 the Guidance on the 2022 annual cyclical scenario for participants, the templates used for collecting data, and the Key elements of the annual cyclical scenario

In this context, the BoE has published the **Results of the 2022/23 annual cyclical scenario stress test** of the UK banking system. It was also intended to improve firms climate risk management, size the risks that participants in the exercise face and better understand the potential responses to climate-related risks and their broader implications. In general, all participating firms have more work to do to improve their climate risk management capabilities.

2. Main points

- **Overview of results of the test**. Banks started the 2022/23 test with an aggregate Common Equity Tier 1 (CET1) capital ratio of 14.2% of risk-weighted assets (RWAs). Banks' balance sheets changed in a number of important ways between the starting points for the 2019 ACS and the 2022/23 ACS. This includes an improvement in asset quality, higher deposit balances, and regulatory changes which better reflect the underlying risk of some assets in banks' starting capital positions.
    - The stress reduces capital positions significantly through a number of channels but the system remains well above its aggregate hurdle rate. Credit impairments are the main driver of capital depletion in the stress. Key judgements by the Bank sought to ensure that the effects of the higher cost of living in the stress and of the increasing path for Bank Rate were appropriately reflected in impairment rates. In aggregate, banks' capital ratios remain well above the aggregate CET1 hurdle rate in the stress, falling from an aggregate start-point CET1 ratio of 14.2% to a low point of 10.8% in the first year of the stress, against an aggregate hurdle rate of 6.9%. The reduction in banks' capital in the stress means that banks use their capital buffers as a response to the scenario, as has been the case in previous stress tests.
    - The aggregate capital drawdown of 3.5 percentage points (p.p.) is smaller than the 2019 ACS drawdown of 5.2 p.p., despite the overall severity of the scenario being broadly similar. This reflects a combination of factors, including improvements in banks' balance sheets since the 2019 ACS, which more than offsets the impact on impairments of a higher cost of living and interest rates in the 2022/23 ACS.
- **Individual bank results**.
    - The results of the test indicate that no individual bank, at group or ring-fenced subgroup (RFB) level, would fall below its CET1 or Tier 1 leverage ratio hurdle rates on an IFRS 9 transitional basis after taking strategic management actions. No bank is required to strengthen its capital position as a result of the test. This indicates that major UK banks would be able to withstand the severe macroeconomic stress in this scenario, whilst still having the capacity to support UK households and businesses throughout the stress.
- **Key drivers of the result.**
    - Credit impairments. Impairments are the main driver of capital depletion in this stress scenario, driven by affordability pressures from inflation, higher interest rates, unemployment and lower Gross Domestic Product (GDP). Credit impairments reduce the aggregate CET1 capital ratio by 4.1 p.p. at the low point (year 1). Impairments over the five years of the stress scenario total £125 billion, with an aggregate impairment rate on their loans of 4.7%. This is £26 billion less than the 2019 test. On a constant currency basis, this is £9 billion less than in 2019, reflecting the sterling depreciation in the 2019 ACS scenario which increased the published values of impairments and income.
    - Risk-weighted assets. Banks' CET1 capital ratios fall when RWAs increase. By the CET1 capital low point of the stress in year 1, average risk weights for credit exposures increase from 34% to 39%, as these exposures become riskier during the stress. Stressed credit risk weights are however lower than in the 2019 ACS in which they reached 46% after the first year of the scenario. This reflects both lower starting risk weights in the 2022/23 ACS following improvements in asset quality since end-2018 as banks have de-risked their credit portfolios, and smaller RWAs increases under stress relative to 2019.
    - Traded risk. The traded risk scenario has led to a reduction in banks' CET1 capital ratios through three main channels: lower investment banking income, trading book stress losses and valuation adjustments, and an increase in stressed RWAs. Overall traded risk in the scenario reduces banks' capital positions to a similar degree as in the 2019 ACS, with the aggregate capital position falling by 1.5 p.p. in the first year of the stress.
    - Net interest income (NII). Banks begin the 2022/23 ACS with large UK customer deposit balances in aggregate, and with loan margins at historically low levels. Rising interest rates in the stress scenario lead to higher NII and rising loan margins for banks in aggregate over the scenario horizon.
    - Expenses. This test features high advanced-economy inflation that is initially driven by commodity and supply-chain shocks but persists in part because of expectations of higher inflation in the future. As a result there is upward pressure on banks' expenses. In aggregate costs increase by 18% over the scenario, compared to a 36% increase in UK Consumer Price Index (CPI) inflation over the same period.
    - Misconduct costs. In the 2022/23 ACS, the aggregate stressed projection for additional conduct costs is £11.1 billion over the five years of the stress. Around £4 billion of these are realised in the first year.

S

13/07/2023

FCA - Consultation on a new code for Environmental, Social and Governance data and ratings providers

1. Context

In November 2021 the International Organization of Security Commissions (IOSCO) in its final report on ESG Ratings and Data Product Providers, recommended that regulators could consider focusing more attention on the use of ESG ratings and data products. Taking this report into account, in 2022, the FCA appointed the International Capital Market Association and the International Regulatory Strategy Group to convene an industry group to develop a voluntary code in this sense.

In this context, the FCA has published a **consultation on a new code of conduct for ESG data and ratings providers**. This code of conduct aims to foster a trusted, efficient and transparent market, by introducing clear standards for ESG ratings and data products providers and clarifying how such providers can interact with wider market participants. Each principle in this code of conduct is underpinned by a series of actions, which provide a practical guide to the application and interpretation of the principle. By signing up to this voluntary code of conduct, providers agree to make available publicly, and to review at least annually (updating where appropriate), a statement explaining their approach to the implementation of the code of conduct.

2. Main points

- **Principle on good governance**. ESG ratings and data products providers should ensure appropriate governance arrangements are in place that enable them to promote and uphold the principles and overall objectives of the code of conduct.
- **Principle on securing quality**. ESG ratings and data products providers should adopt and implement written policies and procedures designed to help ensure the issuance of high quality ESG ratings and data products.
- **Principle on conflicts of interest**. ESG ratings and data products providers should adopt and implement written policies and procedures designed to help ensure their decisions are independent, free from political or economic interference, and appropriately address actual or potential conflicts of interest that may arise from, among other things, the ESG ratings and data products providers' organisational structure, business or financial activities, or the financial interests of the ESG ratings and data products providers and their officers and employees.
- **Principle on transparency**. ESG ratings and data products providers should make adequate levels of public disclosure and transparency a priority for their ESG ratings and data products, including their methodologies and processes to enable the users of the product to understand what the product is and how it is produced, including any potential conflicts of interest and while maintaining a balance with respect to proprietary or confidential information, data and methodologies.
- **Principle on confidentiality**. ESG ratings and data products providers should adopt and implement written policies and procedures designed to address and protect all non-public information.
- **Principle on engagement**. ESG ratings and data products providers should regularly consider whether their information gathering processes with entities covered by their products leads to efficient information procurement for both the providers and these entities.

3. Next steps

- Comments can be sent before **5 July 2023**.

S

25/09/2023

FCA - CP18/23: Diversity and inclusion in PRA-regulated firms

1. Context

In April 2022, the FCA launched their 3-year Strategy to improve outcomes for consumers and markets. They set a number of priorities, including accelerating the pace of change on D&I. Their proposals support this goal and are designed to form an integral part of the existing regulatory framework. They also support the objectives of the Consumer Duty, which include ensuring that firms consider the needs, characteristics and objectives of their customers, particularly those who are vulnerable

In this context, the FCA alongside the PRA have published a CP on proposals to introduce a new regulatory framework on D&I in the financial sector. This consultation sets out proposals to better integrate non-financial misconduct (NFM) considerations into staff fitness and propriety assessments, conduct rules and the suitability criteria for firms to operate in the financial sector (threshold conditions).

2. Main points

Proposal for firms of any size

- **Non-Financial Misconduct (NFM)**.
  - The Conduct Rules: The FCA proposes changes to the Conduct Rules, adding guidance on the types of behavior falling within the expanded scope of the Code of Conduct (COCON). They also clarify what conduct is out of scope due to its relation to an employee's personal or private life.
  - Fit and Proper assessments: The FCA proposes Fit and Proper test for Employees and Senior Personnel (FIT) changes to emphasize the importance of addressing non-financial misconduct within the financial sector.
  - Suitability Guidance on the Threshold Conditions (COND): The FCA proposes changes to aiming to expand the criteria to include offenses related to demographic characteristics and discriminatory practices. The objective is to bolster market integrity and conduct within the United Kingdom (UK) markets while maintaining a comprehensive and case-specific assessment approach. The FCA emphasizes that they are not pursuing measures linking regulatory approval to a firm's demographic characteristics to avoid unintended consequences.
- **Data Reporting**.
  - The FCA proposes that all Financial Services and Markets Act (FSMA) firms with 250 or fewer employees, excluding Limited Scope Senior Managers and Certification Regime (SM&CR) firms, are required to report their average number of employees using the same single data return on the RegData platform. They would not be required to report any further information to them but could report additional data to the FCA on a voluntary basis. They also propose that rules on reporting come into force 12 months after the date of publication of final rules. Firms would then have a 3-month reporting window to submit this data.

Proposal for large firms and for Capital Requirements Regulation (CRR) and Solvency II firms of any size

- **D&I Strategies**. The FCA proposes that firms in scope must develop an evidence-based D&I strategy that takes account of their current progress on diversity and inclusion. The strategy should be easily accessible and free to obtain as well as it should be reviewed by the board. The FCA proposes to give firms flexibility in how they carry out the review
- **Data Reporting**. The FCA proposes to introduce requirements for large firms to:
  - Annually collect and report to the regulators in numerical figures, data across a range of demographic characteristics, inclusion metrics and targets via a regulatory return.
  - During the first year the requirements are in place, reporting should include as much data as is reasonably practicable, with explanations for any gaps.
  - Report data to the FCA and PRA using a single data return on the RegData platform.
- **Disclosure**. The FCA proposes that firms should make public disclosures on D&I data to increase transparency and scrutiny, as well as facilitate comparisons between firms on D&I performance. They should disclose the same information that they report to the FCA. In line with the reporting requirements, the FCA also proposes that disclosure on certain demographic characteristics is voluntary.
- **Setting Targets**. The FCA's proposal introduces mandatory diversity targets for firms, with expectations set for the board, senior leadership, and the entire employee population. It recognizes the need to address underrepresentation at all levels within organizations, especially focusing on the critical transition from junior to mid-level roles. Firms operating internationally in the UK are also included, with flexibility for those without a UK-based board or senior leadership. Furthermore, firms may choose to set voluntary inclusion targets alongside the mandatory diversity targets.
- **Risk and Governance**. The FCA's proposal aims to guide large firms in recognizing D&I as non-financial risks and integrating them into governance structures. They have expanded the focus beyond the audit function and provided flexibility for firms to adapt these guidelines to their internal structures.

3. Next steps

- Comments can be sent before **18th December 2023**..

Relevant publications
American region

D

05/07/2023
Fed - 2023 Stress Test Results

1. Context

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

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

2. Main points

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

12/09/2023

CL

Fed - Proposed Rules to Strengthen Capital Requirements for Large Banks

1. Context

Following the 2007-09 financial crisis, the agencies adopted an initial set of reforms to improve the effectiveness of and address weaknesses in the regulatory capital framework. For example, in 2013, the agencies adopted a final rule that increased the quantity and quality of regulatory capital banking organizations must maintain. These changes were broadly consistent with an initial set of reforms published by the Basel Committee on Banking Supervision following the financial crisis.

In this context, the Agencies have published for comment the **Proposed rules to Strengthen Capital Requirements for Large Banks.** The proposal would build on these initial reforms by making additional changes developed in response to the 2007-09 financial crisis in order to further strengthen the banking system by applying a broader set of capital requirements to more large banks.

2. Main points

- **Scope of application**. It apply to banks with $100 billion or more in total assets.
- **Credit risk**. The proposal would replace the use of internal models to set regulatory capital requirements for credit risk with a new expanded risk-based approach for credit risk applicable to large banking organizations. This approach would result in more transparent capital requirements for credit risk exposures across banking organizations.
- **Calculation of capital ratios**. Under the proposal, a large banking organization would calculate its risk-based capital ratios under the new expanded risk-based approach and the current standardized approach, and use the lower of the two for each risk-based capital ratio.
- **Securitization framework**. The proposed securitization framework would introduce the following modifications: i) additional operational requirements for synthetic securitizations; ii) a modified treatment for resecuritizations that meet the operational requirements; iii) a new securitization standardized approach (SEC-SA); iv) a prohibition on using the securitization framework for nth-to default credit derivatives; v) a new treatment for derivative contracts that do not provide credit enhancement; vi) a modified treatment for overlapping exposures; vii) new maximum capital requirements and eligibility criteria for certain senior securitization exposures; viii) a modification to the treatment for credit-enhancing interest only strips (CEIOs); ix) a new framework for non-performing loan (NPL) securitizations.
- **Operational risk**. The proposal would remove the advanced measurement approaches (AMA) and introduce a standardized approach for operational risk that seeks to address the operational risks currently covered by the AMA. The operational risk capital requirements under the standardized approach for operational risk would be a function of a banking organization’s business indicator component and internal loss multiplier.
- **Disclosure requirements**. The proposal would also introduce enhanced disclosure requirements to facilitate market participants’ understanding of a banking organization’s financial condition and risk management practices.
- **Market risk**. The proposal would retain banking organizations’ ability to use internal models, with an improved models-based measure for market risk that better accounts for potential losses. The proposal would improve the risk-sensitivity and calibration of market risk capital requirements relative to the current capital rule. The proposal would introduce a risk-sensitive standardized methodology for calculating risk-weighted assets for market risk and a new models-based methodology to replace the framework of the current capital rule. A banking organization would be required to obtain prior approval from its primary Federal supervisor to use the models-based measure for market risk to determine its market risk capital requirements.
- **Credit valuation adjustment risk (CVA)**. The proposal would require an entity to reflect in risk-weighted assets the potential losses on over-the-counter (OTC) derivative contracts resulting from increases in credit valuation adjustment (CVA) for all OTC derivative contract counterparties, subject to certain exceptions. The proposal would provide two measures for calculating CVA risk capital requirements: i) the basic measure for CVA risk which includes the basic CVA approach (BA- CVA) capital requirement; and ii) a standardized measure for CVA risk which includes a new standardized CVA approach (SA-CVA) capital requirement.

3. Next steps

- Comments can be sent before **30 November 2023**.
- Large banks would begin transitioning to the new framework on **July 1, 2025**, with full compliance starting **July 1, 2028**.

Relevant publications
American region

13/09/2023

P **BCB- CMN Resolution 5,100 on the accounting concepts and criteria applicable to financial instruments**

1. Context

BCB has published **CMN Resolution No. 5,100 of 24/8/2023.** The document amends CMN Resolution No. 4,966, of November 25, 2021, which provides for the concepts and accounting criteria applicable to financial instruments, as well as for the designation and recognition of protection relationships (hedge accounting) by financial institutions and other institutions authorized to operate by the Central Bank of Brazil.

2. Main points

The Resolutions CMN No. 4,966, dated November 25, 2021, becomes effective with the following changes:

- **Subject matter and scope:**
  - Transfer of control**:** act that makes the buyer or transferee of the asset financial holder in practice of the right to sell or transfer the asset financial in its entirety, autonomously and without imposing restrictions additional as a result of the original sale or transfer transaction.
  - Value Gross accounting of financial instrument: amortized cost of the instrument financial before the adjustment by provision for expected losses associated with the credit risk, if applicable.
  - Operation with characteristic of Granting of credit: debt instrument with a legal form other than Credit operation that:
    - Has as purpose the granting of credit or the novation of credit operations; or
    - Is originated in a process equivalent or similar to that applicable to the operations of Typical credit of the institution, in a relationship between it and its client.
- **Recognition and Measurement:**
  - The expenses incurred in the acquisition, origination or issuance of the instrument which cannot be individually determined and controlled, without the use of apportionment, during the entire term of the instrument, must be recognized as an expense for the period in which they occur.
  - Recognition is allowed in the profit or loss for the exercise of transaction costs and amounts received in the acquisition or origination of the instrument considered immaterial.
  - The institution that uses the faculty referred to in § 2º must define in its accounting policy relative and absolute criteria of materiality that are:
    - **consistent and verifiable**.
    - **applied to all financial instruments**, regardless of the nature of the cost or revenue to be recognized.
  - It is presumed that it is material the cost and revenue that represents more than 1%:
    - the total revenue that the institution will obtain from the **financial asset**; or
    - the total costs which the institution will incur with the **financial liabilities**.
- **Allocation of Financial Instruments:**
  - When a financial instrument is allocated in the third stage, the institution should reallocate all financial instruments from it counterparty to the third stage on the base date of the trial balance for the month where this allocation occurred.
- **Assessment of Expected Loss Associated with Credit Risk:**
  - It is provided the assessment of the expected loss associated with the credit risk on the basis of the delay in the payment of principal or charges, the history of losses, and other registration, adimplemento or non-adimplemento information related to the counterparty to which the institution has access, for financial assets:
    - whose **term of liquidation** is up to **twelve months.**
    - that it does not together constitute an **exhibition** relevant to the institution.
    - that are not: a) operations credit; b) financial instruments with the characteristic of granting credit; c) operations leasing of commerce; d) payment transactions; and e) securities and securities.
- **Transitional Provisions:**
  - The redefinition of recognised hedging operations is permitted accountably by the institutions mentioned in article 1 on January 1, 2027.

3. Next steps

- This Resolution enters into force:
  - on **January 1, 2025**, how much to item II of article 2; and
  - on **October 1, 2023**, how much to other devices.

CL

10/07/2023

SBS - Resolution approving the new liquidity risk management regulation

SUPERINTENDENCIA DE BANCA, SEGUROS Y AFP

1. Context

SBS Resolution No. 9075-2012 and its amendments approved the Liquidity Risk Management Regulations, as well as the minimum requirements for the adequate management of liquidity risk. By means of SBS Resolution No. 3296-2022, the Liquidity Risk Management Regulation was amended in order to adapt the Liquidity Coverage Ratio (LCR) to the international standards of the Basel Committee on Banking Supervision, taking into account the particularities of the local market, and this amendment came into force on 1 January 2024.

In view of the need to incorporate the Net Stable Funding Ratio (NSFR) as part of the regulatory requirements established in the Liquidity Risk Management Regulation, with the aim of promoting better liquidity risk management for companies and bringing the regulatory framework into line with the international standards of the Basel Committee on Banking Supervision on the subject, the SBS has prepared **the Draft resolution approving the new Liquidity Risk Management Regulations, in order to incorporate the Net Stable Funding Ratio (NSFR)**. With this pre-publication, the SBS expects to implement in Peru the second important liquidity indicator proposed by Basel III, the Net Stable Funding Ratio (NSFR), which complements the Liquidity Coverage Ratio (LCR).

2. Main points

- **Internal environment**
    - Board responsibilities. Firms are responsible for liquidity risk management appropriate to their size, the complexity of their operations and services, the level of risk faced and their systemic importance.
    - Management responsibilities. The General Management is responsible for the communication and implementation of liquidity risk management in accordance with the provisions approved by the Board of Directors.
    - Organisation, delineation of responsibilities and segregation of duties. Firms should establish an appropriate organisational structure, as well as delineate responsibilities and segregate the functions of the areas involved in liquidity risk management.
    - Asset and Liability Management Committee. The Board of Directors should establish an Asset and Liability Management Committee to perform strategic and executive liquidity risk management and monitoring functions. This committee should be composed of heads of risk, finance and business areas.
    - Functions of the Asset and Liability Management Committee. The Asset and Liability Management Committee will perform functions such as: i) establishing overall asset and liability management strategies; and ii) analysing and monitoring business and financial strategies, and the level of liquidity risk assumed.
    - Functions of the Risk Committee. The Risk Committee, by delegation of the Board of Directors and within the limits set by the latter, shall undertake functions such as: i) propose, for the approval of the Board of Directors, the policies and procedures for liquidity risk management; and ii) approve the manuals for liquidity risk management, in accordance with the objectives, guidelines, policies and procedures for the identification, measurement, evaluation, treatment, control, information and monitoring of liquidity risk.
    - Functions of the Risk Unit. The company's Risk Unit must perform functions such as the following: i) propose policies for liquidity risk management; and ii) participate in the design and review of liquidity risk management manuals.
- **Establishment of objectives**
    - Policies and procedures. The Board of Directors is responsible for establishing policies and procedures for the identification, measurement, assessment, treatment, control, reporting and monitoring of liquidity risk.
    - Internal limits and early warning indicators. The Board, or the Risk Committee by express delegation from the Board, is responsible for establishing a structure of internal liquidity risk limits, based on the defined risk appetite. These limits should be consistent with the size, level of liability concentration, and complexity of the firm's operations and services. The Committee should define the frequency with which the internal limit structure is to be reviewed.
    - Liquidity risk management manuals. Firms should have liquidity risk management manuals that should consider at least the following points:
        - **Policies and procedures**.
        - **Responsibilities of Committees** and areas involved in liquidity risk management.
        - **Methodologies and models for liquidity risk measurement**.
        - **Internal limit structure**.
        - **Methodologies for the simulation of stress scenarios**.
        - **Liquidity contingency plan**.

- **Identification, measurement and assessment of liquidity risk**
  - Methodologies, scenario simulation and concentration of liabilities
    - **The measurement of liquidity risk** requires a comprehensive methodology, as liquidity risk also arises as a result of the interaction of other types of risk; and prospective, because it depends on the occurrence of possible adverse future events.
    - **The Risk Unit** should periodically perform scenario simulations to measure the liquidity risk of the company.
    - **The Risk Unit** should identify the most important counterparties, currencies, markets and types of instruments on which the company's financing is based.
  - Liquidity ratios and liquid investments ratio
    - **Firms must calculate the following liquidity ratios on a daily basis:** i) domestic currency liquidity ratio (RLMN); and ii) foreign currency liquidity ratio (RLME).
    - **Firms must calculate the following liquid investment ratios on a daily basis**: i) RILmn; and ii) RILme.
    - **For the calculation of the aforementioned ratios,** the following concepts should be considered as liquid assets: i) cash; and ii) funds available in the BCRP.
    - **For the calculation of the above liquidity ratios**, items such as the following should be considered as short-term liabilities, as well as interest payable on such liabilities: i) demand obligations; and ii) obligations with tax collection institutions.
    - **For the purpose of calculating liquidity ratios adjusted for borrowed funds**, items such as the following are considered as borrowed funds: i) net interbank funds liabilities; and ii) overnight deposits.
    - **For the purpose of calculating forward currency adjusted liquidity ratios**, two positions shall be considered for each foreign currency forward: an asset position in the currency to be received (long position) and a liability position in the currency to be delivered (short position), in an amount equal to the present value of the nominal amount.
  - Liquidity Coverage Ratio
    - **The LCR** aims to ensure that financial institutions have an adequate level of High Quality Liquid Assets (HQLA) to meet their liquidity needs over a thirty 30 calendar day horizon under a liquidity stress scenario.
  - Stable Net Funding Ratio
    - **The NSFR** aims to ensure that financial institutions maintain a stable funding profile in relation to the composition of their assets and off-balance sheet exposures (contingent liabilities).
    - Firms should calculate the **NSFR** on a monthly basis based on month-end balances, aggregating domestic and foreign currency balances.
    - **Available Stable Funding** is defined as the portion of the company's equity and liabilities that are expected to be stable over a 1-year time horizon. Accrued interest is not considered.
    - **Stable Funding Required** comprises the firm's assets and off-balance sheet exposures that will need to be funded, the amount of which is a function of the firm's liquidity characteristics and residual maturities. Accrued interest is not considered.
- **Treatment of liquidity risk**
  - Treatment. The company should have investments in liquid instruments as a liquidity management policy, diversify its sources of funding, diversify deposits from institutional investors, have funding through the capital market, have adequate access to interbank lines and foreign institutions, among others.
  - Liquidity contingency plan. The Risk Unit and the business area are responsible for designing and implementing a contingency plan that establishes the strategy for managing a liquidity crisis.
  - Contingency plan at the level of the consolidable group of the financial system. If the company belongs to a consolidable group of the financial system, the Risk Unit must simulate liquidity stress scenarios every six months and draw up a contingency plan at the consolidated level, considering the limits that may exist for the transfer or support of liquidity between entities that make up the consolidable group of the financial system.
- **Control activities**
  - Appropriate information systems and/or IT tools. The company must have information systems and computer support tools that enable adequate liquidity risk management, as well as appropriate information security mechanisms. The firm should document automated processes or reports.
- **Information and communication**
  - Generation and distribution of information. The Risk Unit is responsible for generating information on, at least, compliance with regulatory and internal limits and the level of liquidity risk measurement indicators. It is also responsible for establishing effective communication channels to transmit such information on a timely and regular basis to the members of the Committees, and to the staff of the areas involved in liquidity risk management.
  - Responsibility for the preparation and presentation of information. The head of the Risk Unit is responsible for the preparation and timely submission of the annexes and all such information as may be requested by the Superintendency from time to time. Likewise, in accordance with the provisions of article 92 of the General Law, the General Manager shall be responsible for the accuracy and timeliness of the information submitted to this supervisory body.

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3. Next steps

- Comments on the draft can be submitted until **31 August 2023**.
- **Until 30 November 2023**, the entry into force of the limits on the calculation of effective equity, established in article 185 of the General Law, is extended.
- **On 1 January 2024**, the Liquidity Risk Management Regulation, approved by SBS Resolution No. 9075-2012 and its amendments, will cease to have effect.
- **As of 1 July 2024**, the other provisions referring to the Net Stable Funding Ratio (NSFR) will come into force, and where Annex 16-C of the Net Stable Funding Ratio will start to be reported on a monthly basis.
- **From September 2024**, the minimum common equity tier 1 requirement, the minimum effective equity tier 1 requirement and the overall limit will be required.

T

17/07/2023
Diario Oficial El Peruano - Law Nº 31814 that promotes the use of Artificial Intelligence in favour of the economic and social development of the country.

1. Context

The Official Journal El Peruano has published Law **No. 31814** which aims to promote the use of artificial intelligence (AI) in the framework of the national process of digital transformation privileging the individual and respect for human rights in order to promote the economic and social development of the country, in a safe environment that guarantees its ethical, sustainable, transparent, replicable and responsible use.

2. Main points

- **Principles for the development and use of AI**:
    - Risk-based security standards. A risk-based approach to the use and development of AI is promoted.
    - Multi-stakeholder approach. The participation of natural and legal persons or public and private organisations and institutions in the debate for the development of policies aimed at regulating the use of AI in the country is promoted.
    - Internet governance. This promotes the development and application of principles, norms, rules, decision-making procedures and programmes that determine the evolution and use of the internet by the state, private sector institutions and civil society participating in their respective roles.
    - Digital society. It values the information and knowledge obtained through access, use and development of digital technologies in all their dimensions, and promotes security, trust, digital economy, digital connectivity, talent, innovation, education and digital identity, as well as the use of emerging technologies for the social and economic wellbeing of citizens.
    - Ethical development for responsible AI. Ethics is considered to be the fundamental basis for accurately identifying the framework of responsibilities in the use of this type of systems that make up Industry 4.0.
    - IA privacy. IA must not infringe on people's privacy, but must act in a safe manner to achieve a positive and welfare impact on citizens.
- **National interest**:
    - It is in the national interest to promote digital talent in harnessing emerging and new technologies for social and economic welfare, as well as to foster the development and use of IA for the improvement of public services, education and learning, health, justice, citizen security, digital security, economy, inclusion, social programmes, national security and defence, as well as for all other economic and social activities at the national level.
- **Definitions**:
    - Artificial Intelligence(AI): Emerging general-purpose technology that has the potential to improve people's well-being, contribute to positive sustainable global economic activity, increase innovation and productivity, and help respond to key global challenges.
    - AI-based system: An electronic-mechanical system that can, for a set of human-defined objectives, make predictions, recommendations or decisions, influencing real or virtual environments. It is designed to operate with different levels of autonomy.
    - Emerging technologies: Digital technologies capable of generating innovative solutions such as robotics, analytics, AI, cognitive technologies, nanotechnology, the internet of things (IoT) and the like, which make up Industry 4.0 that combines advanced production and operations techniques with technology, generating impact on the digital ecosystem, organisations and people.
    - Algorithm: A sequence of instructions and ordered, finite sets of steps to solve a problem or make a decision.
- **National Authority**:
    - The Presidency of the Council of Ministers, through the Secretariat of Government and Digital Transformation, as the governing body of the National System of Digital Transformation, is the national technical and regulatory authority responsible for directing, evaluating and supervising the use and promotion of the development of AI and emerging technologies, in order to achieve the country's digital transformation objectives and sustainable development objectives in accordance with current regulations.

3. Next steps

- Law 31814 provides for the approval of its regulations within **90 working days of its entry into force**.

O

18/09/2023

SFC - Amendments to Annexes 9 and 12 of the Comprehensive Risk Management System (CRMS)

1. Context

In 2019, the SFC published External Circular 019 of 2019, introducing the Net Stable Funding Ratio (CFEN). By means of External Circular 021 of 2022, the SFC incorporated into Annex 12 of Chapter XXXI of the Basic Accounting and Financial Circular (CBCF) the concept of "interdependent transactions", by virtue of which transactions involving the

In this context, the SFC has published **External Circular 013 modifying proforma F1000-140 (Form 238) and Annexes 9 and 12 of the CBCF**.

2. Main points

- **Annex 12**: **Methodology for the measurement and standardised reporting of the net stable funding ratio of credit institutions, upper-tier cooperative organisations and some special official institutions**. The table with the categories of liabilities and equity included in the Available Stable Funding (ASF) is modified with respect to the calibration of: i) the factors applicable to demand deposits of supervised financial institutions; ii) the factors applicable to demand deposits of open FICs without permanence covenant; iii) the items corresponding to real estate, management and guarantee trust businesses; and iv) the factors applicable to operational and non-operational demand deposits.
- **Proforma**. Proforma F1000-140 on the net stable funding ratio is amended to collect information on interdependent operations, balances of operational and non-operational deposits, as well as on demand deposits of the real estate, guarantee and administration trust businesses.
- **Annex 9**: Methodology for the standardised measurement and reporting of liquidity risk for credit institutions, upper-tier cooperative institutions and certain special government institutions. Amended to include the definition of high quality liquid assets and to clarify the scope of some existing instructions.

3. Next steps

- This Circular is effective from the date of its publication.

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

Other publications of interest
Global

Core principles for supervision E

(06/07/2023) BCBS - Core principles for effective banking supervision

The Basel Committee on Banking Supervision has issued a public consultation on revisions to the Core principles for effective banking supervision. The first version of the principles was published in 1997 and was updated on 1997 for the first time. The Core Principles are the de facto minimum standards for the sound prudential regulation and supervision of banks and banking systems. The Core Principles are used by supervisors to assess the effectiveness of their regulatory and supervisory frameworks. Comments to this consultation document can be submitted by 6 October 2023.

Crypto-assets T

(12/07/2023) FSB – FSB Chair outlines work on recent banking turmoil and to finalise crypto-asset recommendations

The Financial Stability Board (FSB) and other standard-setting bodies (SSBs) are working closely together to draw lessons from the recent turmoil in the banking sector. The FSB has reprioritised its work programme, focusing in addition on the interactions between interest rate and liquidity risk across the financial system, the role of technology and social networks in mass deposit withdrawals, and lessons for the effective implementation of the international resolution framework. The work will provide new insights for banks and non-banks alike.

Global monitoring exercise E

(13/07/2023) IAIS - Global Insurance Market Report

The International Association of Insurance Supervisors (IAIS) has published the 2023 Global Monitoring Exercise (GME) results. The exercise builds on a strong data set collected from approximately 60 of the largest international insurance groups. The results show slight declines in solvency, profitability and liquidity positions at year-end 2022 compared to year-end 2021, mainly driven by lower asset valuations. Also, aggregate systemic risk scores declined at year-end 2022.

Compliance Carbon Markets C

(17/07/2023) IOSCO – Final report to help members develop sound and well-functioning compliance carbon markets

The Board of the International Organization of Securities Commissions has published a final report on Compliance Carbon Markets (CCMs), which aims to support IOSCO members seeking to establish new or to enhance their existing CCMs. The report looks at the specific characteristics of CCMs compared to traditional financial markets and outlines a set of recommendations aimed at making these markets efficient and ensuring they function with integrity.

Crypto-assets T

(17/07/2023) FSB – FSB finalises global regulatory framework for crypto-asset activities

The Financial Sustainability Board (FSB) has published its global regulatory framework for crypto-asset activities to promote the comprehensiveness and international consistency of regulatory and supervisory approaches. The framework consists of two distinct sets of recommendations: i) high-level recommendations for the regulation, supervision and oversight of crypto-asset activities and markets; ii) high-level recommendations for the regulation, supervision, and oversight of global stablecoin arrangements.

Other publications of interest

Global

Digital Taxonomy S

(27/07/2023) ISSB - ISSB consults on proposed digital taxonomy to improve global accessibility and comparability of sustainability information

The International Sustainability Standards Board (ISSB) has published the Proposed IFRS Sustainability Disclosure Taxonomy for public comment. The proposals reflect the disclosure requirements in the ISSB's first two Standards—IFRS S1 and IFRS S2. The ISSB has been working on its digital taxonomy in tandem with the development of IFRS S1 and IFRS S2 to facilitate digital consumption of sustainability-related financial disclosures when its Standards are first applied.

Standard on sustainability S

(02/08/2023) IAASB - IAASB launches public consultation on landmark proposed global sustainability assurance standard

The International Auditing and Assurance Standards Board (IAASB) has issued its proposed International Standard on Sustainability Assurance (ISSA 5000) on General Requirements for Sustainability Assurance Engagements. ISSA 5000 is a principles-based, overarching standard suitable for both limited and reasonable assurance engagements on sustainability information reported across any sustainability topic. The IAASB drafted the standard to work with sustainability information prepared under any suitable reporting framework. The proposed are open for comments until December 1, 2023.

Management of Non-defaulting losses in CCPs O

(23/08/2023) IOSCO - Report on current central counterparty

Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) have published a report on current central counterparty (CCP) practices to address non-default losses (NDL) arising, for example, from investment risk or cyber-attacks. CCPs must have policies, procedures and plans to address NDLs in accordance with the Principles for Financial Market Infrastructures (PFMI) because, if not managed properly, the financial consequences of non-default events can threaten a CCP's viability.

Improvments on IFRS O

(12/09/2023) IASB - IASB proposes annual improvements to IFRS Accounting Standards

The International Accounting Standards Board (IASB) has published proposed amendments to IFRS Accounting Standards and accompanying guidance as part of its periodic maintenance of the Accounting Standards. The proposed amendments relate to: i) IFRS 1 First-time Adoption of International Financial Reporting Standards (amendments on hedge accounting by a first-time adopter); ii) IFRS 7 Financial Instruments: Disclosures (amendments on gain or loss on derecognition); iii) Guidance on implementing IFRS 7 (amendments on credit risk disclosures); iv) IFRS 9 Financial Instruments (amendments on derecognition of lease liabilities); v) IFRS 10 Consolidated Financial Statements (amendments on determination of a 'de facto agent); and vi) IAS 7 Statement of Cash Flows (amendments on cost method). The comment period is open until 11 December 2023.

Central counterparties R

(19/09/2023) FSB - FSB proposes a toolbox of financial resources and tools for the resolution of central counterparties (CCPs)

The Financial Stability Board (FSB) published a consultation report on the financial resources and tools for central counterparty (CCP) resolution. The report presents the outcome of the FSB's qualitative analysis of a set of financial resources and tools for resolution: i) bail-in bonds; ii) resolution funds; iii) resolution-specific insurance; iv) resolution-specific third-party contractual support; v) resolution cash calls; vi) statutory or contractual variation margin gains haircutting for resolution; and vii) equity in a first-loss position. Comments to this document can be sent before 20 November 2023.

Other publications of interest
European region

Europe

Initial margin models E

(06/07/2023) EBA - EBA publishes validation requirements on initial margin models

The European Banking Authority (EBA) published its final draft Regulatory Technical Standards (RTS) on Initial Margin Model Validation (IMMV). These draft RTS set out the supervisory procedures to ensure the prudent use of initial margin models for Over The Counter (OTC) derivatives. In an accompanying Opinion, and as part of the ongoing negotiations on EMIR, the EBA calls on co-legislators to consider the establishment of a central validation function in the European Union (EU).

Dissemination of sustainability information S

(06/07/2023) ESMA - ESMA and NCAs to assess disclosures and sustainability risks in the investment fund sector

The European Securities and Markets Authority (ESMA) has launched until the third quarter 2024, a Common Supervisory Action (CSA) jointly with National Competent Authorities (NCAs) on sustainability-related disclosures and the integration of sustainability risks. The goal is to assess the compliance of supervised asset managers with the relevant provisions in the Sustainable Finance Disclosure Regulation (SFDR), the Taxonomy Regulation and relevant implementing measures, including the relevant provision in the Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Fund Managers Directive (AIFMD) implementing acts on the integration of sustainability risks.

MREL/TLAC D

(07/07/2023) EBA - Public consultation on amendments to the draft Implementing Technical Standard (ITS)

The European Banking Authority (EBA) launched a public consultation on amendments to the draft Implementing Technical Standard (ITS) on disclosure and reporting of the minimum requirement for own funds and eligible liabilities (MREL) and the total loss absorbency requirement (TLAC). These amendments aim to reflect changes to the prudential framework and provide clarifications on the information to be reported in the insolvency ranking templates. The consultation runs until 18 August 2023.

Data Privacy Framework T

(10/07/2023) EC - EU-US Data Privacy Framework

The European Commission (EC) adopted its adequacy decision for the European Union (EU) - United States (US) Data Privacy Framework. The decision concludes that the United States ensures an adequate level of protection for personal data transferred from the EU to US companies under the new framework. On the basis of the new adequacy decision, personal data can flow safely from the EU to US companies participating in the Framework, without having to put in place additional data protection safeguards.

Sustainability disclosure S

(11/07/2023) ESMA - Public Statement on the sustainability disclosure expected to be included in prospectuses

The European Securities and Markets Authority (ESMA) has issued a Public Statement on the sustainability disclosure expected to be included in prospectuses. The statement sets out ESMA's expectations on how the specific disclosure requirements of the Prospectus Regulation in relation to sustainability-related matters in equity and non-equity prospectuses should be satisfied considering the Environmental, Social and Governance (ESG) transition.

Other publications of interest
European region

ML/TF O

(11/07/2023) EBA – Findings from the 2022 review of competent authorities approaches to tackling ML/TF

The European Banking Authority (EBA) has published today the findings from its 2022 review of competent authorities' approaches to tackling money laundering and terrorist financing (ML/TF) risks in the banking sector. The EBA's findings suggest that supervisors are making progress in the fight against ML/TF. Some competent authorities have made changes in recent years, and their approach to Anti-Money Laundering and Counter Terrorism Financing (AML/CFT) supervision of banks is now broadly effective.

Pre-hedging O

(12/07/2023) ESMA - Final Report on the feedback received to the 2022 Call for Evidence on pre-hedging

The European Securities and Markets Authority (ESMA) is publishing the Final Report on the feedback received to the 2022 Call for Evidence on pre-hedging. ESMA concludes that pre-hedging is a voluntary market practice which might give rise to conflicts of interest or abusive behaviours. Whereas ESMA does not find arguments to ban this practice at this stage, it also flags that these risks should be considered when issuing any future guidance.

Colleges of supervisors E

(13/07/2023) EIOPA - Report on Colleges Activities 2022

The European Insurance and Occupational Pensions Authority (EIOPA) has published its report on the activities of Colleges of Supervisors in 2022. The report highlights the importance of efficient and effective coordinated supervision of cross-border insurance groups in the European Union (EU) and provides an overview of the main developments and the key topics discussed in the colleges. Some of the issues addressed in the report are: i) group-specific risks; ii) Environmental, social and governance (ESG) related aspects; iii) conduct of business issues; iv) reinsurance as well as the activities related to financial conglomerates and internationally active groups.

Reporting framework D

(17/07/2023) EBA – Release of the technical package for phase 2 of its 3.3 reporting framework

The European Banking Authority (EBA) has published the technical package for phase 2 of version 3.3 of its reporting framework. The technical package provides standard specifications and includes the validation rules, the Data Point Model (DPM) and the XBRL taxonomies for this phase of version 3.3. Phase 2 of version 3.3 consists of the technical package supporting the supervisory benchmarking exercise 2024. The package includes the new market risk and IFRS9 templates, and other amendments to the Supervisory Benchmarking Portfolios framework.

Data collection on ESG risks S

(18/07/2023) EBA – The EBA is collecting institution's data on environmental, social and governance risks to set up a monitoring system

The European Banking Authority (EBA) has published the Decision on data collection of institutions' environmental, social and governance (ESG) data. The Decision will provide competent authorities and the EBA with the necessary data and tools to fulfill monitoring functions and ESG-related mandates by collecting the information that is already available to institutions as part of their Pillar 3 disclosure obligations with respect to ESG risks.

Cyber resilience T

(19/07/2023) EP – Cyber Resilience Act: MEPs back plan to boost digital products security/Reglamento de Ciberresiliencia: los Estados miembros acuerdan una posición común sobre los requisitos de seguridad para los productos digitales

The European Parliament (EP) has reached an agreement on the draft cyber resilience act which establishes a uniform set of cybersecurity requirements for all digital products in the European Union (EU). It aims to ensure that products with digital features are secure to use, resilient against cyber threats and provide enough information about their security properties.

Other publications of interest

European region

INVESTMENT SERVICES CL

(19/07/2023) ESMA – Analysis of the cross-border investment activity of firms

The European Securities and Markets Authority (ESMA), and national competent authorities (NCAs) have completed an analysis of the cross-border provision of investment services during 2022. The data collected and analysed across 29 jurisdictions allows ESMA and NCAs to shed light on various aspects of the market for retail investors that receive investment services by credit institutions and investment firms established in other Member States. Key findings of the analysis include that: i) a total of around 380 firms provided services to retail clients on a cross-border basis in 2022. The majority of them (59%) are investment firms, while 41% are credit institutions; ii) approximately 7.6 million clients in the European Union (EU)/ European Economic Area (EEA) received investment services from firms located in other EU/EEA Member States in 2022.

ANTI-PROCYCLICALITY MARGIN MEASURES O

(19/07/2023) ESMA – Revised technical standards on anti-procyclicality margin measures

The European Securities and Markets Authority (ESMA) has published a Final Report reviewing the regulatory technical standards RTS to further harmonize Central Counterparty (CCP) policies and procedures for selecting, assessing and reviewing anti-procyclicality (APC) margin measures.

CAPITAL MARKETS CL

(20/07/2023) EC – Provisional agreement on alternative investment fund managers directive and plain-vanilla EU investment funds

Council and European Parliament (EP) negotiators have reached a tentative agreement on new rules to improve the functioning of European capital markets and strengthen investor protection in the European Union (EU). The provisional agreement reviews the alternative investment fund managers directive, which governs managers of hedge funds, private equity funds, private debt funds, real estate funds and other alternative investment funds in the EU.

PRODUCT OVERSIGHT AND GOVERNANCE E

(20/07/2023) EIOPA – Supervisors across Europe continue to strengthen POG supervision

The European Insurance and Occupational Pensions Authority (EIOPA) has published a peer review report on product oversight and governance (POG). This is the first peer review in the area of conduct of business supervision to assess how national supervisors in the European Economic Area (EEA) are supervising the application of POG requirements by insurance manufacturers. Most national competent authorities (NCAs) have adapted their supervisory approaches and processes to the supervision of POG requirements in line with the provisions introduced by the Insurance Distribution Directive (IDD).

CAPITAL TEST CL

(25/07/2023) EBA - The EBA consults on Guidelines on the application of the group capital test for investment firm groups

The European Banking Authority (EBA) has launched a consultation on the draft Guidelines on the application of the group capital test for investment firm groups. These Guidelines aim at setting harmonised criteria to address the observed diversity in the application of the group capital test across the EU. In particular, the Guidelines identify criteria to assist Competent Authorities in their assessment of the simplicity of the group structure and the significance of the risk posed to clients and the market. The consultation runs until 25 October 2023.

FUNDING REPORT ON FINANCIAL SECTOR O

(25/07/2023) EBA - Banks plan to issue more debt instruments to counterbalance expected decline in central bank funding, the EBA funding plans Report shows

The European Banking Authority (EBA) has published its annual funding plans Report, covering 159 banks that submitted their funding plans for a forecast period from 2023 to 2025. The plans show banks' intentions to increase market-based funding over the forecast period. As extraordinary long-term central bank funding matures, banks plan to shift to short-term and long-term debt securities instead. This changing funding composition is particularly relevant in 2023 and 2024 when high amounts of central bank funding mature (TLTRO) and MREL targets become applicable. The Report highlights a sizable increase in banks' interest margin, with interest rates for loans rising faster than for deposits. Central bank rate hikes and the rise in spreads for market-based funding instruments have contributed to higher funding costs.

Other publications of interest
European region

CRITICAL ENTITIES O

(25/07/2023) EC - Enhancing EU resilience: A step forward to identify critical entities for key sectors

The European Commission (EC) has adopted a list of essential services in the eleven sectors covered by the Critical Entities Resilience Directive (CER), which entered into force on 16 January 2023. Critical entities provide essential services in upholding key societal functions, supporting the economy, ensuring public health and safety, and preserving the environment. Member States will have to identify the critical entities for the sectors set out in the CER Directive by 17 July 2026. They will use this list of essential services to carry out risk assessments and to then identify the critical entities. Once identified, the critical entities will have to take measures to enhance their resilience.

DRAFT GUIDELINES ON REGISTERS OF CREDIT SERVICES C

(26/07/2023) EBA - The EBA consults on Guidelines on the establishment of national lists or registers of credit services

The European Banking Authority (EBA) has launched a public consultation on its draft Guidelines on the establishment and maintenance of national lists or registers of credit servicers under Directive 2021/2167 (the Credit Servicers Directive, CSD). The consultation runs until 26 October 2023.

ASSESMENT REPORT C

(27/07/2023) ESMA - ESMA and the EBA assess the implementation of the revised Shareholder Rights Directive and identify areas for progress

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, jointly with the European Banking Authority (EBA), have published a Report assessing the implementation of the Shareholder Rights Directive 2 (SRD2). This assessment, carried out in response to a European Commission's request, identifies areas for further progress and provides detailed suggestions for policy action in relation to the Directive's effectiveness, difficulties in practical application and the appropriateness of the scope of application.

STRESS TEST RESULTS D

(31/07/2023) EBA - EBA publishes the results of its 2023 EU-wide stress test

The European Banking Authority (EBA) has published the results of its 2023 EU-wide stress test, which involved 70 banks from 16 EU and EEA countries, covering 75% of the EU banking sector assets. This year's stress test includes some important enhancements compared to past stress test exercises. These enhancements include an increased sample with 20 more banks, the introduction of top-down elements for net fees and commission income (NFCI), and a detailed analysis on banks' sectoral exposures. Among the main results it highlights that: i) A combination of regulatory reforms and bank efforts have resulted in clear improvements for EU banks in both capital positions and asset quality since the Global Financial Crisis; ii) EU banks on average finish the exercise with a fully loaded CET1 capital ratio above 10%. This shows that banks hold sufficient capital to continue to support the economy also in times of severe stress; iii) Loss rates are similar to the 2021 EU-wide stress test; iv) Losses on large corporates and SMEs account over half of total credit losses. The manufacturing sector accounts for around a fifth of the losses on corporates, with loss rates for energy intensive companies being notably higher; v) Market risk losses amount to EUR 136bn (-160 bps) in the first year of the adverse scenario; and vi) Market risk losses amount to EUR 136bn (-160 bps) in the first year of the adverse scenario.

ESRS S

(31/07/2023) EC - Sustainable Finance: Commission adopts the European Sustainability Reporting Standards/ Questions and Answers on the Adoption of European Sustainability Reporting Standards

The European Commission (EC) has adopted the European Sustainability Reporting Standards (ESRS) for use by all companies subject to the Corporate Sustainability Reporting Directive (CSRD). The final document has not changed the last amendments introduced by the EC in the ESRS proposal. As a result, the final document sets that all disclosure requirements, with the exception of a set of general disclosures, will be subject to materiality assessments. In this regard, the EC published a Q&A following the adoption of the ESRS, which points out that disclosure requirements subject to materiality are not voluntary. The information in question must be disclosed if it is material, and the undertaking's materiality assessment process is subject to external assurance in accordance with the provisions of the Accounting Directive.The EC Delegated Regulation is in force until it is published in the Official Journal.

Other publications of interest
European region

FINANCIAL SOUNDNESS INDICATORS CL

(02/08/2023) EBA - The EBA updates guidance on reporting of Financial Soundness Indicators to the International Monetary Fund

The European Banking Authority (EBA) has published an updated guidance on how to compile and report to the International Monetary Fund (IMF) the Financial Soundness Indicators (FSI) based on EBA data. FSIs provide insight into the financial health and soundness of countries' financial institutions as well as corporate and household sectors, thus supporting the economic and financial stability analysis.

MARKET RISK CL

(03/08/2023) EBA - The EBA consults on technical standards to identify extraordinary circumstances to derogate from certain requirements in the area of market risk

The European Banking Authority (EBA) has launched a public consultation on draft Regulatory Technical Standards (RTS) to identify extraordinary circumstances of market disruption, permitting to waive certain requirements for the calculation of own funds requirements for market risk on the basis of internal models. The consultation runs until 3 November 2023.

RESOLUTION EXAMINATION PROGRAMME R

(03/08/2023) EBA - The EBA publishes its first Report on the implementation of the European Resolution Examination Programme

The European Banking Authority (EBA) has published for the first time a Report which monitors the progress made by resolution authorities in embedding the key topics identified in the EBA's 2022 European Resolution Examination Programme (EREP) into their respective priorities and resolution colleges in 2022. The Report observes that, overall, resolution authorities incorporated the work priorities set by the EBA, with MREL monitoring being a key focus. The EREP priorities set for 2024 mainly confirmed the areas of focus set for 2023 although with updated specific elements and extension of the operationalisation of the bail-in tool to cover the operationalisation of the resolution strategy more generally

MACHINE LEARNING T

(04/08/2023) EBA - The EBA publishes follow-up Report on the use of machine learning for internal ratings-based models

The European Banking Authority (EBA) has published a follow-up Report presenting the feedback received during the consultation on machine learning (ML) used in the context of internal ratings-based (IRB) models. This follow-up Report summarises the main conclusions from the consultation and provides an overview of the current use cases of ML techniques for IRB models. In this Report, the EBA reiterated its recommendations proposed in the discussion paper, which were broadly supported by the respondents, aiming at ensuring a prudent use of machine learning models in the context of the IRB framework. Additionally, this follow-up Report also discussed the interaction with two other legal frameworks, namely the General Data Protection Regulation (GDPR) and the Artificial Intelligence (AI) Act and called for some clarifications in order to reduce legal uncertainty and avoid unintended consequences of the AI Act.

IRB RATING SYSTEMS CL

(07/08/2023) EBA - EBA updates timeline for the implementation of the IRB roadmap and publishes its final supervisory handbook for the validation of IRB rating systems

The European Banking Authority (EBA) has updated its roadmap for the implementation of internal ratings based (IRB) model requirements to limit compliance costs for institutions. The EBA also published its final supervisory handbook for the validation of IRB rating systems to clarify the role of the validation function as part of corporate governance. On the one hand, in light of the upcoming implementation of the Basel III standards in the European framework, the EBA considers that the implementation of the IRB repair requirements for loss given default (LGD) and credit conversion factor (CCF) models that cover portfolios no longer eligible for the revised advanced internal ratings based (AIRB) approach in accordance with the final Basel III framework (i.e. large corporates, institutions and financial sector entities portfolios) may be postponed to the date of entry into force of the future Capital Requirements Regulation (CRR 3). On the other hand, the IRB validation handbook provides an overview of the validation framework and describes the elements where the validation function is expected to form an opinion, without prescribing any specific methodology. The handbook also clarifies the relationship of the validation function with other functions related to corporate governance, such as the credit risk control unit and the internal audit.

Other publications of interest

European region

IRRBB DATA E

(07/08/2023) EBA - The EBA is collecting bank data on interest rate risk in the banking book

The European Banking Authority (EBA) has published its Decision to run an ad-hoc data collection of institutions' interest rate risk in the banking book (IRRBB) data. This data collection will provide competent authorities and the EBA with timely and necessary data and tools to monitor risks arising from interest rate changes and the implementation of the IRRBB scrutiny plan. The ad-hoc collection follows a proportionate approach, as it will apply only to those institutions that are already providing IRRBB data in the context of the QIS exercise and include the same templates that these institutions will have to report once the final ITS on IRRBB reporting starts applying. The submission reference date for this ad-hoc collection is set as of 31 December 2023. Competent authorities will need to submit institutions' data to the EBA by March 2024.

MYSTERY SHOPPING E

(08/08/2023) EBA - The EBA's recent mystery shopping exercise shows the value this tool adds to the supervisory tasks of national authorities

The European Banking Authority (EBA) has published a Report on its mystery shopping exercise into personal loans and payment accounts. The exercise confirmed that mystery shopping is a tool that adds immense value to the supervision of national competent authorities and is complementary to other more conventional tools or approaches. It delivers first-hand information about, and insight into, the conduct of financial Institutions towards consumers visiting a branch or using a digital channel

G-SIIs O

(21/08/2023) EBA - The EBA updates data used for the identification of global systemically important institutions (G-SIIs)

The European Banking Authority (EBA) has updated the 13 systemic importance indicators and underlying data for the 32 largest institutions in the EU whose leverage ratio exposure measure exceeds EUR 200 bn. This disclosure includes updated data items specific to the recognition of the Banking Union and of institutions that are part of the Single Resolution Mechanism. Acting as a central data hub in the disclosure process, the EBA updates this data on a yearly basis and provides user-friendly tools to aggregate it across the EU.

TRENDS, RISK AND VULNERABILITY O

(30/08/2023) ESMA - Trends, Risks and Vulnerabilities (TRV) Report of 2023

The European Securities and Markets Authority (ESMA) has publishes the second Trends, Risks and Vulnerabilities (TRV) Report of 2023. Financial markets rebounded in the first half of 2023 against the background of lower energy prices and expectations of a slower pace of monetary tightening. The EU market for ESG products and sustainable investments has continued to grow at a robust pace. The demand for funds with a sustainable investment objective remained strong.

INSURANCE STATISTICS E

(04/09/2023) EIOPA - Insurance statistics for Q1 2023

The European Insurance and Occupational Pensions Authority (EIOPA) has published a comprehensive statistics on (re)insurance undertakings and groups active in the European Economic Area (EEA). As of Q1 2023, EEA (re)insurers held €8.57 trillion in assets. Most of these assets are allocated to investment funds, government bonds, corporate bonds and equity. These four categories together make up 88% of all investments. The remaining 12% of the assets is held in cash or invested in mortgages and loans, property and structured notes. The statistics contain aggregated country level information about balance sheet, own funds, premiums, claims and expenses, asset exposures, use of transitional and LTG measures.

ECONOMY-WIDE CLIMATE STRESS TEST S D

(06/09/2023) ECB - Faster green transition would benefit firms, households and banks, ECB economy-wide climate stress test finds

The European Central Bank (ECB) has published the results of its second economy-wide climate stress test. The results show that the best way to achieve a net-zero economy for firms, households and banks in the euro area is to accelerate the green transition to a rate that is faster than under current policies. The stress test analyses the resilience of firms, households and banks to three transition scenarios (accelerated, late-push and delayed transition), which differ in terms of timing and ambition. The results show that firms and households clearly benefit from a faster transition. While a speedier transition initially involves greater investment and higher energy costs, financial risks decrease significantly in the medium term.

Other publications of interest

European region

UPDATED REPORTING MANUAL O

(06/09/2023) ESMA - ESMA updates the europena single electronic format reporting manual

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, have published the annual update of its Reporting Manual on the European Single Electronic Format (ESEF). ESMA updated the ESEF Reporting Manual to provide technical improvements, such as: clarifying the formats of images embedded in the xHTML document; updating Data Type Registry references; and fixing previously identified errors.

ITS VALIDATION RULES E

(11/09/2023) EBA - EBA issues revised list of ITS validation rules

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

ADJUSTING ACCOUNTING DIRECTIVE P

(13/09/2023) EC - Adjusting SME size criteria for inflation Initiative

The European Commission (EC) has announced the adjustment of the size criteria for small and medium-sized enterprises (SME) to account for the impact of inflation. This initiative will amend the thresholds of the Accounting Directive that have remained unchanged since 2013. By raising the thresholds, an increase will result in micro, SME enterprises not being made subject to many European Union (EU) financial and sustainability reporting provisions applicable to larger companies.

SFDR REGULATION S

(15/09/2023) EC - Report on the Sustainable Finance Disclosure Regulation

The European Commision (EC) has launched to consultation a comprehensive assessment of the Sustainable Finance Disclosure Regulation (SFDR). The main topic covered in the report are : i) the current requirements of SFDR as it is today in order to explore how the regulation is working in practice, and ii) potential changes and evolution of the regulation by assessing possible options to address any potential shortcomings. Comments to the document can be sent before 15 December 2023.

REPORT ON RISKS AND VULNERABILITIES O

(18/09/2023) EBA - ESAs warn of risks resulting from a fragile economic outlook

The European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authorities (ESMA) - ESAs issued their Autumn 2023 Joint Committee Report on risks and vulnerabilities in the EU financial system. The Report underlines the continued high economic uncertainty. The ESAs warn national supervisors of the financial stability risks stemming from the heightened uncertainty, and call for vigilance from all financial market participants.

RESOLVABILITY ASSESSMENT R

(19/09/2023) SRB - Assessment of banks' resolvability across the Banking Union

The Single Resolution Board (SRB) has published the results of its annual resolvability assessment, covering the year 2022. The report takes stock of the progress made by banks in being considered resolvable, implementing the SRB Expectations for Banks and building up the minimum requirement for eligible liabilities and own funds (MREL).

BEFIT INICIATIVE O

(19/09/2023) EC - Framework for Income Taxation (BEFIT)

The European Commission (EC) has announced the Framework for Income Taxation (BEFIT). The Framework will propose a comprehensive solution for business taxation in the European Union (EU). This initiative aims to introduce a common set of rules for EU companies to calculate their taxable base while ensuring a more effective allocation of profits between EU countries, based on a formula. It will also aim to reduce compliance costs and create a coherent approach to corporate taxation in the EU.

Other publications of interest
European region

Spain

Cybersecurity T C

(13/07/2023) CNMV - Nuevo Código de Buen Gobierno de la Ciberseguridad

The National Securities Market Commission (CNMV) has published the Code of Good Governance in Cybersecurity, which has been drawn up by the National Cybersecurity Forum. This forum is a group of experts in this area that has analyzed the various existing regulations and standards from a practical and current perspective in order to improve good corporate governance in this area. This code provides recommendations organised into principles that can be used by any organisation seeking to implement appropriate cyber security governance.

Artificial Intelligence Supervisory Agency T E

(02/09/2023) Cortes - Royal Decree 729/2023, of 22 August, approving the Statute of the Spanish Agency for Supervision of Artificial Intelligence

The Spanish Government has approved the Statute of the Spanish Agency for the Supervision of Artificial Intelligence (AI) which stems from the requirements of the proposed Artificial Intelligence Regulation containing a series of obligations to be assumed by a designated national supervisory authority. The Agency will be responsible for the assumption of all those matters and competences that must be assumed by the Kingdom of Spain, as a Member State of the European Union (EU) in the field of AI, especially those related to supervision.

Climate change report S

(12/09/2023) BdE - AMCESFI's first report on climate change risks for the Spanish financial system

The Bank of Spain, the National Securities Market Commission and the Directorate General of Insurance and Pension Funds, within the framework of the Macroprudential Authority Financial Stability Board (AMCESFI), have prepared the first biennial Climate Change Risk Report for the Financial System, thereby fulfilling the mandate established in Law 7/2021 of 20 May on Climate Change and Energy Transition. The analysis provides information on the channels through which the effects of climate change are transmitted to the financial system, and allows us to see the need to act in order to undertake a gradual and orderly ecological transition.

Corporate governance and remuneration G

(13/09/2023) CNMV - The CNMV publishes the 2022 corporate governance and directors' remuneration report for listed companies

The Comisión Nacional del Mercado de Valores (CNMV) publishes the annual reports corresponding to financial year 2022 regarding the Annual Corporate Governance Reports and the Annual Reports on Directors' Remuneration of listed companies. Both documents reflect, in aggregate and summarised form, the main conclusions of the information on both matters that the companies have sent to the CNMV. The main conclusions are that the presence of women on boards exceeded 30% (31.9%) for the first time. The number of female executive directors increased slightly to 6.7% and the average remuneration of directors decreased by 4.4%.

Digitalisation and cybersecurity T

(13/09/2023) MINECO - Expression of Interest for the Digitisation and Cybersecurity of the Media, Print and Digital Sector

The Ministry of Economic Affairs and Digital Transformation (MINECO) is launching this Expression of Interest in order to identify the needs and priorities of the media, print and digital media with regard to their digitisation, in each of their subsectors and activities, in order to articulate in the most efficient way a programme of support for activities and investments to extend digitisation in these media. This Expression of Interest is part of the actions promoted by the Strategic Project for Economic Recovery and Transformation (PERTE) New Language Economy. The expression of interest can be sent before 14 October 2023.

Other publications of interest

European region

SECURITIES MARKETS ACT C

(19/09/2023) MINECO – Draft Royal Decree on financial instruments, admission to trading, registration of negotiable securities and market infrastructures/Draft Royal Decree approving the implementing regulations of Law 35/2003 of 4 November on collective investment undertakings/Draft Royal Decree developing the administrative powers and faculties of the National Securities Market Commission/Draft Royal Decree on the legal regime for investment services companies and other entities providing investment services

The Ministry of Economic Affairs and Digital Transformation (MINECO) has published four draft Royal Decrees that develop certain provisions of the Securities Markets and Investment Services Law (LMVSI), with the aim of aligning the Spanish regulatory framework with the European one. The first draft develops matters relating to the registration of negotiable securities and their admission to trading, as well as the regime governing central counterparties and central securities depositories. The second draft develops the new developments in collective investment incorporated in the Law on Business Creation and Growth and in the Law on Securities Markets and Investment Services. The third draft specifies and details the actions of the National Securities Market Commission (CNMV) in aspects such as administrative registers and the powers of cooperation and coordination with other supervisory authorities. The last one develops the authorisation regime, organisational measures, financial and solvency requirements and rules of conduct to be observed by national investment services firms and financial advisory firms.

United Kingdom

GUIDANCE ON TRADING VENUE C

(05/07/2023) FCA - PS23/11: Guidance on the trading venue perimeter

The Financial Conduct Authority (FCA) has issued a new guidance on the regulatory perimeter for trading venues. The guidance provides greater clarity on when firms may be operating a multilateral system and so require authorisation as a trading venue. The guidance clarifies the interpretation of the different elements of the definition of a multilateral system and how it applies to specific types of arrangements in financial markets. This guidance will come into force on 9 October 2023

MARGIN REQUIREMENTS O

(18/07/2023) PRA/FCA – CP13/23: Margin requirements for non-centrally cleared derivatives: Amendments to BTS 2016/2251 | Bank of England

The Bank of England (BoE) has published a consultation paper (CP) which sets out the Prudential Regulation Authority's (PRA) and Financial Conduct Authority's (FCA) proposal to extend the temporary exemptions for single-stock equity options and index options from the UK bilateral margining requirements from 4 January 2024 until 4 January 2026. This CP also sets out the PRA's and the FCA's proposed approach to model pre-approval in relation to bilateral initial margin models.

PILLAR 3 D

(19/07/2023) BoE – CP14/23: Pillar 3 remuneration disclosure

Bank of England (BoE) has published a consultation paper (CP) which sets out the Prudential Regulation Authority's (PRA) proposals to enhance proportionality of Pillar 3 remuneration disclosure requirements, by reducing the number of remuneration disclosures required for many smaller banks and building societies.

EXPECTATIONS ON CREDIT UNIONS E

(26/07/2023) PRA- SS2/23 – Supervising credit unions

The Prudential Regulation Authority (PRA) have published a supervisory statement that sets out the PRA's expectations of credit unions with regards to the Credit Union rules, which apply to all UK credit unions as defined in the Credit Union Part of the PRA Rulebook.

UPDATING THE UK STANDARDS G

(27/07/2023) BoE - CP16/23 – Updating UK Technical Standards on the identification of global systemically important institutions (G-SIIs)

The Bank of England (BoE) has published a consultation paper (CP) that sets out the Prudential Regulation Authority's (PRA) proposed updates to the UK methodology for the identification of, and setting of a capital buffer for, global systemically important institutions (G-SIIs), to be in line with the BCBS framework. The proposals in this Consultation Paper would result in changes to the UK Technical Standards (the UKTS) for the methodology used to identify G-SIIs in line with the BCBS framework.

Other publications of interest
European region

SECURITISATION REGULATION O

(27/07/2023) PRA - CP15/23 – Securitisation: General requirements

The Prudential Regulation Authority (PRA) has published a Consultation Paper (CP) which sets out the PRA's proposed rules to replace EU Securitisation Regulation requirements on PRA-authorised persons in: i) provisions of the Securitisation Regulation for which the PRA has supervisory responsibility; the related Risk Retention Technical Standards; and the related Disclosure Technical Standards. This CP also covers adjustments to the scope of PRA supervisory statement (SS) 10/18 on General requirements and capital framework regarding Securitizations. Further, it explains the circumstances in which the PRA envisages using a new power for disapplying or modifying proposed rules on the use of resecuritisations. This consultation closes on Monday 30 October 2023.

SUSTAINABILITY DISCLOSURE STANDARDS S D

(02/08/2023) UK.gov - UK Sustainability Disclosure Standards

The UK government has unveiled plans to create UK Sustainability Disclosure Standards (SDS) which will set out corporate disclosures on the sustainability-related risks and opportunities that companies face. They will form the basis of any future requirements in UK legislation or regulation for companies to report on risks and opportunities relating to sustainability matters, including risks and opportunities arising from climate change. UK SDS will be based on the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB). The UK government aims to make endorsement decisions on the first 2 standards by July 2024.

POLICY STATEMENT ON FINANCIAL PROMOTIONS O

(12/09/2023) FCA - PS23/13: Introducing a gateway for firms who approve financial promotions

The Financial Conduct Authority (FCA) has published a policy statement on Introducing a gateway for firms who approve financial promotions. With the new gateway, where financial promotion is defined as an invitation or inducement to engage in an investment activity. This PS regulates how the FCA will assess applicants and on what basis it will grant or refuse applications, as well as the reporting requirements for firms authorised to approve financial promotions.

Other publications of interest
American region

United States

CAPITAL REQUIREMENTS CL

(27/07/2023) FED - Federal Reserve Board announces the individual capital requirements for all large banks, effective on October 1

The Federal Reserve Board (FRB), following its stress test earlier this year, have announced the individual capital requirements for all large banks, effective on October 1. The large bank capital requirements are in part determined by the Board's stress test results, which provide a risk-sensitive and forward-looking assessment of capital needs.

LIQUIDITY RISKS AND CONTINGENCY PLANNING CL

(28/07/2023) Fed - Agencies update guidance on liquidity risks and contingency planning

Federal financial institution regulatory agencies have updated their existing guidance on liquidity risks and contingency planning. The updated guidance highlights that depository institutions should regularly evaluate and update their contingency funding plans and encourages depository institutions to incorporate the discount window as part of their contingency funding plans

NOVEL ACTIVITIES SUPERVISIÓN T E

(08/08/2023) Fed - Federal Reserve Board provides additional information on its program to supervise novel activities in the banks it oversees

The Federal Reserve (Fed) Board has provided additional information on its program to supervise novel activities in the banks it oversees. Novel activities include complex, technology-driven partnerships with non-banks to provide banking services to customers; and activities that involve crypto-assets and distributed ledger or "blockchain" technology. Additionally, the Board has provided additional information on the process for a state bank supervised by the Federal Reserve to follow before engaging in certain dollar token or stablecoin activity, including demonstrating to its Federal Reserve supervisors that it has appropriate safeguards to conduct the activity safely and soundly.

NEW RULES UNDER THE ADVISERS ACT C

(23/08/2023) SEC - Private Fund Advisers; Documentation of Registered Investment Adviser Compliance Reviews

The US Securities and Exchange Commission (SEC) has adopted new rules that are designed to protect investors who directly or indirectly invest in private funds by increasing visibility into certain practices involving compensation schemes, sales practices, and conflicts of interest through disclosure; establishing requirements to address such practices that have the potential to lead to investor harm; and restricting practices that are contrary to the public interest and the protection of investors. The new rules require registered investment advisers to private funds to provide transparency to their investors regarding the fees and expenses and other terms of their relationship with private fund advisers and the performance of such private funds. The effective date is 60 days after its publication.

RESOLUTION PLANS R

(29/08/2023) Fed - Agencies propose guidance to enhance resolution planning at large banks

The Federal Deposit Insurance Corporation (FDIC) and Federal Reserve Board (Fed) invited public comment on proposed guidance to help certain large bank holding companies further develop their resolution plans. These resolution plans describe a bank holding company's strategy for rapid and orderly resolution under bankruptcy in the event of material financial distress or failure.

ELECTRONIC DATA T

(13/09/2023) SEC - Proposed Rule EDGAR Next

The Securities and Exchange Commission (SEC) is proposing rule and form amendments concerning access to and management of accounts on the Commission’s Electronic Data Gathering, Analysis, and Retrieval system (EDGAR). The proposed amendments would require EDGAR filers to authorize identified individuals who would be responsible for managing filers’ EDGAR accounts. In addition, individuals acting on behalf of filers on EDGAR would need individual account credentials to access those EDGAR accounts and make filings.

Other publications of interest
American region

LONG-TERM DEBT CL

(19/09/2023) FDIC - Long-Term Debt Requirements for Large Bank Holding Companies, Certain Intermediate Holding Companies of Foreign Banking Organizations, and Large Insured Depository Institutions

The Federal Deposit Insurance Corporation (FDIC), Board of Governors of the Federal Reserve System (Fed), and Office of the Comptroller of the Currency (OCC) have proposed a rule that would require certain large banks to have outstanding a certain amount of long-term debt. This debt could make it easier to resolve these banks if they fail. Comments can be sent by 30 November 2023.

RESOLUTION PLANS R

(19/09/2023) FDIC - Resolution Plans Required for Insured Depository Institutions

The Federal Deposit Insurance Corporation (FDIC) has proposed to amend 12 CFR 360.10, requiring banks with $50 billion or more in total assets to submit resolution plans to the FDIC. The proposed rule would revise the content and timing of banks' submissions and require interim supplements. Banks with $100 billion or more in total assets would submit resolution plans; banks with total assets between $50 and $100 billion would submit informational filings. The proposed rule would also amend requirements for resolution plan credibility assessments, expand engagement and capabilities testing, and clarify expectations regarding the review and enforcement of banks' compliance with the rule. Comments to this proposal can be sent by 30 November 2023

Mexico

REGULATORY PROPOSAL TO FINANCIAL INSTITUTIONS AND INVESTMENT SERVICES IN MEXICO G

(03/08/2023) CONAMER - Resolution modifying the general provisions applicable to financial institutions and other persons that provide investment services

The National Commission for Regulatory Improvement (CONAMER) has published the preliminary draft of a Regulatory Proposal modifying the general provisions applicable to financial institutions and other persons providing investment services. The purpose of the regulation is to update the current regulatory framework in order to bring it into line and keep it consistent with the financial laws (Securities Market Law and Investment Funds Law) in force. Several articles are amended, including those relating to the letter of agreement that persons must sign in order to be considered Sophisticated Clients and those relating to the provision of Investment Services. Several annexes are replaced, such as those relating to the elements for determining both the client and the financial product profile. Two articles are added, one on the client and product profile and the other on the obligations of Investment Advisors.

Brazil

REGULATORY INSTRUCTION IN BRAZIL CL

(25/08/2023) BCB- BCB Regulatory Instruction n° 408 of 25/8/2023

The Central Bank of Brazil (BCB) has published BCB Regulatory Instruction n° 408 of 25 August 2023. The BCB amends the Regime and supplementary instructions on credit information for emergency programs of document 3040 - Credit Risk Data, of the Credit Information System (SCR), referred to in Circular 3,870 of 19 December 2017 and Circular 3,869 of 19 March 2018.

CIRCULAR ON THE PROVISION OF CERTIFICATES IN BRAZIL P

(28/07/2023) Susep- Susep publishes Circular on certificate provisioning

The Superintendency of Private Insurance (Susep) published in the Official Gazette of Brazil Susep Circular no. 691, of 24 July 2023, on the provision of certificates by Operationally Independent Government Agencies (Autarkies). The rule, which increases the sector's transparency vis-à-vis society, in addition to having positive consequences for supervision, was approved by the Board of Directors at a meeting held on 19 July 2023.

Other publications of interest
American region

Peru

Debtor assessment in Peru G

(19/07/2023) SBS - Changes to Debtor Assessment Regulations

The Superintendency of Banking, Insurance and Pension Fund Administrators (SBS) has published a Draft Resolution approving regulatory amendments to the Evaluation and Classification of the Debtor and the Provisions Requirement Regulation, the Effective Equity Requirement for Credit Risk Regulation, the Credit Risk Management Regulation, and the Internal Audit Regulation.

Effective net worth requirement in Peru C

(21/07/2023) SBS - Changes to the Effective Net Worth Requirement Regulation

The Superintendency of Banking, Insurance and Pension Fund Administrators (SBS) has published a Draft Resolution approving regulatory amendments to the Effective Equity Requirement for Market Risk Regulation; the Effective Equity Requirement for Operational Risk Regulation; the Effective Equity Requirement for Additional Risks Regulation, and the Accounting Manual for Companies in the Financial System.

Approval of report N.36-A in Peru D

(23/08/2023) SBS - Draft Resolution approving Report No. 36-A entitled "Detail of interest rates for non-revolving consumer, microenterprise and small business loans".

The Superintendency of Banking, Insurance and Pension Fund Administrators (SBS) has published a draft resolution approving Report No. 36-A entitled "Detail of the application of interest rates for non-revolving consumer, microenterprise and small business loans". The report must be submitted every six months by companies included in article 16 of the General Law, by Banco de la Nación and by Banco Agropecuario, through a secure channel implemented in the Portal del Supervisado. This report must be submitted within forty-five calendar days following the closing date of each period. The information submitted should only include operations relating to non-revolving consumer, microenterprise and small business loan disbursed as of the effective date of Circular No. 0008-2021-BCRP. This Resolution covers information for the six-month period from November 1, 2023 to April 30, 2024, which must be submitted by June 14, 2024 at the latest..

Amendment to SBS resolution N. 2368-2023 in Peru R

(28/08/2023) SBS - Amendment to SBS Resolution N° 2368-2023 specifying that this rule does not apply to Level 2 Coopacs with total assets greater than 32,200 UIT and Level 3 Coopacs.

The Superintendency of Banking, Insurance and Pension Fund Administrators (SBS) has published an amendment to SBS Resolution No. 2368-2023, establishing that this Resolution will not apply to level 2 Savings and Credit Cooperatives Not Authorised to Capture Resources from the Public (Coopac) with total assets greater than 32,200 UIT or to level 3 Coopacs. This Resolution came into force the day after its publication in the official gazette El Peruano.

Regulatory changes in Peru T

(29/08/2023) SBS - Draft amending the Information Security Management and Cybersecurity Regulation

The Superintendency of Banking, Insurance and Pension Fund Administrators (SBS) has published a Draft amending the country’s Information Security and Cybersecurity Regulation. This Regulation modifies the Article on user registration for services provided through digital channels and the Circular on insurance products subject to the simplified KYC and CDD regime. This Resolution came into force on the day following its publication in the Official Gazette El Peruano.

Other publications of interest
American region

Chile

POLICY GUIDLINES IN CHILE G

(03/07/2023) CMF - Publishes policy document with guidelines on stress testing in banks

The Financial Market Commission (CMF) has published for comments a document with guidelines on stress testing in banking institutions. The document provides guidelines on the processes and methodologies for conducting stress tests in banking in Chile, as part of the risk management and capital and liquidity adequacy self-assessment process. The CMF is available for comments and requests for clarification from interested parties until Friday 14 August 2023.

CREDIT INFORMATION IN CHILE CL

(07/07/2023) CMF - New circular for banks and cooperatives on the submission of credit information

The Financial Market Commission (CMF) has executed an agreement approving the circular for banks and cooperatives, which regulates the submission of information on credits covered by the Special Guarantee Fund created by Law No. 21.543, and which excludes the formalities provided for in the first paragraph of numeral 3 of article 20 of D.L. No. 3.538..

(07/07/2023) CMF - Banks, Savings and Credit Cooperatives

The Financial Market Commission (CMF) has updated the information requirements for financial institutions covered by the Special Guarantee Fund (FOGAES). Institutions will have to send monthly the C70 file with transactions subject to provisions for credit risk guaranteed by specific programmes. In addition, they will have to send the new file D62 with daily interest rates of guaranteed operations, as well as file E26 with details of financing requests backed by FOGAES.

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Alert System on Regulation

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Main organisms being monitored

Global

FSB,BCBS, IASB, IOSCO, IAIS

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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